

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES	)	CASE NO.
OF EAST KENTUCKY POWER	)	2006-00472
COOPERATIVE, INC.	)	

THIRD DATA REQUEST OF COMMISSION STAFF  
TO EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 15, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. Responses to requests for information shall be appropriately indexed, for example, Item 1(a), Sheet 2 of 6, and shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be under oath or, for representatives of a public or private corporation, a partnership, an 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 upon the basis of which it knows 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 to furnish all or part of the requested information, EKPC shall provide a written explanation of the specific grounds for its failure to furnish.

Careful attention shall be given to copied material to ensure its legibility. 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 provided for total company operations and jurisdictional operations, separately.

1. Refer to the Application, Exhibit D. Explain why EKPC is proposing to eliminate the Economic Development Rider.

2. Refer to the Application, Exhibit F. Provide all workpapers, calculations, assumptions, and other documentation that support the adjustments presented on Schedules 3 through 9, 11, 15, 19, and 23 through 25.

3. Refer to the Application, Exhibit F, Schedule 1. Concerning the Fuel Adjustment Clause ("FAC"):

a. Provide a schedule showing the monthly FAC revenues and FAC expenses for the 12 months of the test year, all proposed adjustments to the FAC revenues and FAC expenses, and the adjusted test-year-end balances for the FAC revenues and FAC expenses.

b. If the adjusted test-year-end balance for the FAC revenues does not equal the adjusted test-year-end balance for the FAC expenses, explain why EKPC did not propose an additional adjustment that would match the FAC revenues with the FAC expenses.

4. Refer to the Application, Exhibit F, Schedule 1. Explain why EKPC has proposed a “synchronization” adjustment for its environmental surcharge.

5. In Case Nos. 1998-00426<sup>1</sup> and 1998-00474,<sup>2</sup> the Commission excluded the environmental surcharge-related assets, expenses, and revenues of Louisville Gas and Electric Company and Kentucky Utilities Company from the determination of earnings. In Case No. 2005-00341,<sup>3</sup> Kentucky Power Company (“Kentucky Power”) proposed that its environmental surcharge should be “rolled in” to its base rates and this action should be reflected in the base period revenue requirement component of the surcharge mechanism. The settlement agreement approved in that case adopted Kentucky Power’s proposal.

a. Provide the following financial statements as of test-year end:

(1) A balance sheet with adjustments to exclude all test-year-end balances for environmental surcharge-related assets and accumulated depreciation.

(2) An income statement with adjustments to exclude all environmental surcharge-related revenues and expenses for the 12-month period.

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<sup>1</sup> Case No. 1998-00426, Application of Louisville Gas and Electric Company for Approval of an Alternative Method of Regulation of Its Rates and Service, final Order dated January 7, 2000, at 60-62 and 77.

<sup>2</sup> Case No. 1998-00474, The Application of Kentucky Utilities Company for Approval of an Alternative Method of Regulation of Its Rates and Service, final Order dated January 7, 2000, at 56-58 and 74-75.

<sup>3</sup> Case No. 2005-00341, General Adjustments of Electric Rates of Kentucky Power Company, final Order dated March 14, 2006, at 13.

b. Assume that EKPC's environmental surcharge was going to be rolled into its base rates. Calculate the revised base period revenue requirement that would reflect this roll-in. Include all calculations and assumptions.

c. Of the two approaches the Commission has previously utilized concerning the treatment of the environmental surcharge during a rate case, indicate which approach EKPC would prefer and explain why it selected that approach, or explain why it believes a different approach is appropriate.

6. Refer to the Application, Exhibit F, Schedule 2.

a. Explain in detail how EKPC reached the conclusion that the proposed adjustment should be based on a 5-year average.

b. Would a 3-year average accomplish the desired result of smoothing out the annual fluctuation in interest income? Explain the response.

c. Explain why the interest income for calendar years 2003 and 2004 appear to be significantly below the income earned in other periods.

d. EKPC has reported interest income for the test year of \$7,542,150 and for calendar year 2006 of \$8,432,882.<sup>4</sup> Explain in detail why these levels are significantly higher than the annual interest incomes for calendar years 2001 through 2005.

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<sup>4</sup> Case No. 2006-00455, An Investigation of the Financial Condition of East Kentucky Power Cooperative, Inc., Supplement Responses to Commission Staff's Supplemental Data Request to East Kentucky Power Cooperative, Inc., dated January 3, 2007, filed April 13, 2007, Item 1(a), page 4 of 37.

e. Provide a schedule showing the end-of-month interest income amounts and the corresponding balance of investments that generated the interest income for the months of January 2005 through and including March 2007.

7. Refer to the Application, Exhibit F, Schedule 3, page 2 of 3. Define the term "IDC" as it is used on the schedule.

8. Refer to the Application, Exhibit F, Schedule 4. Provide a breakdown by account number of the total test-year actual wages and salaries of \$40,826,816.

9. Refer to the response to the Commission Staff's Second Data Request dated February 20, 2007, Item 2(a). Provide an update of the response.

10. During the March 22, 2007 public hearing, EKPC disclosed that it initiated an "early-out" retirement program for employees in the first quarter of 2007.<sup>5</sup> Provide the following information concerning the early-out retirement program:

a. A description of the terms and conditions of the program, including a discussion of eligibility requirements.

b. Indicate when EKPC's Board of Directors first considered offering the program and when the Board approved the program.

c. Any cost/benefit analyses or studies performed by or for EKPC concerning the program. If there were no cost/benefit analyses or studies, explain in detail why such analyses or studies were not performed.

d. Indicate how many employees were eligible for the program and how many actually retired under the program. Include a schedule listing the positions of those employees who actually retired under the program.

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<sup>5</sup> Transcript of Evidence, March 22, 2007 at 160-161.

e. A calculation of the savings to EKPC from the early-out retirement program. Include not only the savings in salaries but also in employee benefits and associated payroll taxes.

f. A schedule showing the actual costs incurred in conjunction with the early-out retirement program. Indicate which costs reflect an immediate cash outlay and which costs reflect future cash outlays.

11. Refer to the Application, Exhibit F, Schedule 6.

a. Explain in detail why the increase in medical benefits was based on an escalation factor.

b. Explain in detail how EKPC determined that a 15 percent increase in medical costs was a reasonable expectation.

c. Explain why EKPC reduced the anticipated percentage increase in medical costs to match the average percentage of a family contribution and a single contribution rather than to a level that equaled the difference between the total anticipated percentage and the blended contribution level.

d. In determining the proposed increase in the 401k match, did EKPC include the expected 30 additional hires in the calculation? Explain the response.

e. In determining the proposed adjustment for employee benefits, did EKPC reflect the effects of its cost containment program? Explain the response.

12. Refer to the Application, Exhibit F, Schedule 8, page 3 of 3, and Schedule 9, page 2 of 2.

a. Are the property tax bills EKPC receives based upon its net book values or upon the assessed property values as determined by the appropriate taxing entity? Explain the response.

b. If EKPC's property taxes are based upon assessed property values, explain why the adjustments shown on Schedules 8 and 9 are necessary.

13. Refer to the Application, Exhibit F, Schedule 9. Provide a schedule showing the initial property tax assessment, the property tax based on the initial assessment, the final property tax assessment, and the property tax based on the final assessment for the most recent 5 years. Also, provide the initial 2006 property tax assessment and the property tax based on the initial 2006 assessment.

14. Refer to the Application, Exhibit F, Schedule 10.

a. Provide an updated version of pages 2 through 5 of 6, reflecting only changes in the interest rates. Interest rates should be as of March 31, 2007.

b. Provide a revised version of page 6 of 6 reflecting the actual financing activity between test-year end and March 31, 2007.

15. Refer to the Application, Exhibit F, Schedule 18.

a. Would EKPC agree that 3 months of the test year are included in the data shown for calendar year 2005?

b. Does the information for calendar year 2004 include the significant forced outage at Spurlock Unit 1, which began on or about July 1, 2004 and ended on or about October 27, 2004?

c. Does EKPC consider the Spurlock Unit 1 forced outage in 2004 to be an extraordinary occurrence? Explain the response.

d. Explain why EKPC believes an average of past forced outages is a reasonable means of determining an adjustment that reflects on-going operations.

e. If it is appropriate to include an adjustment for forced outages based upon an average of the history of forced outages, explain why it is reasonable to incorporate the effects of an extraordinary, 4-month long forced outage in the calculations.

f. Provide a revised version of page 2 of 2 excluding the effects of the Spurlock Unit 1 forced outage in 2004.

16. Refer to the Application, Exhibit F, Schedule 19. File copies of the current version of EKPC's Cost Allocation Manual. Identify any changes made during the test year or subsequent to the test year.

17. Refer to the Application, Exhibit F, Schedule 25. Provide the in-service dates of the Powell Taylor transmission line and the four substations. If the actual final cost of the project is different than the amount shown on Schedule 25, include the actual final cost of the project.

18. Refer to the Application, Exhibit F, Schedule 26.

a. Explain why EKPC did not propose to normalize its PSC Assessment to reflect the effects of its proposed adjustments to test-year revenues.

b. Would EKPC agree that the normalization of the PSC Assessment should reflect the effects of all revenue normalizations and the final increase in revenues authorized in this case? Explain the response.

c. Would EKPC agree that the normalization of the PSC Assessment should reflect the current PSC Assessment rate? Explain the response.



19. Refer to EKPC's proposed 2007 budget, which was filed in this record on March 20, 2007.

a. Did EKPC's Board of Directors approve and adopt this proposed 2007 budget?

b. If the filed proposed 2007 budget was not approved, identify all differences between the proposed and adopted 2007 budget.

c. The proposed 2007 budget filed on March 20, 2007 reflects a significant increase in off-system power sales when compared to calendar year 2006 actual off-system power sales. Explain in detail why EKPC did not propose an adjustment in its rate application to reflect this increased level of off-system power sales.

20. Refer to the Application, Exhibit G-2, the Direct Testimony of David G. Eames, pages 8 and 9 of 12. Provide an update, as of April 30, 2007, on the status of the two actions initiated by the Environmental Protection Agency against EKPC.

21. Refer to the Application, Exhibit G-3, the Direct Testimony of Jonathon Andrew Don.

a. Has the National Rural Utilities Cooperative Finance Corporation ("CFC") performed a credit evaluation of EKPC since September 30, 2006?

(1) If yes, provide the results of that credit evaluation.

(2) If no, indicate when would Mr. Don expect the next credit evaluation of EKPC would be performed.

(3) Provide copies of any correspondence between EKPC and any of the members of the Credit Facility syndicate between the period January 1, 2007

and April 30, 2007 regarding the terms of the Credit Facility and/or EKPC's compliance with the terms of the Credit Facility.

b. Refer to page 6 of 8. Has EKPC initiated any action to refinance or amend its unsecured revolving credit facility? Explain the response.

22. Refer to the Application, Exhibit G-4, the Direct Testimony of Daniel M. Walker, page 8 of 20. Provide a revised list of cooperatives with investment grade ratings as of December 31, 2006. If available, also provide the same information as of March 31, 2007.

23. Refer to the Application, Exhibit G-8, the Direct Testimony of William A. Bosta, page 8 of 15. Mr. Bosta states that EKPC decided against making any significant efforts to alter the existing rate design structure due to the need to implement rates immediately. Identify any rate design changes that EKPC would have proposed if not for the need for immediate rate relief.

24. Refer to the Application, Exhibit Q. Has the 2006 Annual Report been released by EKPC?

a. If yes, provide copies of the 2006 report.

b. If no, when does EKPC expect the report will be available?

25. Refer to the Application, Exhibit Q, the 2005 Annual Report, pages 21 through 24. Explain the purpose and function of the Board of Directors' committee system. Include a discussion of how the membership of each committee is determined and the roles of the board members and system managers on each committee.

26. Refer to the Application, Exhibit S. Provide an electronic copy of all spreadsheets included in Exhibit S, with all formulae intact. The electronic copy should use Microsoft® Excel 97 – 2003 format.

27. Refer to the Application, Exhibit S, page 2 of 10.

a. Provide an explanation of what items fall under the columns labeled “General” and “Other.”

b. Provide an explanation of what the \$1,820,987 shown in the “Other” column as Intangibles represents.

c. Provide an explanation of how and where in the study each of the allocators were derived.

28. Refer to the Application, Exhibit S, page 3 of 10.

a. Provide an explanation of how Production Operation and Maintenance (“O&M”) expense and Purchased Power were functionalized to the Production Demand and Production Energy categories.

b. Provide an explanation of what activities and accounts constitute Distribution O&M expenses.

29. Refer to the Application, Exhibit S, pages 3 and 4 of 10.

a. Provide an explanation of how and where in the study each of the allocators on page 4 of 10 were derived.

b. Provide an explanation of why Administrative and General (“A&G”) salaries on page 3 of 10 are split 50 percent between the gross plant allocator and the labor allocator found on page 4 of 10.

30. Refer to the Application, Exhibit S, page 5 of 10.

a. In the box allocating the classified costs, all costs classified as Consumer (\$16,932,853) are allocated to rate class E. Provide a listing of the activities by account and an explanation as to why the other rate classes are not allocated any of these costs.

b. Provide an explanation of why the \$8,857,114 in energy costs were directly assigned to TGP, but Gallatin's, Inland Electric's, and AGC's energy costs are not directly assigned.

31. Refer to the Application, Exhibit S, page 10 of 10.

a. Provide an explanation of how column 1, "NCP Peak KW," was derived, including the date each class attained its peak.

b. Provide an explanation of why the NCP Peak KW figures are different for Gallatin between the Transmission and Production tables.

c. Provide an explanation of how column 5, "Adjusted Excess," was derived, including the derivation of the adjustment factor (1.0733) in the Transmission table.

d. Provide an explanation of how column 5, "Adjusted Excess," was derived, including the derivation of the adjustment factor (0.9847), in the Production table.

e. Provide an explanation of what "Dec = 2,599,000" represents and why column 6, "Allocation Demand," for both Transmission and Production tables was forced to total to 2,599,000 kW.

32. Refer to the response to the Commission Staff's First Data Request dated December 5, 2006 ("Staff's First Request"), Item 2.

a. Has EKPC prepared a 20-year financial forecast and equity development plan for the period 2007 through 2026?

b. If yes to part (a), provide copies of the plan and indicate when the Board of Directors adopted the plan.

c. If no to part (a), indicate when EKPC expects to prepare and submit for Board of Directors' approval the plan covering the 2007 to 2026 period.

33. Refer to the response to the Staff's First Request, Item 5. List actual draw downs and the use of the funds for the period from October 1, 2006 through and including April 30, 2007. For periods after April 30, 2007, update the response showing the anticipated draw downs of unadvanced loan funds and the proposed uses of the funds.

34. Refer to the response to the Staff's First Request, Item 6.

a. Has there been any revision or amendment to Policy No. 103 since the end of the test-year in this rate application? If yes, provide a detailed explanation of each change and indicate when the change became effective.

b. Refer to Administrative Policies and Procedures No. A009. Indicate which vice president is being referenced in the policy.

c. Refer to Policy No. 102. For each of the provisions of Policy No. 102 listed below, explain in detail how EKPC's Board of Directors has complied with the provisions. Include copies of the most recent reports, as applicable.

(1) Section II, Part A, 1(c) – Require periodic reports that all applicable policies and procedures of lending, regulatory, and other agencies are being complied with as to not adversely affect the financial structure and stability of EKPC.

(2) Section II, Part B, 9 – Keeping members informed of problems faced by EKPC and the need for changes.

(3) Section II, Part B, 12 – Protecting the assets of EKPC by ensuring complete compliance with policies, regulations, and mortgages of the Rural Utilities Service (“RUS”), the CFC, and other lending agencies.

(4) Section II, Part C, 2 – Annual review of the guiding policies of EKPC.

(5) Section II, Part C, 6 – Consideration and adoption of financial plans and policies essential to maintaining a sound financial structure for EKPC.

(6) Section II, Part E, 5 – Conducting every 4 years a self-appraisal of the Board of Directors.

d. Explain how EKPC selects its independent auditor and any outside counsel. Include a discussion of how competitive bids or competitive solicitations are utilized, if applicable.

35. Refer to the response to the Staff’s First Request, Item 7. Provide the Times Interest Earned Ratio and the Debt Service Coverage ratio for the 12 months ending March 31, 2007. Include all calculations, workpapers, and assumptions.

36. Refer to the response to the Staff’s First Request, Item 8(d). EKPC was requested to reconcile its FAC revenues and expenses for the test year. The information provided appears to only focus on FAC revenues. Provide the originally requested information.

37. Refer to the response to the Staff's First Request, Items 13(a) and 13(b). For each of the following accounts, explain the purpose of the account and the type of transaction recorded in the account:

a. Account No. 12325 – Low Interest Loan Program for Member Cooperatives, page 4 of 15.

b. Account No. 12328 – Cooperative Industrial Development Loans, page 4 of 15.

c. Account No. 12329 – Other Investment, Cooperative Propane Buyout, page 4 of 15.

d. Account No. 14312 – Other Accounts Receivable, Cooperative Propane Buyout, Page 5 of 15.

e. Account No. 18611 – Miscellaneous Deferred Debit, Replacement Plant Charleston Bottoms, page 6 of 15.

38. Refer to the response to the Staff's First Request, Item 19. For each of the accounts listed below, provide the reason(s) for the change in the account balance between the end of the test-year and the previous year:

a. Account No. 10600 – Completed Construction Not Classified, page 2 of 15.

b. Account No. 10813 – Accumulated Depreciation – Spurlock, page 2 of 15.

c. Account No. 108144 – Accumulated Depreciation – Gilbert, page 2 of 15.

- d. Account No. 10819 – Accumulated Depreciation – Retire Spurlock,  
page 2 of 15.
- e. Account No. 10840 – Accumulated Depreciation – CT Common,  
page 3 of 15.
- f. Account No. 108407 – Accumulated Depreciation – CT Unit 7, page  
3 of 15.
- g. Account No. 10841 – Accumulated Depreciation – CT Unit 1, page  
3 of 15.
- h. Account No. 10842 – Accumulated Depreciation – CT Unit 2, page  
3 of 15.
- i. Account No. 10843 – Accumulated Depreciation – CT Unit 3, page  
3 of 15.
- j. Account No. 10844 – Accumulated Depreciation – CT Unit 4, page  
3 of 15.
- k. Account No. 10845 – Accumulated Depreciation – CT Unit 5, page  
3 of 15.
- l. Account No. 10880 – Retirement Work in Progress, page 4 of 15.
- m. Account No. 34250 – Fuel Holders Access CT Common, page 9 of  
15.
- n. Account No. 34356 – Prime Movers CT Unit 6, page 10 of 15.
- o. Account No. 34357 – Prime Movers CT Unit 7, page 10 of 15.
- p. Account No. 34550 – Access Electric EQ CT Common, page 11 of  
15.



- q. Account No. 34556 – Access Electric EQ CT Unit 6, page 12 of 15.
- r. Account No. 34557 – Access Electric EQ CT Unit 7, page 12 of 15.

39. Refer to the response to the Staff's First Request, Item 21. For each of the accounts listed below, provide the reason(s) for the change between the test-year total account balance and the 12-month ending balance for the previous year:

- a. Account No. 44710 – Sales Resale RUS Borrower Member Cooperative, page 3 of 19.
- b. Account No. 44711 – Sales Resale RUS Borrower Off System, page 4 of 19.
- c. Account No. 44720 – Sales Resale Non-RUS Off System, page 6 of 19.
- d. Account No. 45606 – Other Electric Revenue – Steam Inland Container, page 15 of 19.

40. Refer to the response to the Staff's First Request, Item 23(a). For each of the accounts listed below, provide the reason(s) for the change between the test-year total account balance and the 12-month ending balance for the previous year:

- a. Account No. 50040 – Operation Supervision Engineering Spurlock, page 3 of 24.
- b. Account No. 50120 – Fuel Coal Dale, page 4 of 24.
- c. Account No. 50130 – Fuel Coal Cooper, page 4 of 24.
- d. Account No. 50141 – Fuel Coal Spurlock 1, page 4 of 24.
- e. Account No. 50142 – Fuel Coal Spurlock 2, pages 4 and 5 of 24.
- f. Account No. 50144 – Fuel Coal Gilbert, page 5 of 24.

- g. Account No. 50641 – Miscellaneous Steam Power Expense  
Spurlock 1, page 9 of 24.
- h. Account No. 50644 – Miscellaneous Steam Power Expense Gilbert,  
page 9 of 24.
- i. Account No. 50920 – Allowances Dale, page 10 of 24.
- j. Account No. 50930 – Allowances Cooper, page 10 of 24.
- k. Account No. 50940 – Allowances Spurlock, pages 10 and 11 of 24.
- l. Account No. 54721 – Fuel CT Gas, pages 11 and 12 of 24.
- m. Account No. 55500 – Purchased Power, page 13 of 24.
- n. Account No. 55600 – System Control Load Dispatch, page 13 of  
24.
- o. Account No. 56000 – Operation Supervision and Engineering, page  
14 of 24.
- p. Account No. 56500 – Transmission Electric by Others, page 15 of  
24.
- q. Account No. 91300 – Advertising Expense – Regulated, page 17 of  
24.
- r. Account No. 92000 – Administrative General Salaries, page 17 of  
24.
- s. Account No. 92100 – GA Office Supplies and Expenses, page 17 of  
24.
- t. Account No. 92300 – Outside Services – Regulated, page 17 of 24.
- u. Account No. 92500 – Injuries and Damages, page 17 of 24.

41. Refer to the response to the Staff's First Request, Item 24.
- a. Explain the meaning of the asterisk placed by certain job titles on pages 2 through 4 of 31.
  - b. Explain the meaning of the category "Broadband Schedules" as used on pages 2 through 7 of 31.
  - c. Are the rates provided in this response based on a compensation study performed by or for EKPC?
    - (1) If yes, provide copies of the most recent study.
    - (2) If no, provide the basis for the rates.
42. Refer to the response to the Staff's First Request, Item 25(b).
- a. Explain the directors' expense category of "Deferred Comp" and why this category of expense should be included for rate-making purposes.
  - b. Refer to pages 1 and 2 of 12. Explain in detail how the cost allocation manual overhead was determined. Include in the discussion how EKPC determined the allocated amount was reasonable.
  - c. Refer to page 2 of 12. Identify the type of insurance coverage reflected by the entries for directors' insurance expense that EKPC has included for rate-making purposes. Explain why this expense should be included for rate-making purposes.
  - d. Refer to pages 3 through 5 of 12. Explain in detail why EKPC is providing Internet access to its directors. Also explain in detail why this expense should be included for rate-making purposes.

e. Refer to page 5 of 12. Explain why expenses associated with a landfill dedication should be included for rate-making purposes.

f. Refer to pages 6 and 7 of 12. Explain the purpose of the “Official Duty Fee” and explain in detail why it should be included for rate-making purposes.

g. For each of the descriptions listed below, explain the purpose of the item and explain why the expense should be included for rate-making purposes:

(1) April 26, 2006 Audit Committee Meeting, page 1 of 12.

(2) Bid Opening, various dates, page 1 of 12.

(3) May 23, 2006 Board and Manager discussion, page 1 of 12.

(4) Board Officer Meeting, various dates, page 1 of 12.

(5) June 26, 2006 Byrne Meeting, page 1 of 12.

(6) June 22, 2006 CFC Forum, page 2 of 12.

(7) January 25, 2006 Energy Management Conference, page 3 of 12.

(8) Negotiation Meetings, various dates, page 5 of 12.

(9) March 29, 2006 Director Conference, page 5 of 12.

(10) December 13, 2005 National Rural Electric Cooperative Association (“NRECA”) Strategic Issues, page 6 of 12.

(11) November 28, 2005 Rates Task Force Meeting, page 7 of 12.

(12) Rosenberger Stamp, page 12 of 12.

43. Refer to the response to the Staff’s First Request, Item 25(c).

a. Explain how the various per diem levels were determined and indicate when the current level of reimbursement was established. Include all studies, reports, or analyses performed by or for EKPC that support the per diem levels.

b. Was EKPC aware that in previous cooperative rate cases the Commission has not included for rate-making purposes per diems for meetings other than the monthly board meeting? Explain the response and include a discussion of why EKPC believes that per diems for meetings other than regular board meetings should be included for rate-making purposes.

c. Refer to page 1 of 6. Policy No. 111 states that, with the exception of the unexcused absence provisions contained in the policy statement, a director shall be compensated a minimum of \$800 per month plus expenses. Explain in detail why EKPC and its Board of Directors believe this provision is reasonable. Include all studies, reports, or analyses performed by or for EKPC that supports this provision.

d. Was EKPC aware that in previous cooperative rate cases the Commission has not included for rate-making purposes per diems for travel days? Explain the response and include a discussion of why EKPC believes that travel day per diems should be included for rate-making purposes.

e. Refer to page 3 of 6. Was EKPC aware that in previous cooperative rate cases the Commission has not included for rate-making purposes extra per diem payments associated with the director carrying out "official duties" or chairing committee meetings? Explain the response and include a discussion of why EKPC believes that these additional per diem payments should be included for rate-making purposes.

44. Provide a schedule by individual listing the compensation for service, per diems, reimbursement for expenses, or any other thing of value paid to each person serving as a member or alternate member of EKPC's Board of Directors during the test year. Include for each individual the total sum paid by EKPC.

45. Refer to the response to the Staff's First Request, Item 30(a). EKPC has proposed to remove for rate-making purposes \$1,713 of the \$128,252 shown as advertising expense in Account No. 913.

a. Identify the classifications as shown in the response to Item 30(a) that include the \$1,713.

b. Is the \$122,049 in staff labor and expenses shown in the response exclusively related to promoting the availability of industrial development sites within member systems' service territory? Explain the response.

c. Explain why the \$128,252 in advertising that EKPC has identified as promoting and/or retaining the use of its utility service in conjunction with its industrial development advertising should be included for rate-making purposes, given the provisions of 807 KAR 5:16, Section 4(1)(b).

46. Refer to the response to the Staff's First Request, Item 30(b).

a. Provide a revision to pages 2 through 4 of 11 identifying all expenses EKPC has identified as "Eliminations" on page 5 of 11.

b. Provide copies of printed advertisements or copies of the text of commercials related to the following transactions. If possible, provide 3 examples of the printed advertisements and 3 examples of the text of commercials.

(1) Voucher 159631 – Cornett Advertising, page 2 of 11.

(2) Voucher 170350 – Host Communications, Inc., page 2 of 11.

c. Explain in detail the nature and purpose of the Partners Plus advertising program. Given the provisions of 807 KAR 5:016, Section 4, include a discussion of why any expense associated with the Partners Plus program should be included for rate-making purposes.

d. Provide 4 examples of the Envirowatts advertisements.

e. Refer to pages 3 and 4 of 11. The majority of the expenses shown on these pages list the purpose of the expenditure as “Various – Annual Meeting, Safety, Conservation, Name Recognition, etc.” Provide a further breakdown of the information shown on these pages between annual meeting, safety and conservation advertising, name recognition, and other. Exclude any transactions associated with the Partners Plus program. For any expenses reclassified as other, include an explanation of the benefit received from that advertising.

47. Refer to the response to the Staff’s First Request, Item 30(b), page 6 of 11. For each of the transactions listed below, describe the nature and purpose of the organization and explain why the expense should be included for rate-making purposes:

- a. Manufactured Housing Research Alliance.
- b. Bluegrass Tomorrow.
- c. Kentucky Coal Association Corp.
- d. Associated Industries of Kentucky.
- e. EMLF.
- f. SSEB.
- g. University of Kentucky.

h. National Food and Energy Council, Inc. – both membership and membership investment.

i. Scientech, Inc.

j. Center for Energy & Economic Development.

48. Refer to the response to the Staff's First Request, Item 30(b), pages 7 through 10 of 11.

a. Provide a revision to pages 7 through 10 of 11 identifying all expenses EKPC has identified as "Eliminations" in Item 30(b), page 5 of 11.

b. For each of the vendors listed below, explain the nature and purpose of the transaction:

(1) Rees Printing Company.

(2) Reynolds Communications, Inc.

(3) Deshane & Associates LLC.

(4) Contract Professionals LLC.

(5) World Expositions.com LLC.

(6) Government Strategies LLC.

49. Refer to the response to the Staff's First Request, Item 30(c).

a. Provide a revision to pages 2 through 5 of 5 identifying the economic development and research and development expenses EKPC believes should be included for rate-making purposes, as stated in the Application, Exhibit F, Schedule 15, page 2 of 2.



b. For each economic development and research and development transaction identified in part (a) above, explain in detail why the transaction should be included for rate-making purposes.

c. Refer to page 1 of 5. Provide a schedule detailing the transactions that make up the \$32,507,300 balance for Account No. 426 listed as "Other." At a minimum, list the transaction date, a document reference, the vendor, the amount, and a description of the purpose of the transaction.

50. Refer to the response to the Staff's First Request, Item 31. For each of the vendors below, explain the nature of the transaction and its expected duration. In addition, indicate whether the transaction is of an on-going, recurring nature.

- a. Christensen Associates Energy Consulting.
- b. Cooper Research, Inc.
- c. Execquest, Inc.
- d. Fellon McCord & Associates, Inc.
- e. Frost Brown Todd LLC.
- f. Fuller Mossbarger Scott & May.
- g. Gannett Fleming, Inc.
- h. Goodcents Solutions.
- i. Hunton & Williams.
- j. Jennings Strouss & Salmon PLC.
- k. John Farley Consulting LLC.
- l. Kentuckiana Engineering Co., Inc.
- m. Kenvirons Inc.

- n. MCR Performance Solutions LLC.
- o. Preston Osborne Research.
- p. Richard K. Byrne.
- q. RMB Consulting & Research Inc.
- r. Ronald L. Willhite.
- s. Stanley Consultants Inc.
- t. The Grizzle Company.

51. Refer to the response to the Staff's First Request, Item 34(e), page 6 of 6. Provide an updated version of this response including the financial information for the propane operations as of December 31, 2006.

52. Refer to the response to the Staff's First Request, Item 41. Concerning the Alliance for Cooperative Energy Services Power Marketing ("ACES Marketing"):

- a. Indicate when EKPC joined ACES Marketing.
- b. Identify the other members of ACES Marketing.
- c. Provide the amount of any initial investment EKPC made when it joined ACES Marketing.
- d. Describe EKPC's involvement in the operations or governance of ACES Marketing.
- e. Provide copies of the power marketing agreement referenced in the response on page 2 of 3.
- f. Does EKPC have any obligations or responsibilities for ACES Marketing other than what is provided in the power marketing agreement? If yes, provide a detailed description of all obligations or responsibilities.

g. Provide a detailed schedule of the services EKPC has purchased from ACES Marketing. The schedule should, at a minimum, describe the service provided and the cost for each service. The schedule should show all transactions annually from the year EKPC joined ACES Marketing through the end of calendar year 2006. In addition, show separately the services provided and the cost for those services for the test year.

h. Does EKPC receive any dividends or income from its membership with ACES Marketing? Explain the response.

i. At the time it joined ACES Marketing, did EKPC conduct any evaluations or analyses to determine whether it could provide the same or similar services on an in-house basis?

(1) If yes, describe the results of those evaluations or analyses. Include copies of any written documentation.

(2) If no, explain in detail why evaluations or analyses were not undertaken.

j. At the time it joined ACES Marketing, did EKPC undertake any studies or analyses to determine if it could secure the same or similar services from another vendor?

(1) If yes, describe the results of those evaluations or analyses. Include copies of any written documentation.

(2) If no, explain in detail why evaluations or analyses were not undertaken.

k. Since joining ACES Marketing, has EKPC performed any reviews or studies to determine whether its membership in ACES Marketing is the most reasonable course of action?

(1) If yes, describe the results of the reviews or studies. Include copies of any written documentation.

(2) If no, explain in detail why reviews or studies have not been performed.

53. Refer to the response to the Staff's First Request, Item 41, page 2 of 3. Concerning Envision Energy Services, LLC ("Envision"):

- a. Indicate when Envision was formed.
- b. Identify the other cooperatives that are part of the Envision partnership.
- c. Provide the amount of any initial investment EKPC made when it formed Envision.
- d. Describe EKPC's involvement in the operations or governance of Envision.
- e. Provide copies of any contracts, memoranda of agreement, or other documents that outlines EKPC's obligations and/or responsibilities for Envision.
- f. Provide a schedule listing the number of employees, office space, fleet vehicles, telephone services, and office equipment shared with Envision. This information should be provided for the test year and calendar years 2003 through 2005. Also, provide the costs allocated by EKPC to Envision for these items.

g. Provide the total number of clients of Envision for calendar years 2003 through 2005 and the test year.

h. At the time EKPC entered into partnership to form Envision, were studies or analyses performed to determine the need for the services Envision could provide and whether other providers were already in the market?

(1) If yes, describe the results of those studies or analyses. Include copies of any written documentation.

(2) If no, explain in detail why studies or analyses were not undertaken.

54. Refer to the response to the Staff's First Request, Item 41, page 3 of 3. Concerning the Propane Gas Program:

a. Provide copies of the loan documentation related to the propane gas program loans.

b. Did EKPC seek and secure the Commission's approval to make these loans?

(1) If yes, indicate the case number of the application seeking approval to make the loans.

(2) If no, explain why Commission approval was not sought, pursuant to KRS 278.300.

55. Refer to the response to the Staff's First Request, Item 45(a), page 1 of 6. Did EKPC propose an adjustment to reflect its discontinuation of its membership in the Electric Power Research Institute? Explain the response.

56. Refer to the response to the Staff's First Request, Item 53(a). Provide an update of the actual rate case costs through April 30, 2007. Include the information requested in Item 53(a).

57. Refer to the response to the Staff's First Request, Item 54. Did EKPC give any consideration to seeking recovery of the cost of its depreciation study through a deferral that would be amortized over a period of years? Explain the response.

58. Refer to the response to the Commission Staff's Data Request at the March 22, 2007 Hearing, Item 1. Provide copies of the Plan of Correction filed with the RUS.

59. Concerning the EKPC residential marketing loan program:

a. Provide copies of the guidelines EKPC has established for this program.

b. Provide copies of any loan documents member systems submit as part of the process of securing these loans.



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Beth O'Donnell  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

DATED May 1, 2007

cc: All Parties