

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES OF) CASE NO.
EAST KENTUCKY POWER COOPERATIVE, INC.) 2008-00409

FIRST DATA REQUEST OF COMMISSION STAFF TO
THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

The Kentucky Industrial Utility Customers, Inc. ("KIUC"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 9 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than March 19, 2009. 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.

KIUC 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 KIUC fails or

refuses to furnish all or part of the requested information, it 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 pages 6-7 of the Direct Testimony and Exhibits of Lane Kollen ("Kollen Testimony").

a. Explain in detail how Mr. Kollen determined which construction projects included in the response of East Kentucky Power Cooperative, Inc. ("EKPC") to KIUC request 2-23 were subject to the calculation of Allowance for Funds Used During Construction ("AFUDC").

b. Confirm whether EKPC's response to KIUC request 2-23 is the sole source relied upon by Mr. Kollen in reaching the conclusion that EKPC is proposing to discontinue accruing AFUDC effective January 1, 2009.

c. Explain whether, at the time he prepared his testimony, Mr. Kollen was aware of the level of AFUDC included in the forecasted test year, as calculated and provided by EKPC in its response to Commission Staff request 3-4.

2. The first full paragraph on page 9 of the Kollen Testimony refers to how EKPC's proposal to discontinue accruing AFUDC is harmful to the utility. This is contrary to EKPC's response to item 4 of the Commission Staff's third data request, which states that making this change should strengthen its financial condition and help

prevent further deterioration in its members' equity percentage. If he disagrees with the EKPC response, provide Mr. Kollen's explanation for why not accruing AFUDC and recovering interest on construction through current rates will not strengthen EKPC's financial condition.

3. Refer to pages 12-13 of the Kollen Testimony, specifically, the adjustment for the interest cost associated with the 25 megawatt ("MW") project. Explain whether the fact that Mr. Kollen proposes no related adjustment to reduce depreciation expense means he has determined that EKPC's forecasted test year includes no depreciation expense related to the proposed 25 MW wind farm.

4. Refer to Exhibit_(LK-1) to the Kollen Testimony.

a. Aside from EKPC's last base rate case, identify each of the cases in which Mr. Kollen submitted testimony on the appropriate Times Interest Earned Ratio ("TIER") for an electric generation and transmission cooperative.

b. Provide the testimony addressing the issue of an appropriate TIER submitted by Mr. Kollen in each of the cases listed in response to part a. of this request.

5. Refer to page 19 of the Kollen Testimony, specifically, the first paragraph of the response which begins on line 4.

a. Mr. Kollen refers to EKPC's precarious financial condition being largely self-imposed. Describe the specific factors, or measures, which Mr. Kollen believes demonstrate EKPC's precarious financial condition.

b. The Rural Utilities Service moratorium on financing coal-fired generation and current conditions in the financial and credit markets are factors cited by EKPC witnesses in discussing the utility's need for a higher TIER. Explain why Mr.

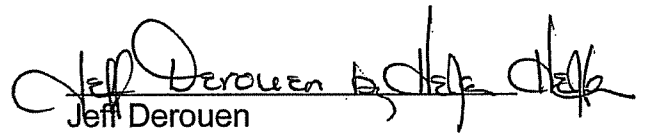
Kollen does not address these issues in his testimony on the appropriate TIER for EKPC.

6. Refer to page 20 of the Kollen Testimony, specifically, the second of the two paragraphs which begin with the word "fifth." Mr. Kollen claims that EKPC has failed to show that an increase in its currently authorized 1.35 TIER is necessary or that it would be unable to attract capital at reasonable rates if its authorized TIER remains at that level. However, Mr. Kollen's claim fails to address any of the reasons offered by EKPC witnesses Don and Walker for why EKPC needs a higher TIER in order to build its equity and attract capital. Provide a detailed explanation, which addresses each of those reasons, for why EKPC does not need a higher TIER.

7. Refer to the Direct Testimony and Exhibits of Stephen J. Baron ("Baron Testimony"). Provide an electronic copy of the cost of service study ("COSS") in Exhibit SJB-2 with all formulas intact and unprotected. Indicate where in the COSS Mr. Baron's changes to the EKPC COSS were made.

8. Refer to page 7, line 12, of the Baron Testimony, which states that, after making Mr. Baron's changes, the COSS shows that the Large Special Contract rate class is paying an "[e]xcessive rate of return under Phase I rates, which do not include the full level of the proposed interruptible credit." Provide the rate of return for the Large Special Contract rate class under Phase I rates reflecting the "full level of the proposed interruptible credit."

9. Refer to the Baron Testimony at pages 8-10. Provide the impact to the rate classes of only Mr. Baron's first two adjustments to the EKPC COSS. Provide an electronic copy of this version of the COSS with all formulas intact and unprotected.



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cc: All parties

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