

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF EAST KENTUCKY POWER)	CASE NO.
COOPERATIVE, INC.'S NEED FOR THE SMITH 1)	2010-00238
GENERATING FACILITY)	

COMMISSION STAFF'S INITIAL INFORMATION REQUEST
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 ten copies of the following information, with a copy to all parties of record. The information requested herein is due no later than January 10, 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 page 5 of the Testimony of Anthony S. Campbell, specifically, lines 17-18, which reflect that EKPC's 2010 load forecast indicates that base load generation is not needed until approximately 2018. If any plans or actions have been undertaken regarding EKPC's requirements for peaking generation, provide a detailed description thereof. If none have been undertaken at this time, explain why and provide the current anticipated timeline for such plans or actions.

2. Refer to pages 3-4 of the Testimony of David K. Mitchell regarding the amount EKPC has spent on Smith 1 and its assumptions regarding cancellation charges, capital spares in inventory, and salvage value. Confirm that the net expenditures, based on the aforementioned assumptions, are approximately \$129.4 million.

3. Refer to page 3 of the Testimony of Julia J. Tucker ("Tucker Testimony"), lines 13-15. Provide a detailed description of the "[m]uch review and discussion" which resulted in it taking from July 2010, when the preliminary load forecast was presented to the EKPC Board, to November 2010, before the Board approved the new load forecast.

4. The significant changes in the 2010 load forecast compared to the 2008 and 2006 load forecasts are discussed on pages 4 and 5 of the Tucker Testimony. There is no discussion of methodological changes. Confirm whether this means that the 2010 load forecast was performed using the same methodologies as were used in the 2008 and 2006 forecasts.

5. Refer to pages 8-10 of the Tucker Testimony. Page 8, at lines 5-6, refers to EKPC not needing additional base load capacity until approximately 2018. Two of the cases listed on page 10, Case Nos. 4 and 6, which were modeled and evaluated by EKPC in reaching its decision to cancel Smith 1, include the construction of a combined cycle combustion turbine ("CCCT"). Explain whether Case No. 4, which calls for building a CCCT in the optimal time frame, or Case No. 6, which calls for relying on purchased power until 2022 and then building a CCCT, consider such a unit as base load capacity.

6. Refer to page 9 of the Tucker Testimony. Explain whether each of the existing Demand Side Management ("DSM") programs listed at lines 2-9 is offered by every one of EKPC's 16 distribution cooperatives.

a. If each DSM program is not offered by all 16 cooperatives, provide a schedule which lists each existing DSM program and the names of the cooperatives that do not offer that program.

b. For each cooperative that does not offer an existing DSM program, provide the analysis which shows that offering the program would not reduce retail customers' consumption and would not delay the need for new generating capacity.

7. Refer to page 9 of the Tucker Testimony. Explain whether each of the new DSM programs listed there will be offered by every one of EKPC's 16 cooperatives.

a. If yes, provide documentation that each cooperative will offer every new DSM program.

b. If no, provide a schedule which lists each new DSM program and the names of the cooperatives that have not committed to offer that program.

c. For each cooperative that has not committed to offer a new DSM program, provide the analysis which shows that the new program would not reduce retail customers' consumption and would not delay the need for new generating capacity.

8. Refer to page 8 of the Tucker Testimony. Provide a detailed description of EKPC's ability to require each of its member cooperatives to offer all cost effective DSM programs to their respective retail customers.

9. Refer to the Tucker Testimony, Exhibit JJT-3, at page 3 of 3.

a. Explain whether it is likely that any of the energy or capacity numbers shown in this exhibit would increase if one or more cooperatives that are not now offering an existing DSM program elected to offer that program in the future.

b. Explain whether it is likely that any of the energy or capacity numbers shown in this exhibit would increase if one or more cooperatives that have not yet committed to offer a new DSM program decides to offer that program in the future.

10. Refer to the Tucker Testimony, Exhibit JJT-5.

a. Describe how fuel costs were forecast in the various cases EKPC modeled and evaluated. Identify any outside sources relied upon by EKPC.

b. Explain whether “Variable Production Cost (\$/MWh)” for the Gilbert Unit and “Fuel Cost (\$/MMBtu)” for Spurlock 4 on page 2 of 28 are depicted accurately. If not, provide a revised version of page 2 of 28.

11. Refer to the Testimony of Gary G. Stansbury (“Stansbury Testimony”) at page 6, lines 16-19. Explain how the CO₂ tonnage allotment assumption of 57 percent of EKPC’s usage, beginning in 2014, was derived.

12. Refer to page 10 of the Stansbury Testimony, lines 3-4. Provide a detailed description, along with any supporting workpapers, spreadsheets, etc., of how the assumption of \$906/kW as the fixed cost of a CCCT was developed.

13. Refer to page 10 of the Stansbury Testimony, lines 6-9. Pages 8-9 of the Tucker Testimony describe the energy efficiency and DSM programs built into the 2010 load forecast which result in reducing winter peak demand by more than 220 MW over the 20-year forecast period. Provide a detailed explanation of how EKPC anticipates the increased demand reduction of 400 MW in Case No. 5, under which all future power supply needs are to be provided with a combination of such programs and renewable resources, will be realized.

14. Refer to pages 9-10 of the Stansbury Testimony and Exhibit GGS-1, which reflect the savings under the six alternative cases as compared to the base case, which calls for completing Smith 1 as scheduled in 2014. The projected savings range from roughly \$27 million, or .21 percent, when Smith 1 is delayed by two years, to \$404 million, or 3.17 percent, when Smith is cancelled and purchased power is relied upon until 2022, when a CCCT is built. Provide the timetable under which EKPC expects to decide on which alternative plan it will implement to meet its power supply needs.

15. The last paragraph on page 5 of the Agreement states that, “The construction of Smith 1 CFB was not primarily planned to serve Gallatin’s load.”

- a. Provide a detailed explanation to support this statement.
- b. Identify all customers, other than Gallatin, that Smith 1 was not primarily planned to serve and explain in detail how EKPC made this determination.
- c. Identify all customers that Smith 1 was primarily planned to serve and explain in detail how EKPC made this determination.

16. Refer to page 5 of the Settlement Agreement (“Agreement”) and Appendix B thereto. The last paragraph on page 5 states that “[T]he Attorney General, Gallatin and EKPC agree that they will fully support before the Kentucky PSC an allocation methodology over the life of the amortization period based upon the firm demand of each rate class including Gallatin Steel as set forth in Appendix “B”....” The footnote in Appendix B states that the firm demand contained therein “[w]as based upon a modified version of the 2008 load forecast, consistent with the demand levels used in Case No. 2010-00167.”

- a. A modified version of the 2008 load forecast was used in EKPC’s application in Case No. 2010-00167.¹ However, the settlement reached in that case was based on EKPC’s 2010 load forecast. Explain why the Agreement, which was executed less than three weeks before the execution of the 2010-00167 settlement, was not also based upon the 2010 load forecast.

¹ Case No. 2010-00167, Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates, filed Jun. 8, 2010.

b. Explain whether, and to what extent, Gallatin would be responsible for paying a lesser portion of the regulatory asset if the allocation methodology is based on a modified version of the 2008 load forecast rather than the 2010 load forecast.

c. Provide a revised Appendix B which includes demand data based on the 2010 load forecast rather than a modified version of the 2008 load forecast.

d. Is it the intent of the Attorney General, Gallatin, and EKPC that the percentage of the regulatory asset allocated to each rate class will not change over the 10 year amortization period? If yes, explain why the allocation percentages should not change as each rate class's demand changes.

17. Refer to pages 5-6 of the Agreement. Starting at the bottom of page 5, the Agreement states that, "[T]o avoid double recovery, all Smith 1 costs currently being recovered in existing rates and all Smith 1 costs proposed to be recovered in future rates will be removed from base rates or identified and excluded from recovery of the Regulatory Asset in EKPC's filing for recovery of the Regulatory Asset."

a. Identify the Smith 1 costs being recovered in EKPC's existing rates.

b. Confirm whether Smith 1 costs proposed to be recovered in future rates are limited to the \$6 million in interest, plus a Times Interest Earned Ratio, that has been included for recovery in the settlement reached in Case No. 2010-00167.

18. Refer to page 5, paragraph 12, of EKPC's application in Case No. 2010-00449.² Provide the Board Resolution and minutes of the Board of Directors' meeting in

² Case No. 2010-00449, 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, filed Nov. 18, 2010.

which EKPC's Board voted to surrender the Certificate of Public Convenience and Necessity for Smith 1 and enter into the Agreement filed in this proceeding on November 18, 2010.



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DATED DEC 28 2010

cc: Parties of Record

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