COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

EAST KENTUCKY POWER COOPERATIVE, INC. APPLICATION FOR APPROVAL OF THE ISSUANCE OF UP TO $200,000,000 OF SECURED PRIVATE PLACEMENT DEBT, FOR THE AMENDMENT AND EXTENSION OF AN UNSECURED REVOLVING CREDIT AGREEMENT IN AN AMOUNT UP TO $500,000,000, AND FOR THE USE OF INTEREST RATE MANAGEMENT INSTRUMENTS	))))))))	CASE NO. 2013-00306

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
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 eight copies of the following information, with a copy to all parties of record. The information requested herein is due within ten days of the date of this request. 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, 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.

1. Refer to Exhibits 2, 3, and 6 of the application regarding the proposed issuance of up to $200,000,000 in private placement debt in one or more transactions over a time period ending December 31, 2014 and the use of the proceeds.

a. Provide the projected date of each placement and explain why each date was selected.

b. Explain in detail why EKPC anticipates the interest rate will be fixed on the private placement debt.

c. In Exhibit 6, EKPC states, "Whereas, EKPC needs to finance the remaining balance of the Smith Unit 1 regulatory asset, estimated to be $90,000,000 to $120,000,000, over an approximate term of 10 years;"

(1) Provide the current balance in the regulatory asset account for Smith Unit 1.

(2) Identify and explain what factors will affect the final amount in the regulatory asset proposed to be financed with the private placement debt.

(3) State whether EKPC intends to have a ten-year term for the private placement debt related to financing the remaining balance of the regulatory asset. If no, explain why.

d. In Exhibit 3 of the application, EKPC lists the uses of the proceeds from the proposed issuance of the private placement debt. Identify, to the extent known, the specific target for expenditures included in each item a. through d.

e. Based on EKPC's current credit rating by Fitch Ratings and Standard and Poor's, provide a Pricing Grid similar to that referenced in Exhibit 2, page 3 of EKPC's application in Case No. 2011-00204[1] to show the parameters for the interest rates on the private placement debt for 10-, 20-, and 30-year terms. Also, as referenced on Exhibit 2, page 1 of the application, include information to show the current yield to maturity for United States Treasury Bonds for the respective terms listed above, and current yield to maturity plus 3 percent.

f. Explain EKPC's plan for repayment of the proposed private placement debt. If there are any variances due to the terms of the specific tranche, explain the difference(s).

g. Refer to page 5 of Exhibit 2 of the application regarding the fees and expenses in connection with any interest-rate management tools. Explain how the ceiling for fees and expenses of 5 percent of the amount of the underlying obligation was determined.

h. Refer to page 5 of Exhibit 2 of the application regarding the interest-rate management instruments. Identify each type of instrument that will be

[1] Case No. 2011-00204, Application of East Kentucky Power Cooperative, Inc. for Approval of an Unsecured Revolving Credit Agreement for a Term of up to Five Years and in an Amount up to $500,000,000 (Ky. PSC July 19, 2011).

available to EKPC, and the estimated cost stated as a percentage of the underlying obligation involved.

i. Refer to the last item on page 1 of Exhibit 6 of the application where it states, "Resolved, that the EKPC Board of Directors authorizes EKPC to enter into a Private Placement financing agreement consisting of tranches having terms up to 30 years, in a total amount not to exceed $150,000,000, except that in the case that more favorable than expected pricing is achieved, at the discretion of EKPC's Chief Executive Officer, the Private Placement may be upsized to an amount not to exceed $200,000,000"

(1) Explain what constitutes more favorable than expected pricing for the private placement debt.

(2) Identify when EKPC would expect to make the decision to "upsize" the amount of private placement debt.

2. Refer to the last sentence in the first paragraph on page 1 of Exhibit 2. Confirm that the reference should be to Case No. 2012-00249.

3. Refer to the last sentence on page 3 of Exhibit 2. Provide the calculations supporting the projected $2,000/day savings.

4. Refer to the second paragraph on page 4 of Exhibit 2 and the responses to Items 1 and 2 of Commission Staff's First Information Request ("Staff's First Request") in Case No. 2011-00204.

a. Identify and explain any changes that have occurred since the Final Order was issued in Case No. 2011-00204 in how the LIBOR interest rate is computed.

b. Explain in detail the items being negotiated with the lenders, including the current and proposed specific terms of each item and the expected cost savings related to each.

c. Identify and provide the basis for the statement that the amendment fees and expense will not exceed 0.20 percent of the Credit Facility commitment.

d. Provide the calculation used to determine the net savings of $1,500,000 from a reduction in the Facility Fee and LIBOR Margin over the life of the Credit Facility.

e. Provide the net present value of the net savings over the term of the Credit Facility.

f. Provide EKPC's current ratings by Fitch Ratings and Standard and Poor's, including any information pertaining to those ratings.

g. Provide an updated Pricing Grid, as referenced in Exhibit 2, page 3 of EKPC's application in Case No. 2011-00204, to show the parameters of the Facility Fee, LIBOR Margin, and ABR Margin in this case based upon EKPC's current ratings by Fitch Ratings and Standard and Poor's.

5. Refer to the following statement in the second paragraph of Exhibit 2, page 4 of the application: "It is expected that the amendment fees and expenses will not exceed 0.20% of the Credit Facility commitment." Provide the current amendment fees and expenses percentage.

6. Refer to the following statement in the second paragraph of Exhibit 2, page 4 of the application: "Based on the current market conditions, Applicant believes that today's interest rate under the Credit Facility would not exceed 2.5%." Also, refer to

page 3 of Exhibit 5 of the application, CFC – Unsecured Credit Facility - #5106002, Coupon Interest Rate of 1.78 percent.

a. Explain why the current CFC – Unsecured Credit Facility indebtedness with a Coupon Interest Rate of 1.78 percent is to be refinanced at higher interest rate.

b. Explain whether the current rate is a fixed or variable and whether the refinanced rate is fixed or variable.

7. Refer to the last paragraph on page 4 of Exhibit 2 in the application and EKPC's response to Item 3 of Staff's First Request in Case No. 2011-00204.

a. Explain why EKPC proposes to amortize the current outstanding balance in deferred financing fees rather than to write them off as proposed in Case No. 2011-00204.

b. Explain whether EKPC's proposal to amortize the deferred financing fees is in conformity with generally accepted accounting principles.

8. Refer to page 3 of Exhibit 5 of the application, CFC – Unsecured Credit Facility - #5106002 in the amount of $275,000,000. Provide the amount of indebtedness, by project, including Smith Unit 1, for the $275 million.

Stephanie Bell for JD

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

DATED AUG 23 2013

cc: Parties of Record

Mark David Goss
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504