

November 4, 2004

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

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NOV 04 2004

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2004-00321
PSC Case No. 2004-00372

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced cases an original and seven (7) copies of the Responses of East Kentucky Power Cooperative, Inc., and the Joint Applicants to the Data Requests of the Commission Staff and the Attorney General dated October 22, 2004.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Elizabeth E. Blackford, Esq.- Office of the Attorney General
Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY

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PUBLIC SERVICE
COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RECC, BLUE)
GRASS ENERGY COOPERATIVE CORPORATION,)
CLARK ENERGY COOPERATIVE, CUMBERLAND)
VALLEY ELECTRIC, FARMERS RECC,)
FLEMING-MASON ENERGY, GRAYSON RECC,)
INTER-COUNTY ENERGY COOPERATIVE,)
JACKSON ENERGY COOPERATIVE, LICKING) CASE NO.
VALLEY RECC, NOLIN RECC, OWEN ELECTRIC) 2004-00372
COOPERATIVE, SALT RIVER ELECTRIC, SHELBY)
ENERGY COOPERATIVE, SOUTH KENTUCKY)
RECC AND TAYLOR COUNTY RECC FOR)
AUTHORITY TO PASS THROUGH THE)
ENVIRONMENTAL SURCHARGE OF EAST)
KENTUCKY POWER COOPERATIVE, INC.)

RESPONSES TO COMMISSION STAFF'S
FIRST DATA REQUEST TO THE JOINT APPLICANTS
DATED OCTOBER 22, 2004

JOINT APPLICANTS
PSC CASE NO. 2004-00372
ENVIRONMENTAL SURCHARGE PASS THROUGH
FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 10/22/04
REQUEST 1

RESPONSIBLE PARTY: William A. Bosta

REQUEST 1. Refer to the Application, Joint Application Exhibit 4(a) through 4(p).

REQUEST 1a. Given the explanation of how the retail environmental surcharge pass through ("ES pass through") is to be determined, explain in detail why the Joint Applicants' proposed tariffs reference a Base Environmental Surcharge Factor ("BESF").

REQUEST 1b. If the Joint Applicants are to be billed a dollar amount based on East Kentucky's monthly environmental surcharge factor, explain how the Joint Applicants would ever have a BESF.

RESPONSE 1a.b. EKPC believes that a BESF can be determined for each Member System once a base rate roll-in for EKPC is approved. If a base rate roll-in for EKPC occurs at the end of the first two-year review period, a similar base rate roll-in percentage for each Member System can be determined. Shown below is an example of how this process would work following the base rate roll-in for EKPC and for an individual Member System.

Hypothetical Example

EKPC base rate roll-in	7.47%	(Used Bosta Exhibit 5, page 2 of 3)
Member System base rate roll-in	5.23%	(Used Bosta Exhibit 5, page 2 of 3)

For the Expense Month following roll-in:

(EKPC Surcharge Calculation of 8.47% for current month minus 7.47% rolled in to base rates results in EKPC Surcharge Factor to Member Systems of 1.0%.)

Determination of Environmental Surcharge Factor at Retail Following Base Rate Roll-in at Retail

1. Total EKPC Surcharge Calculation	8.47%	
2. Average 12-months ended sales to Member System (excluding Environmental Surcharge)	\$2,800,000	(Used Bosta Exhibit 5, page 2 of 3)
3. Total Amount of Recovery	\$ 237,160	(Line 1 x Line 2)
4. Average 12 months ended Retail Sales (excluding Environmental Surcharge)	\$4,000,000	(Used Bosta Exhibit 5, page 2 of 3)
5. Total Surcharge Calculation at Retail	5.93%	(Line 3/Line 4)
6. Environmental Surcharge Base Rate Roll-In Factor at Retail	5.23%	
7. Environmental Surcharge Factor at Retail	0.70%	(Line 5 - Line 6)

REQUEST 1c. Are there any customers of the Joint Applicants that will not be billed the ES pass through?

(1) If yes, list the customer and the customer's cooperative.

- (2) For each customer listed, explain in detail why that customer will not be billed the ES pass through. Include any documentation that establishes why the customer will be excluded.

RESPONSE 1c

- A. (1) Yes. Special contracts of Tennessee Gas Pipeline (TGP) for Fleming-Mason Energy Cooperative and Taylor County RECC.
- (2) The contracts do not provide for a change in rates.
- B. (1) Yes. Owen Electric/Gallatin Steel.
- (2) A portion of the cost of serving Owen Electric/Gallatin Steel relates to purchases from Louisville Gas and Electric (LG&E) under a separate Purchased Power Agreement between EKPC and LG&E. This portion of the Gallatin Agreement would not be subject to EKPC's environmental surcharge. The Agreement expires on May 31, 2005.

The Agreements associated with service to these customers have been provided in response to AG Request 2.

JOINT APPLICANTS
PSC CASE NO. 2004-00372
ENVIRONMENTAL SURCHARGE PASS THROUGH
FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 10/22/04
REQUEST 2

RESPONSIBLE PARTY: William A. Bosta

REQUEST 2. Concerning the billing of the ES pass through to the customers of the Joint Applicants,

REQUEST 2a. Is it correct that the ES pass through factor is based on each Joint Applicants' average 12-month revenues exclusive of the ES pass through?

RESPONSE 2a. Yes. As shown in Bosta Exhibit 5, page 2 of 3, EKPC proposes to calculate the ES factor at retail by dividing the amount to be recovered from a member system by the average of 12 months retail revenues.

REQUEST 2b. As a result of using a percentage of revenues approach for the ES pass through, would it be correct that each of the Joint Applicants could experience over- or under-recoveries of the ES pass through? Explain the response.

RESPONSE 2b. Yes. This is shown on Bosta Exhibit 5, page 3 of 3.

REQUEST 2c. How do the Joint Applicants propose to handle over- or under-recoveries of the ES pass through?

RESPONSE 2c. The over/under recovery at retail will be handled in the same manner as for EKPC. This is described on pages 10 and 11 of Mr. Bosta's testimony.

JOINT APPLICANTS
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ENVIRONMENTAL SURCHARGE PASS THROUGH
FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 10/22/04
REQUEST 3

RESPONSIBLE PARTY: William A. Bosta

REQUEST 3. East Kentucky has stated in Case No. 2004-00321¹ that it proposes that the ES pass through factor be calculated and filed at the same time as the wholesale environmental surcharge is filed.

REQUEST 3a. Do the Joint Applicants anticipate submitting their respective monthly ES pass through factor in separate filings with the Commission or as a consolidated filing with East Kentucky?

RESPONSE 3a. It is anticipated that the filings will be included in a consolidated filing by East Kentucky.

REQUEST 3b. Explain the reason(s) why the Joint Applicants believe the anticipated approach is reasonable.

¹ Case No. 2004-00321, Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge.

RESPONSE 3b. The Joint Applicants anticipate that using one source for filing will be more efficient and easier to administer. Since the calculation of each Member System's retail Environmental Surcharge factor begins with the determination of EKPC's factor for each Member System, coupled with the need for filing by the 20th of each month, the proposed process was deemed to be reasonable.