

June 17, 2005

SENT BY FACSIMILE AND MAIL

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

RECEIVED

JUN 20 2005

Re: Administrative Case No. 2005-00090

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the responses of East Kentucky Power Cooperative, Inc., to information requests made to Mr. Roy Palk, during his comments on June 14, 2005, concerning the impacts of certain Kentucky Department of Revenue interpretations regarding the applicability of sales taxes to electric utility transmission facilities.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

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JUN 20 2005

PUBLIC SERVICE
COMMISSION

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC ADMIN. CASE NO. 2005-00090
INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION INFORMATION REQUEST
AT THE JUNE 14, 2005 HEARING
RESPONDING PERSON: Roy M. Palk**

Request : Provide information concerning the impact on East Kentucky Power Cooperative, Inc., of the Kentucky sales tax issues referenced by Mr. Palk during his comments as a member of the jurisdictional utilities panel at the June 14, 2005 public hearing in this case.

Response : As a result of a field audit for the period from February 1, 2001 through November 30, 2004, the Revenue Cabinet assessed sales and use taxes against EKPC of nearly \$2,000,000 on accounts classified as exempt on Revenue Circular 51C007. These exempt accounts apply to substations and other equipment used in manufacturing electricity. This assessment amounts to a deliberate disregard by the Revenue Cabinet of its own Revenue Circular, and is at odds with Kentucky's legislative and energy policies which are designed to maintain, promote, and enhance Kentucky's competitive position as a low cost energy provider.