OWEN Electric

A Touchstone Energy® Cooperative

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PUBLIC SERVICE COMMISSION

February 9, 2006

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Ms. O'Donnell:

Enclosed, for filing, are an original and five (5) copies of Owen Electric Cooperative's response to the commission's 'First Data Request of Commission Staff To Owen Electric Cooperative, Inc.' relating to Case No.2006-000014.

Please let us know if we can provide any additional information.

Sincerely,

Robert M. Marshall
President/CEO
Owen Electric Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF OWEN ELECTRIC	**)**	**CASE NO.**
COOPERATIVE, INC. TO ADJUST RATE	**)**	**2006-00014**
SCHEDULES FOR LARGE INDUSTRIAL	**)**	
CUSTOMERS	**)**	

RESPONSES TO COMMISSION STAFF'S FIRST DATA REQUEST
TO OWEN ELECTRIC COOPERATIVE, INC.
DATED FEBRUARY 1, 2006

OWEN ELECTRIC COOPERATIVE, INC.
PSC CASE NO. 2006-00014
ADJUSTMENT OF RATE SCHEDULES FOR LARGE INDUSTRIAL CUSTOMERS
FIRST DATA REQUEST RESPONSE

PUBLIC SERVICE COMMISSION REQUEST DATED 2/01/06
REQUEST 1
RESPONSIBLE PERSON: Robert Marshall/William Bosta

REQUEST 1. Refer to Enclosure 1 of Owen's December 16, 2005 Application. In the discussion of the revenue impact of its proposed rate revisions, Owen states that the estimated level of annual revenue erosion is approximately $59,000.

REQUEST 1a. Does the $59,000 estimate represent the gross revenue loss? If no, explain the response.

RESPONSE 1a. Yes, based on historical annual usage conditions for the seven existing customers under Tariff LPB1 and one customer under Tariff LPB2. One existing customer under LPB2 was in place for part of the year and the revenue effect was annualized. As indicated on the Enclosure 1, it is Owen's expectation that the reduced energy rate will encourage industrial customers to improve their load factor and help mitigate future gross revenue loss.

REQUEST 1b. Provide Owen's best estimate of the annual margin loss. Include all calculations necessary to derive the estimated annual margin loss.

<u>RESPONSE 1b.</u> The $59,000 is the estimated annual margin loss to Owen under existing conditions as the EKPC Wholesale Rate "B" would remain applicable to these industrial customers.

Over time, as industrial customers improve their load factor, the increased kWh consumption will result in additional net revenues to Owen. For example, when an industrial customer with a demand level of 1000 to 2499 kW per month increases kWh consumption, Owen will experience an increase in revenue of $.003835/kWh (Owen@3.116¢/kWh vs. EKPC @2.7325¢/kWh). Similarly, for customers with demand levels of over 5000 kW, the increase in revenue would be $.001335/kWh. This improvement in load factor will help mitigate the margin loss.

<u>REQUEST 1c.</u> Provide Owen's actual Times Interest Earned Ration ("TIER") for calendar year 2005 and its 2005 TIER as if its proposed rate reduction had been in effect the entire year. Include all calculations and supporting workpapers necessary to compute the TIERs.

<u>RESPONSE 1c.</u> Owen's 2005 TIER was 2.39. It is estimated that the TIER would have been 2.37 if the proposed rate reduction had been in effect the entire year.

Supporting calculations:

2005	**Existing Rates**	**Proposed Rates**	**Difference**
(A) Margins	$3,843,164	$3,784,164	($59,000)
(B) Interest on L-T Debt	$2,770,461	$2,770,461	$0
(C) Margins + Interest	$6,613,625	$6,554,625	($59,000)
TIER (C / B)	**2.39**	**2.37**	**(0.02)**

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PUBLIC SERVICE COMMISSION REQUEST DATED 2/01/06
REQUEST 2
RESPONSIBLE PERSON: Robert Marshall

REQUEST 2. Refer to Enclosure 2 of Owen's Application. In its discussion in Enclosure 1 of the revenue impact of its proposal, Owen states that Enclosure 2 is a customer-by-customer analysis of the annual cost of the proposed rate compared to the existing rate for current customers. Enclosure 2 includes customers served under two rate classes, LPB1 (Schedule XI) and LPB2 (Schedule XII).

REQUEST 2a. Explain whether the 7 customers shown in Enclosure 2 as being served under rate class LPB1 and the two customers served under LPB2 in Enclosure 2 represent the total number of customers that would be affected by Owen's proposed tariff changes. Include in the explanation, if applicable, Owen's reason for maintaining tariffs for rate classes that have no participating customers.

RESPONSE 2a. The seven customers shown in Enclosure 2 under LPB1 and the two customers under LPB2 represent all of the existing customers affected by Owen's proposal. Customers with demand levels from 2500-4999 kW would also experience a reduced energy rate for consumption above 425 hours use of demand. However, there are no existing customers in this category of service.

REQUEST 2b. If Enclosure 2 does not include all customers affected by Owen's proposed tariff changes, provide similar schedules for all rate classes that would be affected by the proposed changes.

RESPONSE 2b. Not Applicable.

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PUBLIC SERVICE COMMISSION REQUEST DATED 2/01/06
REQUEST 3
RESPONSIBLE PERSON: Robert Marshall/William Bosta

Request 3. Refer to the revised tariff sheets for Schedules VIII through XIII included in Owen's Application. The proposed energy charge reduction for kWh in excess of 425 hours per kW of billing demand differs by schedule. For example, the reduction per kWh for Schedule VIII is $.00383 and the reduction per kWh for Schedule IX is $.00133 per kWh. Explain why the reductions are different and how Owen arrived at the requested reduction for each rate class, Schedules VIII through XIII. Provide all calculations and supporting workpapers necessary to derive the requested reductions for each schedule.

Response 3. As indicated in the explanation provided in Enclosure 1, Owen used a consistent percentage reduction (50%) for each rate class. While this approach results in a different reduction per kWh for each class, it treats all industrial customers with demand levels of 1000 kW and above in a non-discriminatory manner. The 50% reduction in the energy rate was based on several factors, including the anticipated initial revenue loss, the inducement for industrial customers to improve their load factor and reduce their per unit cost of operations and retaining a level of margin for Owen's largest industrial customers.