



EAST KENTUCKY POWER COOPERATIVE

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COMMISSION

July 25, 2007

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, Ohio 45202

Re: PSC Case No. 2006-00472

Dear Mr. Kurtz:

Please find enclosed the Information Requests of East Kentucky Power Cooperative, Inc. to Kentucky Industrial Utility Customers, Inc. in the above-referenced case.

Very truly yours,

A handwritten signature in cursive script that reads "Charles A. Lile".

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record
Elizabeth O'Donnell, Executive Director- Public Service Commission

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES)	CASE NO.
OF EAST KENTUCKY POWER) 2006-00472
COOPERATIVE, INC.)

**EAST KENTUCKY POWER COOPERATIVE, INC.
INFORMATION REQUESTS TO
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

Kentucky Industrial Utility Customers, Inc. (“KIUC”), pursuant to the Procedural Schedule in this case dated July 6, 2007, is requested to file responses to the following requests for information by August 8, 2007, with copies to the Commission and to all parties of record, and in accordance with the following:

(1) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

(2) If any request appears confusing, please request clarification directly from EKPC.

(3) The responses provided should first restate the question asked and also identify the person(s) supplying the information.

(4) Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.

(5) To the extent that the specific document, workpaper or information does not exist as requested, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(7) If the Respondent objects to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify EKPC as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) "Document" means the original and all copies (regardless of origin, and whether or not including additional writing thereon, or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence, investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in, or on whatever medium, including computerized memory or magnetic media. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), code number thereof, or other means of identifying it, and its present location and custodian. If any such document was, but is no longer

in the Respondent's possession or subject to its control, state what disposition was made of it, including the date of such disposition.

(10) "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, considering or evaluating a particular issue or situation, in whatever detail, whether or not the study of the issue or situation is in a preliminary stage, and whether or not the study was discontinued prior to completion.

(11) "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.

(12) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.

(13) Respondent means KIUC and/or any of its officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

Respectfully submitted,

DAVID A. SMART

A handwritten signature in cursive script, appearing to read "Charles A. Lile".

CHARLES A. LILE

P. O. BOX 707
WINCHESTER, KY 40392-0707
(859) 744-4812

ATTORNEYS FOR EAST KENTUCKY
POWER COOPERATIVE, INC.

CERTIFICATE OF SERVICE

This is to certify that an original and 10 copies of the foregoing East Kentucky Power Cooperative, Inc. Information Requests to Kentucky Industrial Utility Customers, Inc. in the above-styled case were delivered to the office of Elizabeth O'Donnell, Executive Director of the Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and copies were mailed to Parties of Record listed below, this 25th day of July, 2007.

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, Ohio 45202

Lawrence W. Cook, Esq.
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Office of the Attorney General
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207 West Court Street, Suite 202
Prestonsburg, KY 41653



Charles A. Lile

INFORMATION REQUESTS FOR LANE KOLLEN

1. Reference page 5 of Mr. Kollen's testimony. Please provide copies of all analyses developed by Mr. Kollen, or at his direction, that he considered in reaching his conclusion that the continuation of the \$19 million revenue increase will enable the Company to meet its TIER and DSC Requirements for financial reporting purposes in 2007 and in 2008.
2. Reference page 11 of Mr. Kollen's testimony. Using the two options described on page 11 lines 13-19, provide an example of how these two approaches would result in the same effect on customers.
3. In analyzing whether a normalization adjustment is reasonable, would Mr. Kollen generally agree that a review of more years' historical information is better than fewer years' information? Please explain your response.
4. Reference EKPC's response to Staff Fourth Data Request, Item 2.
 - (a) Does Mr. Kollen agree that EKPC should have the opportunity to earn a 1.35 TIER on all assets, including those assets subject to the environmental surcharge?
 - (b) Assuming the Commission grants a 1.35 TIER in this case as proposed by EKPC, does Mr. Kollen agree, that under that scenario, EKPC would be recovering a 1.35 TIER on all of its assets with the difference in the 1.35 TIER and 1.15 TIER in base rates on surcharge assets and this method is consistent with the approach approved by the Commission in Case Nos. 1998-00426, 1998-00474, 2003-00433, 2003-00434 and 2005-00341? If no, please explain.

- (c) Assuming the Commission grants a 1.35 TIER in this case as proposed by EKPC does Mr. Kollen agree that EKPC's proposed synchronization of ECR revenue with ECR costs is an acceptable approach? If not, please explain.
5. Reference page 12, lines 13-17, of Mr. Kollen's testimony. Does Mr. Kollen agree that in Case Nos. 1998-00426, 1998-00474, 2003-00433, 2003—00434 and 2005-00341 that only the per book actual surcharge revenues and expenses were eliminated from the test period? If not, please explain and provide copies of all Order sections where the Commission addresses removing the effects of ECR revenues and costs from the utility's base revenue requirement and the synchronization of any portion that is rolled-in to base rates and/or otherwise reflected as an offset to the ECR revenue requirement in the ECR filings.
 6. Reference page 15, lines 3 through 6 of Mr. Kollen's testimony. Did the Commission's Interim Order make the interim increase subject to a test limiting the Company's margins to a TIER of 1.15? Please explain?
 7. Does Mr. Kollen believe that EKPC is in danger of not meeting its financial covenants in 2008? If not, please explain why not. If so, please explain the implications of such a result.
 8. What is the basis and justification for Mr. Kollen's statement on page 18, lines 3 through 5 that "a TIER of 1.15 is excessive compared to the minimum RUS loan covenant and Credit Facility Agreement requirements," particularly with EKPC's equity percentage of about 5%? Please provide all workpapers and supporting documentation.
 9. On page 18, line 1 of his testimony, Mr. Kollen states that he would not normally recommend a TIER of 1.15 because it is "excessive compared to the minimum RUS loan covenants and Credit Facility Agreement requirements." What TIER would Mr. Kollen

normally recommend? Include supporting analysis. Provide documentation and analysis to demonstrate how a cushion of 0.10 above the 1.05 RUS TIER covenant is excessive.

10. Provide a list of any and all utility financing arrangements in which Mr. Kollen has participated. Include parties involved, date of financing, dollar amount of capital raised, and any other pertinent details.
11. Explain how a TIER of 1.15 will allow EKPC to compete with other borrowers and attract capital from lenders other than RUS and CFC.
12. Provide copies of all testimony filed or papers authored by Mr. Kollen during the past five years relating to the determination of an appropriate TIER for cooperatives.
13. Provide a copy of any analysis and/or work papers to support Mr. Kollen's recommendation of a 1.15 TIER in this proceeding.
14. Explain how Mr. Kollen's analysis of an appropriate TIER for EKPC incorporates the ratemaking principle of capital attraction.
15. How did Mr. Kollen consider the appropriate equity ratio for EKPC in his analysis? Please explain.
16. Provide a list of all G&Ts that Mr. Kollen is familiar with that have issued non-RUS long-term debt in the last five years with a TIER at the time of debt issue of 1.15 or less. Identify the G&T ratings and details of financing.
17. Did Mr. Kollen use a benchmark approach of other comparable G&T's to derive his TIER recommendation? If so, which companies were used? Please provide all workpapers and analyses used in the comparison. If a benchmark approach was not used, please explain why it was not used and describe the approach that was used.
18. Did Mr. Kollen examine and utilize any data typically used by investors to arrive at his recommendation? Please provide any data used in arriving at the recommendation.

19. Reference page 18, lines 8-10, of Mr. Kollen's testimony. Please explain how having the same TIER of 1.15 for the base revenue requirement and the ECR influence the proper level of TIER for the Commission to decide in this proceeding for EKPC.
20. Reference Page 19, line 16 of Mr. Kollen's testimony. Please provide the derivation of the \$18.624 million for non-ECR revenue requirement effect from a 1.15 TIER. Please provide all workpapers and supporting documentation.
21. Reference page 22, line 15 of Mr. Kollen's testimony. Mr. Kollen states that the refinancing is "pending". Please explain, in light of the fact that that the loan is pending, the schedule of drawdown is unknown and the interest rate is not known until the day of drawdown, how this proposed adjustment is known and measurable?
22. See page 23, line 16-17, of Mr. Kollen's testimony. Please identify the costs the Company included in the filing which were projected calendar year 2007 costs.
23. Has Mr. Kollen always concluded that interest income, AFUDC balance and interest cost annualization must be synchronized at a single point in time? Please provide excerpts from those instances where Mr. Kollen has testified about the interest income issue.
24. Please provide all references, excerpts and workpapers illustrating use of an historical average proposed by Mr. Kollen for any any rate case in any proceeding.
25. Would Mr. Kollen agree that the level of short-term investments will fluctuate in the next year as a result of timing uncertainties associated with draw-downs of credit facility funds? Please explain.
26. Since the availability of short-term investment funds and corresponding interest rates will vary month-to-month, please explain why it is not reasonable to use an historic average for interest income as compared to setting the level on the basis of a certain point in time.

27. Reference page 30, line 11-12. Please provide any analyses developed by Mr. Kollen, or at his direction, that he utilized in concluding that the 5-year average of forced outage MWH is not representative of replacement power costs on a going forward basis? Please explain.
28. Please provide any analyses developed by Mr. Kollen, or at his direction, that he utilized in concluding that the test year forced outage replacement cost is the “best” measure of such cost? Please explain.
29. Please provide all testimony, exhibits and analyses presented by Mr. Kollen regarding any type of forced outage cost adjustment.
30. Reference page 35, lines 1-5 of Mr. Kollen’s testimony. Since salaries and payroll taxes for those employees participating in the early out program were excluded from the annualization at March 31, 2007, would Mr. Kollen agree that the benefits portion is the only adjustment necessary? Please explain.
31. Reference page 36, lines 3-11 of Mr. Kollen’s testimony. Provide all workpapers and supporting documentation for the \$0.045 million adjustment to medical benefits expense.

INFORMATION REQUESTS FOR KEVIN HIGGINS

32. Please provide all workpapers, including sources of information for each cost component, for Exhibits KCH -1, KCH-2 & KCH-3. Please also provide the requested information in electronic format.
33. Does Mr. Higgins agree that, to the extent possible, costs should be directly assigned rather than allocated?
34. Is it Mr. Higgins position that, other than the allocation of production demand, that EKPC's direct assignment and cost allocations used in the cost-of-service study are acceptable? Are such direct assignments and allocation methodologies reasonable for future proceedings? If not, please indicate which items are not acceptable and state why.
35. On page 13, lines 22 and 23, Mr. Higgins states, "Consequently, it is appropriate to view the class cost-of-service analysis solely for information purposes at this time." Then on page 20, lines 7 through 9 of his testimony, he states that, based on his recalculated cost-of-service, Gallatin is overpaying for its electric service and that Gallatin's interruptible credit should be increased by \$950,000. Moreover, EKPC's revenue requirement should be increased by \$950,000.
- a) What is Mr. Higgins' recommendation with regard to EKPC's revenue requirement in this proceeding?
 - b) If the \$950,000 is applicable to increasing EKPC's revenue requirement, does it apply to any revenue requirement level ordered by the Commission?
 - c) Should EKPC's Schedule D, Interruptible Service, be changed as a result of Mr. Higgins' recommendation? Why or why not?

36. Compared to EKPC's filing, does the change in the allocation of production demand cost for Gallatin cited by Mr. Higgins also result in a change in the allocation of such demand costs to other classes?
37. If the response to Item 5 herein is yes, why is the KIUC's proposal limited only to the effect on Gallatin Steel?
38. Assume the Commission accepts the \$950,000 increase in the interruptible credit; please provide a revision to the Gallatin special contract to reflect the change in the credit.
39. Is it Mr. Higgins' contention that EKPC's request for a 1.35 TIER is the primary factor in his recommendation for revenue apportionment and rate design? Would the revenue apportionment and rate design change if EKPC were seeking a 1.15 TIER? Would it change if EKPC were seeking a 1.05 TIER?
40. On Page 4, Lines 2 and 3 of his testimony, Mr. Higgins states, "A customer specific apportionment would better capture the specific cost characteristics of each individual contract".
- a). Is it Mr. Higgins' position that each of EKPC's special contracts warrants this treatment?
- b) Are the load characteristics of EKPC's B/C industrial customers (over 500 KW) sufficiently different to warrant this treatment? Please explain why or why not, with cost support.
41. If EKPC typically uses combustion turbines to meet peak load and offers interruption under a 10-minute notice period, what should be the basis of the avoided capacity cost for recognizing the ability of the customer to interrupt?
42. Please provide all workpapers in support of and in development of Exhibit KDH-4. Please provide the information in electronic format.

43. Reference EKPC's response to the KIUC's Second Data Request, Item 1.9. The language on Page 50 of the NARUC Manual states, "If your objective is – as it should be using this method (referencing the average & excess method) – to reflect the impact of average demand on production plant costs..." Does Mr. Higgins disagree with this statement from the NARUC Manual? Please explain.
44. If Gallatin was 100% interruptible and continued to have the same monthly load factor of 70 to 80%, under Mr. Higgins interpretation of the average & excess allocation method, would Gallatin be assigned any demand costs? If the assignment of demand cost to Gallatin is zero, how does that comport with the statement on Page 50 of the NARUC manual that the purpose of the average & excess method is to reflect average demand on production costs? Please explain your response.
45. Reference Mr. Higgins' testimony at Pages 19 and 20. Please provide the analysis which supports the following claim on Page 20, Lines 2-4: "Similarly, if EKPC had made this adjustment to its calculation of a 100-percent interruptible customer, the resulting allocation would not be negative, as EKPC claims in its data response."
46. Reference Exhibit KCH-4, please provide the allocation factors used to derive the production demand dollars shown on Line 1. Please make a comparison of the allocation factors used in Line 19 to the allocation factors used for Line 1, for columns (c) through (k). Please show the KW demand level for each column.
47. Reference EKPC's response to KIUC's Third Data Request Item 1.9(f). From Page 67 of the NARUC Manual: "The possibilities for varying the methods are numerous and should suit the analysts' assessment of allocation objectives. Keep in mind that no method is prescribed by regulators to be followed exactly".

a) Does Mr. Higgins agree that this passage of the NARUC Manual allows for two analysts to interpret an issue in two different ways, yet allows both to be considered plausible approaches?

b) Please provide a copy of any Order from the Kentucky Public Commission wherein the Commission directly addressed the issue of how to handle interruptible loads for production demand cost allocation under the average and excess method.

48. Reference Mr. Higgins' testimony on Page 15 wherein he describes the NARUC manual and its passage on Page 49 regarding interruptible load and the average and excess demand allocation method. Mr. Higgins cites the following statement from the NARUC manual "The difference **may** (emphasis added) be negative for curtailable rate classes".

a) Would Mr. Higgins agree that the term "may" allows for instances when the difference could be negative or could be positive?

b) Would Mr. Higgins agree that the NARUC Manual does not require use of his proposed methodology for handling interruptible loads under the average & excess methodology?

c) If the NARUC manual does dictate use of his proposed methodology, please provide the specific passage and any specific examples shown in the manual.