

**BOEHM, KURTZ & LOWRY**

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**Via Overnight Mail**

February 19, 2007

**RECEIVED**

**FEB 20 2007**

**PUBLIC SERVICE  
COMMISSION**

Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Case No. 2006-00472**

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the First Set of Data Request of Kentucky Industrial Utility Customers, Inc. to East Kentucky Power Cooperative to be filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.  
**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: Certificate of Service

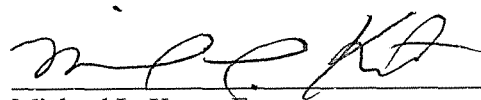
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, unless otherwise noted, to all parties on the 19<sup>th</sup> day of February, 2007.

Lawrence W. Cook, Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive  
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[Larry.Cook@ag.ky.gov](mailto:Larry.Cook@ag.ky.gov)

Senior Corporate Counsel  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
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Honorable John J. Scott  
Whitlow & Scott  
108 East Poplar Street  
P. O. Box 389  
Elizabethtown, KY 42702



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Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

FEB 20 2007

PUBLIC SERVICE  
COMMISSION

In The Matter Of: General Adjustment of Electric Rates  
of East Kentucky Power Cooperative, Inc.

Case No. 2006-00472

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FIRST SET OF DATA REQUESTS OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

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Dated: February 19, 2007

## DEFINITIONS

1. "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.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. 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.
5. 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.), number of 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 Company's possession or subject to its control, state what disposition was made of it?
6. 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.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. 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.
10. "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.
11. "EKPC" means Eastern Kentucky Power Cooperative and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

## INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. 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.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**KIUC'S FIRST SET OF DATA REQUESTS TO EKPC**  
**Case No. 2006-00472**

1. Please refer to Exhibit F Summary of Adjustment to your rate case filing
  - a. With respect to Adjustment 19 of \$59,049 (costs associated with unregulated affiliates), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - b. With respect to Adjustment 13 of \$1,152,935 (promotional advertising), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - c. With respect to Adjustment 14 of \$65,484 (expenses incurred by EKPC Board of Directors), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - d. With respect to Adjustment 15 of \$502,476 (donations except those relating to economic development and certain research and development expenditures), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - e. With respect to Adjustment 21 of \$152,716 (lobbying expense and certain consulting fees), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - f. With respect to Adjustment 22 of \$376,000 (EKPC and Member dues in Touchstone Energy), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - g. With respect to Adjustment 23 of \$12,763 (cost of SERC membership and costs associated with TVA as reliability coordinator), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
  - h. With respect to Adjustment 24 of \$49,424 (Employee recreation costs or contributions made by EKPC to the Employee Association for various recreational functions, gift certificates which serve as an employee bonus, the annual employee dinner celebration at year end, net costs associated with the Supplemental Executive Retirement Plan, and cost of vending supplies for coffee, tea, etc. which is offered at no charge to employee), please provide the rationale and Kentucky ratemaking principles which were relied on by the Company to make this adjustment. Please identify the specific items covered by this adjustment.
2. Please provide a copy of the Company's monthly Environmental Surcharge ("ECR") filings for the expense months October 2005 through the most recent month available.
3. Please explain why the Company included all ECR revenue and expense (and TIER) amounts in its filing and did not proform these amounts out.

4. Please provide and quantify each ECR amount that is included in the Company's filing with sufficient detail that would allow the proforma removal of these amounts from the filing for base ratemaking purposes. The ECR amounts in this request include the interest on ECR debt projected at March 31, 2007, AFUDC on approved ECR projects at March 31, 2007, depreciation on ECR investment using March 31, 2007 plant amounts, property tax expense based on ECR investment at September 30, 2006, and other test year ECR expense and test year end rate base amounts. Provide all assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact, used to identify and quantify these amounts.
5. Please provide a computation of the projected ECR revenue requirement for the expense month of March 2007 based on the ECR amounts included by the Company in its filing and following the ECR filing format. The Company should utilize the approved ECR TIER of 1.15X for this purpose. It should be noted that this request is for the revenue requirement computed in accordance with the ECR format, not what the Company included in its rate increase filing. The most obvious difference in this request compared to the preceding question is in the computation of interest expense and TIER given that the ECR format follows a rate base methodology and the rate increase filing follows a return on capitalization methodology. Provide all assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact, used for this purpose.
6. Please refer to Exhibit F, Schedule 4, related to the adjustment for wages and salaries. Provide the quantification of the total wages and salaries annualized as of September 30, 2006 before adjustments. In addition, provide the quantifications for the additional 3% general increase and the annualized salaries for the 30 additional positions separately that were added to the September 30, 2006 annualized base to compute the total wages and salaries annualized of \$49,527,524. Please provide these quantifications in electronic format with all formulas intact.
7. Please refer to Exhibit F, Schedule 4, page 2 of 2. Please provide all workpapers in electronic format with formulas intact relied upon to compute the expensed portion of wages and salaries of 87.56% during the test period.
8. Please refer to Exhibit F, Schedule 4, page 2 of 2. Please provide the amount of wages and salaries that were expensed and capitalized separately for each month during the test period.
9. Please provide the amount of wages and salaries that were expensed and capitalized separately for each month available since the end of the test period.
10. Please refer to Exhibit F, Schedule 5, page 2 of 2. Please provide all workpapers in electronic format with formulas intact relied upon to compute the expensed portion of payroll taxes of 90.23% during the test period.
11. Please refer to Exhibit F, Schedule 5, page 2 of 2. Please provide all workpapers in electronic format with formulas intact relied upon to compute each of the components of payroll tax in columns (1) through (4).
12. Please refer to Exhibit F, Schedule 6. Please provide all workpapers in electronic format with formulas intact relied upon to compute the expensed portion of the various benefits expenses of 90.08% during the test period.
13. Please refer to Exhibit F, Schedule 6. For each type of employee benefits listed on this schedule, please provide the amount of the benefits that were expensed and capitalized separately for each month during the test period.

14. Please refer to Exhibit F, Schedule 6. For each type of employee benefits listed on this schedule, please provide the amount of the benefits that were expensed and capitalized separately for each month available since the end of the test period.
15. Please explain why the expensed portion of the various benefits expenses of 90.08% during the test year does not agree with the expensed portion of wages and salaries of 87.56% in the Company's filing.
16. Please refer to Exhibit F, Schedule 6, page 2 of 5. Please explain why the adjustment for retiree medical was computed based upon the addition of test year costs with the assumed 15% increase instead of just the 15% increase over test year results. If an error was made, please quantify the correct amount of the adjustment requested.
17. Please refer to Exhibit F, Schedule 6, page 3 of 5 (Defined Benefit Plan). Please explain why the expense factor of 90.08% was not applied to the annualized adjustment for retiree medical of \$7,746,049 before the comparison to actual test period benefits that were multiplied by the 90.08 expense factor. If an error was made, please quantify the correct amount of the adjustment.
18. Please refer to Exhibit F, Schedule 6, page 3 of 5 (Defined Contribution Plan - 401K). Please explain why the expense factor of 90.08% was not applied to the projected contribution of \$863,202 before the comparison to actual test period benefits that were multiplied by the 90.08 expense factor. If an error was made, please quantify the correct amount of the adjustment.
19. Please refer to Exhibit F, Schedule 6, page 4 of 5 (Postretirement Benefits). Please explain why the expense factor of 90.08% was not applied to the 2007 expense projection of \$2,882,000 before the comparison to actual test period benefits that were multiplied by the 90.08 expense factor. If an error was made, please quantify the correct amount of the adjustment.
20. Does the Company believe that the various expense percentages applied to wages and salaries, payroll taxes, and benefits will decrease below test year results based on its construction program. Explain why or why not.
21. Please refer to Exhibit F, Schedule 6, page 5 of 5. Please provide a copy of all workpapers and assumptions relied upon by the actuary to compute the amounts listed on this schedule in the same level of detail normally provided in an actuarial report.
22. Please refer to Exhibit F, Schedule 2. Please reflect the annual interest income for the year 2006 in the same format as the years 2001-2005.
23. Please provide a description of the Company's source of interest income reflected in Exhibit F, Schedule 2.
24. Please refer to Exhibit F, Schedule 10, page 5 of 6. Please define the debt issue described as "RUS-Cushion of Credit" in the amount of (\$76,547,748).
25. Please refer to the previous question. Please explain why there is not an interest rate associated with this line item and a corresponding decrease in interest expense much like in the computations of the capital structure reflected on Exhibit G-4, page 20 of 20.
26. Please explain why the Company did not annualize member revenues based on test year end normalized member usage levels.



27. Please explain why the Company did not annualize member revenues based on projected March 31, 2007 normalized member usage levels.
28. Please refer to Exhibit F, Schedule 18, page 2 of 2. Please list all forced outages by generating unit from 2001 through 2005 and for the test year ended September 30, 2006 by year. Please indicate in the response the dates of the outage, the duration of each outage, the mWh "lost" for each outage, and a brief description of the cause of each outage. In addition, please provide copies of any self assessments or outage reports describing the causes and remedy actions related to each outage.
29. Please refer to Exhibit F, Schedule 20. The first paragraph in this schedule describes the effects of USEPA and KYEPA Notice of Violations ("NOV") on Dale Units 1 and 2. The last sentence of that paragraph states "the impact of this has been eliminated." Please indicate whether an adjustment was made in the filing to "eliminate" this impact. If there was no adjustment made, please describe why not. If an adjustment should have been made, please quantify the adjustment amount and provide all backup documentation required to compute the adjustment.



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**COUNSEL FOR KENTUCKY INDUSTRIAL  
UTILITY CUSTOMERS INC.**

February 19, 2007