

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255

TELECOPIER (513) 421-2764

Via Overnight Mail

May 30, 2007

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 Kentucky Industrial Utility Customers, Inc.'s Third Set of Data Requests to EKPC 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

David S. Samford, Esq. (via electronic mail)
Isaac S. Scott (via electronic mail)
Dennis Howard (via electronic mail)

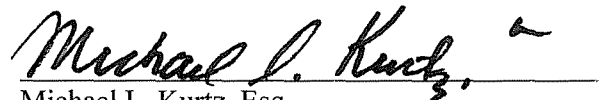
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail (when available) and by first-class postage prepaid mail, unless otherwise noted, to all parties on the May 30, 2007.

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
Larry.Cook@ag.ky.gov

Honorable Charles A. Lile
Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707
charliel@ekpc.com

Mr. Bill Bosta, Manager of Pricing Process
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707


Michael L. Kurtz, Esq.

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

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

Case No. 2006-00472

**THIRD SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

Dated: May 30, 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.

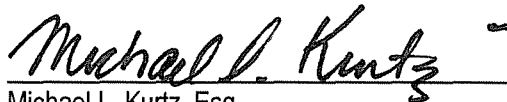
KIUC'S THIRD SET OF DATA REQUESTS TO EKPC
Case No. 2006-00472

- Q1. Refer to the 20 year forecast provided in response to PSC 32(b). Please provide a detailed explanation for the increase in non-fuel O&M expense in the 2007 budget compared to 2006 actual. Provide all workpapers and support used to develop the 2007 budget for non-fuel O&M expense and used to compare to 2006 actual.
- Q2. Refer to the 20 year forecast provided in response to PSC 32(b). Please provide a detailed explanation for the increase in Other Power Supply expense in the 2007 budget compared to 2006 actual. Provide all workpapers and support used to develop the 2007 budget for Other Power Supply expense and used to compare to 2006 actual.
- Q3. Refer to the 20 year forecast provided in response to PSC 32(b). Please provide a detailed explanation for the increase in transmission expense in the 2007 budget compared to 2006 actual. Provide all workpapers and support used to develop the 2007 budget for transmission expense and used to compare to 2006 actual.
- Q4. Please provide the Company's April 2007 RUS Form 12a.
- Q5. Please provide the TIER and DSC, including the detailed computations, for the RUS loan covenants and the credit facility for the 12 months ending April 2007.
- Q6. Refer to the Company's response to KIUC 2-21. Please provide the proposed depreciation rates as requested. In addition, please provide the electronic spreadsheet used to develop the attachment to the Company's response with all formulas intact.
- Q7. Refer to the Company's response to KIUC 2-25. Please provide a quantification of the property tax expense included in each of the Exhibit F line items referenced. In addition, please explain why the Company did not include property tax expense on Exhibit F line 21 and instead grouped the property tax expense with the O&M and A&G expense.
- Q8. Please provide a copy of the Company's Environmental Surcharge filing for the April 2007 expense month.
- Q9. Please provide a copy of the Company's FAC filing for the April 2007 expense month.
- Q10. Refer to the listing of CWIP projects at March 31, 2007 provided in response to KIUC 2-28(a), (c) and (e). For each of those projects that do not earn AFUDC, please explain why they do not.
- Q11. Please provide a copy of the Company's AFUDC accounting policies and describe the decision criteria that are employed to determine whether a project earns AFUDC or not.
- Q12. Refer to the Company's response to KIUC 2-29. Please explain why "Amortization of discount, premium, discounts, gains and losses on reacquisition is not applicable."
- Q13. Refer to the Company's response to KIUC 2-38. Please provide an update on the status of the RUS loan of approximately \$481 million. In this update, please describe in detail why the RUS final approval has been delayed and when this loan will be available to pay down the credit facility. Provide a copy of all documents, including correspondence with the RUS related to the approval and timing of these funds.

- Q14. Refer to the Company's response to KIUC 2-39. If the loan was granted final approval today and the RUS released the funds, what would the interest rate be? Provide a copy of any source document relied on for this response.
- Q15. Refer to the Company's response to KIUC 2-44. Please update this response for April 2007.
- Q16. Refer to the Company's response to KIUC 2-45. Please provide the information requested to annualize all revenues other than ECR and FAC revenues reflecting customer sales growth over the 12 months ending March 31, 2007. Provide all supporting assumptions and computations, including electronic spreadsheets with formulas intact.
- Q17. Please provide member load and customer information for the 13 months ending March 31, 2007 sufficient to compute EKPC's annualized base revenues using customer levels at March 31, 2007 and average usage per customer for the 12 months ending March 31, 2007. In addition, provide the actual revenues and revenues per customer for the same period in sufficient detail to make this computation.
- Q18. Refer to the Company's response to KIUC 2-54. The question was directed toward capitalization v. expense policies for payroll and other costs. The response addressed functional allocations. Please provide the information originally requested.
- Q19. Refer to the Company's response to KIUC 2-55. Please explain the Company's capitalization v. expense policies for payroll and other costs for each function. For example, what are the Company's policies on capitalizing employee payroll and overheads to power plant construction projects? Which costs are included and which costs are excluded? Are A&G expenses allocated to the power plant construction projects and capitalized? If so, which costs are included and which costs are excluded? Be specific and provide a copy of all written guidelines and policies not already provided in response to the preceding question.
- Q20. Refer to the Company's response to KIUC 2-57. Please identify any A&G costs other than benefits and payroll taxes that are capitalized. If no other A&G costs are capitalized, please explain why not? Be specific and provide a copy of all written guidelines and policies not already provided in response to the preceding two questions.
- Q21. Refer to the Company's response to KIUC 2-58. Please explain why the Company apparently does not capitalize any other costs to the power plant construction projects, e.g. the A&G costs of the Company's CEO and other management and administrative costs associated with these construction projects. In addition, please indicate whether the Company is prohibited from doing so by RUS regulations and/or other accounting requirements.
- Q22. Refer to the Company's response to KIUC 2-63. Please provide the full actuarial report when it is available.
- Q23. Refer to the Company's response to KIUC 2-69 page 3 of 3. Do the emission allowance amounts include inventories necessary to resolve the USEPA and KYEPA NOVs on Dale 1 and 2? If so, please provide the NOV allowance amounts (tons and dollars) for each month October 2005 through March 2007, separating the amounts into non-penalty and penalty amounts.
- Q24. Refer to the Company's response to KIUC 2-68. Please confirm that the Company removed the NOV expense and writeoff amounts from the test year expense amounts, but did not remove the interest expense associated with either the non-penalty or penalty allowance amounts. If the Company did remove

the interest expense associated with the NOV allowances, then please describe where this adjustment was made and provide the related quantifications, including all computational support.

- Q25. Refer to the Company's response to PSC 3-10. Please confirm that the annual savings of \$878,476 is not reflected in the Company's filing as a reduction in expense.
- Q26. Refer to the Company's response to PSC 3-37. Please provide further details on the cooperative propane buyout. Provide the date of the buyout, amount of the buyout, the amount of the notes, the interest rate on the notes, the interest income earned during the test year on the notes. In addition, please describe where the Company removed the related amounts from its capitalization and interest expense and the amounts it removed.



Michael L. Kurtz, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

513.421.2255 Fax: 513.421.2764

E: mail: mkurtz@BKLawfirm.com

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

May 30, 2007