

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.	)	

SECOND DATA REQUEST OF COMMISSION STAFF  
TO EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 27, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and regulated operations, separately.

1. Refer to Exhibit E of the Application. EKPC's notice to its member distribution cooperatives states there is no increase in dollars for the Section A Rate

Schedule, while it shows a proposed increase in the demand rate in Section A from \$7.82 to \$9.72. Explain the apparent discrepancy.

2. Refer to Exhibit F of the Application, Schedule 4. EKPC states that as of test-year end it had 623 full-time and 27 part-time employees on its payroll. EKPC also indicates that its payroll adjustment includes 30 new positions that are to be filled between test-year end and March 31, 2007.

a. For each of the 30 new positions, state:

- (1) The position title;
- (2) The position description;
- (3) The department, division, or office within EKPC in which the position is located;
- (4) The reason(s) why the position must be filled at this time;
- (5) Whether, as of the date of EKPC's response, the position has been filled; and
- (6) If the position has been filled, whether EKPC filled the position with a person whom EKPC employed at the time of the fill.

b. Provide a schedule showing all changes in employees at EKPC between the test-year end and February 15, 2007. For purposes of this question, change in employees includes retirements, resignations, terminations, new hires, internal promotions, and internal transfers. For each change, the schedule is to include the position title, a description of the position, where the position is located within EKPC's operations, the date of the change, and an indication of the type of change in

employment. In addition, for each new hire, internal promotion, or internal transfer, explain why the action needed to be taken at this time.

3. Refer to Exhibit F of the Application, Schedule 4.

a. In light of EKPC's current financial condition, explain why EKPC's Board of Directors authorized a 3 percent wage increase effective November 5, 2006.

b. Provide all documents, including internal memoranda, electronic mail messages, presentations, and board minutes in which the proposed wage increase or the Board of Directors' action is discussed.

4. Refer to Exhibit F of the Application, Schedule 10, page 6 of 6.

a. From the additional debt scheduled portion of this page, indicate whether the expected debt issuance has occurred. If the amount, date of issuance, or the interest rate differs from that shown on this page, provide the corrected information.

b. If EKPC has incurred any additional debt since the end of the test year that is not reflected on this page, provide the same details for each new debt issuance as shown on this page.

c. For each payment listed in "Debt Paydown Scheduled," state whether the expected payment has occurred. If the amount, date of payment, or interest rate is different from that as shown on this page, provide the corrected information.

d. Has EKPC made any additional debt payments since the end of the test year that is not reflected on this page? If yes, provide the same details for each new paydown as shown on this page.

5. Refer to Exhibit G-2 of the Application, the Direct Testimony of David G. Eames, page 5 of 12.

a. What was EKPC's total members' equity as of December 31, 2006?

b. What was EKPC's Times Interest Earned Ratio ("TIER") for calendar year 2006?

c. Provide a copy of each written notice that EKPC has sent to the Rural Utilities Service ("RUS"), the National Rural Utilities Cooperative Finance Corporation ("CFC"), and the Federal Financing Bank ("FFB") concerning its failure to meet the TIER requirements of the Restated and Consolidated Mortgage and Security Agreement ("Mortgage Agreement"). For each of these entities that EKPC has not provided such written notice, explain why such notice was not provided.

d. Has EKPC submitted a written plan to RUS, CFC, and FFB setting forth the actions that it will take to achieve the required TIER?

(1) If yes, provide copies of the written plan.

(2) If no, indicate when EKPC anticipates submitting the required written plan.

e. For each entity to which EKPC has submitted a written plan of action to achieve the required TIER, describe the entity's response and provide all written responses.

6. EKPC has proposed to adjust its rates, effective April 1, 2007, to produce an increase of \$43,363,219 in its annual revenues.

a. Explain in detail how EKPC's credit will be materially impaired or damaged if the Commission suspends the proposed rates until September 1, 2007.

This explanation should include specific examples of the impairment or damage to EKPC's credit.

b. Explain in detail how EKPC's operations will be materially impaired or damaged if the Commission suspends the proposed rates until September 1, 2007. This explanation should include specific examples of the impairment or damage to EKPC's operations.

7. On November 13, 2006, EKPC submitted its notice to the Commission of its intent to file a wholesale rate application on or after December 11, 2006. It subsequently advised the Commission that a filing would be made in early 2007 to support an effective date of April 1, 2007. EKPC submitted its wholesale rate application on January 29, 2007, which was declared filed on February 6, 2007. Explain why the Commission should not consider the significant delay in the filing of EKPC's application as evidence that immediate implementation of the proposed wholesale rates is not necessary and will not materially impair or damage EKPC's credit or operations.

8. Refer to Exhibit G-4 of the Application, the Direct Testimony of Daniel M. Walker ("Walker Testimony").

a. Using the approach discussed in the Walker Testimony, what was the computed debt rating for EKPC as of:

- (1) The end of the test year?
- (2) The end of calendar year 2006?

b. Page 13 of 20 of the Walker Testimony states that the optimum credit range for EKPC is BBB+ to A+. Explain in detail why it is necessary to determine

EKPC's wholesale rate increase based on the optimum credit range, rather than steadily building up to the optimum credit range over a period of years.

9. EKPC has stated that the Mortgage Agreement requires that as of the last day of the calendar year, the average TIER during the two best years out of the last three calendar years must be no less than 1.05.

a. Using the adjusted test year as proposed in the Application, provide a revised Exhibit J reflecting a wholesale rate increase based upon a TIER of 1.05.

b. Using the information and cost-of-service allocations as proposed in the Application, provide a revised Exhibit I, pages 6 and 7 of 7, reflecting the increase in revenues based upon a TIER of 1.05.

10. In its last general rate case, Case No. 1994-00336,<sup>1</sup> the Commission determined EKPC's revenue requirements using a TIER of 1.15.

a. Using the adjusted test year as proposed in the Application, provide a revised Exhibit J reflecting a wholesale rate increase based upon a TIER of 1.15.

b. Using the information and cost-of-service allocations as proposed in the Application, provide a revised Exhibit I, pages 6 and 7 of 7, reflecting the increase in revenues based upon a TIER of 1.15.

11. Refer to the response to the Commission Staff's First Data Request dated December 5, 2006, Item 58. EKPC states it has eliminated an estimated amount of costs of \$17,621,607 during 2006. On the attachment to the response, at page 1 of 21,

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<sup>1</sup> Case No. 1994-00336, Application of East Kentucky Power Cooperative, Inc. to Adjust Electric Rates, final Order dated July 25, 1995 and rehearing Order dated February 28, 1996.

this total is separated into fuel savings, purchased power savings, and operational savings.

a. For each of the three categories of savings, indicate whether the amount represents actual reduced levels of expenses or reflect reductions in budgeted amounts only.

b. Have any of the savings been reflected in the test year, either through test-year actual expense levels or adjustments to the test year? Explain the response.

(1) If the savings have been reflected in the test year, indicate specifically where the savings have been recognized in the test year.

(2) If the savings have not been reflected in the test year, explain in detail why the savings have not been reflected in the test year and, in turn, not reflected in the determination of the increase in revenues proposed.

c. Refer to the attachment, page 19 of 21. For each item listed under the categories of "January 2006 Budget Reductions," "Cost Containment," and "Fall 2006 Budget Reductions," describe the nature of the reductions or cost containment actions taken by EKPC. Include specific examples of the reduction or cost containment undertaken.



Beth O'Donnell  
Executive Director  
Public Service Commission  
P. O. Box 615  
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DATED February 20, 2007

cc: All Parties