

*Law Offices of
OSCAR H. GERALDS, JR.
259 West Short Street
Lexington, KY 40507*

RECEIVED

MAY 30 2007

PUBLIC SERVICE
COMMISSION

May 30, 2007

Hand-Delivered to the
PUBLIC SERVICE COMMISSION

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

Re: Case No. 2006-00472

Dear Ms. O'Donnell:

Please find attached for filing with the Commission in the above-referenced case an original and ten copies of the Sierra Club's Second Request for Information to East Kentucky Power Cooperative. A copy of this data request has been mailed to all parties listed on the attached Certificate of Service.

Sincerely,

Elizabeth R. Bennett for

Oscar H. Geraldts, Jr., Esq.
259 West Short St.
Lexington, KY 40507
Ph: (859) 255-7946; Fax: (859) 233-4099
E-mail: ogeraldts@lexkylaw.com

Enclosures

cc: Parties of Record

*Law Offices of
OSCAR H. GERALDS, JR.
259 West Short Street
Lexington, KY 40507*

May 30, 2007

Hon. Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202-4434

Re: Case No. 2006-00472

Dear Mr. Kurtz:

Please find enclosed a copy of the Sierra Club's Second Request for Information to East Kentucky Power Cooperative filed in the above-referenced proceeding. An original and ten copies of this data request have been delivered to the office of Beth A. O'Donnell, Executive Director, Kentucky Public Service Commission.

Sincerely,

Elizabeth R. Bennett for

Oscar H. Gerald, Jr., Esq.
259 West Short St.
Lexington, KY 40507
Ph: (859) 255-7946; Fax: (859) 233-4099
E-mail: ogeralds@lexkylaw.com

Enclosures

cc: Parties of Record

*Law Offices of
OSCAR H. GERALDS, JR.
259 West Short Street
Lexington, KY 40507*

May 30, 2007

Hon. Dennis Howard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Re: Case No. 2006-00472

Dear Mr. Howard:

Please find enclosed a copy of the Sierra Club's Second Request for Information to East Kentucky Power Cooperative filed in the above-referenced proceeding. An original and ten copies of this data request have been delivered to the office of Beth A. O'Donnell, Executive Director, Kentucky Public Service Commission.

Sincerely,

Elizabeth R. Bennett

Oscar H. Geraldts, Jr., Esq.
259 West Short St.
Lexington, KY 40507
Ph: (859) 255-7946; Fax: (859) 233-4099
E-mail: ogeralds@lexkylaw.com

Enclosures

cc: Parties of Record

*Law Offices of
OSCAR H. GERALDS, JR.
259 West Short Street
Lexington, KY 40507*

May 30, 2007

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

Re: Case No. 2006-00472

Dear Mr. Lile:

Please find enclosed a copy of the Sierra Club's Second Request for Information to East Kentucky Power Cooperative filed in the above-referenced proceeding. An original and ten copies of this data request have been delivered to the office of Beth A. O'Donnell, Executive Director, Kentucky Public Service Commission.

Sincerely,

Elizabeth R. Bennett for

Oscar H. Geraldts, Jr., Esq.
259 West Short St.
Lexington, KY 40507
Ph: (859) 255-7946; Fax: (859) 233-4099
E-mail: ogeraldts@lexkylaw.com

Enclosures

cc: Parties of Record

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

IN THE MATTER OF: GENERAL ADJUSTMENT)
OF ELECTRIC RATES OF EAST KENTUCKY) **Case No. 2006-00472**
POWER COOPERATIVE, INC.)

**SECOND DATA REQUEST OF THE
CUMBERLAND CHAPTER OF THE SIERRA CLUB**

Comes now the intervenor, the Cumberland Chapter of the Sierra Club (“Sierra Club”), and submits this Second Request for Information to East Kentucky Power Cooperative, Inc. (“EKPC”), to be answered by the date specified in the Commission’s procedural schedule, and in accord with the following:

- (1) Please identify the witness who will be prepared to answer questions concerning each request.
- (2) These requests shall be deemed continuing so as to require further and supplemental responses if EKPC receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (3) If any request appears confusing, please request clarification directly from the Sierra Club’s Attorney of Record or from Geoff Young, 859-278-4966, email energetic@windstream.net.
- (4) For purposes of this data request, “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.

(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 or code number thereof or other means of identifying it, and its present location and custodian.

(6) For purposes of this data request, "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, concerning 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.

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

(8) 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.

(9) If EKPC objects to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Sierra Club's Attorney of Record as soon as possible.

(10) 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.

(11) In the event any document called for has been destroyed or transferred beyond the control of the company, please state the identity of the person by whom it was destroyed or transferred; the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Sierra Club's Second Data Request to EKPC
Case No. 2006-00472

Request 1. Followup to the Sierra Club's First Data Request, Item 1. EKPC's reply was non-responsive. The Sierra Club requested a statement and description of the specific economic incentives that *each* tariff element in EKPC's Revised Exhibit C communicates to the customer. Two examples were provided to make the nature of the information requested as clear as possible. The Sierra Club's First Data Request included the following statement in its introductory section: "If any request appears confusing, please request clarification directly from the Sierra Club's Attorney of Record." EKPC did not request clarification of Item 1 or any other item. By way of response to Item 1, EKPC provided nothing more than three vague, general statements about the demand charge, the energy charge, and the interruptible rider. The precise incentives faced by the customer were not described.

For each element within each proposed tariff contained in Revised Exhibit C, please state and describe the economic incentives that the tariff element communicates to the customer. For examples, please refer to the Sierra Club's First Data Request, Item 1. Please include an assessment of whether the economic incentive is relatively strong or weak, and a brief explanation of why.

If this data request appears confusing, please request clarification directly from the Sierra Club's Attorney of Record or from Geoff Young, 859-278-4966, email energetic@windstream.net.

Request 2. Followup to the Sierra Club's First Data Request, Item 2. The Sierra Club requested a description of the specific behaviors that EKPC is trying or hoping to elicit from *each* tariff element in EKPC's Revised Exhibit C. EKPC's reply was general, vague, and non-responsive. By way of response to Item 1, EKPC mentioned nothing but the obvious fact that the cost of providing electric service varies by time of day and a vague desire "to offer a price signal that will enable the member system and industrial customer to use energy efficiently and wisely." The behaviors or activities that each tariff element would cause the customer to engage in were not described.

For each incentive or set of incentives described in the response to Request 1 above, please explain what behaviors or activities EKPC is trying or hoping to elicit from the member co-op or large industrial customer. Please explain the reasons EKPC wants to encourage each behavior or activity.

If this data request appears confusing, please request clarification directly from the Sierra Club's Attorney of Record or from Geoff Young, 859-278-4966, email energetic@windstream.net.

Request 3. Followup to the Sierra Club's First Data Request, Item 3. Are there cost or operational advantages associated with having more metering points? If so, what are these advantages? In view of EKPC's response, would EKPC have any objection to simplifying its tariffs by eliminating the metering point charge and recovering the amount of \$433,500 per year (\$426,000 + \$7,500) via other tariff elements? If so, please explain why.

Request 4. Followup to the Sierra Club's First Data Request, Item 3. Aside from the costs of building and operating substations, are there cost or operational advantages associated with having more substations? If so, what are these advantages? In view of EKPC's response to the Sierra Club's First Data Request, Item 3, would EKPC have any objection to simplifying its tariffs by eliminating the substation charge and recovering the amount of \$10,219,764 per year via other tariff elements? If so, please explain why.

Request 5. Followup to the Sierra Club's First Data Request, Item 5. Please provide a table containing the wholesale monthly minimum demand for the 12 test months plus the preceding 12 months for each customer using the Section B tariff.

Request 6. Followup to the Sierra Club's First Data Request, Item 6. As it relates to EKPC's purchase of power from the wholesale market, does a kilowatt of excess demand cause the same increase in costs to EKPC regardless of the month in which it occurs? If not, why does EKPC charge its customers the same amount per kW of excess demand regardless of the month in which it occurs?

Request 7. Followup to the Sierra Club's First Data Request, Item 7. How does giving member systems two options and allowing them "to more closely align their load with rates" encourage customers to engage in activities that would lower the costs for the EKPC system as a whole? While the Sierra Club can see that having two options could lower the cost of wholesale power to the customer, can EKPC identify any actions that member systems have taken as a result of the existence of two options that have lowered the costs for the EKPC system as a whole?

Request 8. Followup to the Sierra Club's First Data Request, Item 14. In view of the facts that EKPC is proposing an upward adjustment in annual base rates for AFUDC of \$10,034,193, that the magnitude of this adjustment is derived by multiplying the interest rate by the amount added to EKPC's CWIP account, and that the Smith CFB Unit 1 is one of the capital projects listed in Exhibit F, Schedule 3 for which the CWIP is increasing, how can Mr. Oliva's statement that "no rate relief is being requested for the Smith CFB Unit 1 in the instant case" be correct? Even though the investments themselves are being capitalized, isn't it true that EKPC is proposing that the financing costs be added to base rates via the AFUDC adjustment? In the absence of a need to

build Smith CFB Unit 1, isn't it true that EKPC would need to borrow less money? When does EKPC anticipate that it will begin recovering the capital costs of these facilities, and how does it plan to do so?

Request 9. The Sierra Club's First Data Request, Item 17, asked, "Would EKPC agree that the rate structure design reflected in the Wholesale Power Rate Schedule, Fuel Adjustment, and tariff Sections A, B, C, E, G, and ES provides a very powerful economic incentive for EKPC to boost its sales of electricity?" Mr. William A. Bosta, testifying for EKPC, answered, "No," and then made some comments about customer, demand, and energy costs that are time-differentiated.

The Sierra Club wishes to follow up on this question using Revised Exhibit D, Section E, Option 2, as an example. No decoupling mechanism is in effect anywhere in EKPC's tariffs. Would EKPC agree that if a given member cooperative were to increase its consumption by 1 kWh during an on-peak period, EKPC's revenue would increase by \$.038464? Would EKPC agree that if its cost to deliver that additional kWh were less than \$.038464, after the fuel adjustment clause had been applied, EKPC would be financially rewarded with an increase in its margin? Would EKPC agree that if a given member cooperative were to increase its billing demand by 1 kW during EKPC's system coincident peak, EKPC's revenue would increase by \$5.22? Would EKPC agree that if its cost to deliver that additional kW at that particular time were less than \$5.22, EKPC would be financially rewarded with an increase in its margin? Would EKPC agree that if these increases had instead been decreases in energy consumption and billing demand, that EKPC would be financially punished by suffering decreases in its margin?

Request 10. Followup to KIUC's Second Data Request dated 4/30/07, Item No. 76. Which budget line or lines contain EKPC's DSM-related expenses? Why aren't the DSM (demand-side management) expenses shown in a separate line item or items? What were the actual and budgeted YTD expenses for EKPC's DSM programs as of March 31, 2007? Please also provide this data for the most recent month available. Please specify which marketing programs are being included in the category of "DSM programs."

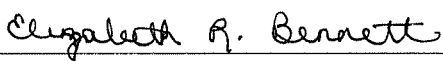
CERTIFICATE OF SERVICE

I hereby certify that an original and ten copies of the foregoing Second Request for Information to East Kentucky Power Cooperative, Inc. in the above-styled case were delivered to the office of Beth A. O'Donnell, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and that copies were mailed to the following Parties of Record on this, the 30th day of May, 2007.

Hon. Dennis Howard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Hon. Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202- 4434

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



Oscar H. Geraldts, Jr., Esq.
COUNSEL FOR THE SIERRA CLUB