EAST KENTUCKY POWER COOPERATIVE

RECEIVED

MAY 21 2008

PUBLIC SERVICE COMMISSION

May 21, 2008

HAND DELIVERED

Ms. Stephanie L. Stumbo
Executive Director
Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2008-00128

Dear Ms. Stumbo:

Please find enclosed for filing with the Commission in the above-referenced case an original and six copies of the Responses of East Kentucky Power Cooperative, Inc., to the Commission Staff First Data Request dated May 12, 2008.

Very truly yours,

Charles A. Lile
Corporate Counsel

Enclosures

Cc: Service List

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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

FILING OF EAST KENTUCKY POWER	)
COOPERATIVE, INC. TO REQUEST	)
APPROVAL OF PROPOSED CHANGES TO	) **CASE NO. 2008-00128**
ITS QUALIFIED COGENERATION AND	)
SMALL POWER PRODUCTION FACILITIES	)
TARIFF	)

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff First Data Request in the above-referenced case dated May 12, 2008, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Julia J. Tucker

Subscribed and sworn before me on this 20th day of May, 2008.

Peggy S. Duffin
Notary Public

My Commission expires: December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FILING OF EAST KENTUCKY POWER	**)**
COOPERATIVE, INC. TO REQUEST	**)**
APPROVAL OF PROPOSED CHANGES TO	**) CASE NO. 2008-00128**
ITS QUALIFIED COGENERATION AND	**)**
SMALL POWER PRODUCTION FACILITIES	**)**
TARIFF	**)**

RESPONSES TO COMMISSION STAFF'S FIRST DATA REQUEST TO EAST KENTUCKY POWER COOPERATIVE, INC. DATED MAY 12, 2008

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2008-00128

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 05/12/08

REQUEST 1

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to Exhibit II of East Kentucky's March 31, 2008 Application ("the Application"), specifically, Section II.B.1. Explain why 100 MW is the amount of reduced load used in comparing costs based on East Kentucky's proposed capacity expansion plan with costs based on a capacity expansion plan that assumes a load reduction

Response 1. EKPC's average annual load growth is 70-80 MW. The expansion plan is developed based on this annual load growth. Avoided capacity costs are then derived by assuming that enough qualifying capacity will be added to delay the expansion plan one year, which means that the qualifying capacity is equivalent to one year of load growth. The avoided capacity costs are then developed by comparing the base plan to the delayed plan and dividing by the amount of load growth to get the savings.

The avoided energy costs are developed using a reduction of 100MW at a 100% load factor. EKPC does not assume that the qualifying facility is reflective of its native load energy profile, but rather assumes that the facility will operate continuously. The standard offering in the wholesale power market is based on a 50 MW block of power. Based on EKPC's annual average load growth, the assumed qualifying capacity would be greater than the standard 50 MW block. EKPC assumed for avoided energy cost calculations that it would avoid the equivalent purchase of 2-50 MW standard blocks of power for a total of 100MW.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00128
FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 05/12/08
REQUEST 2
RESPONSIBLE PERSON: **Julia J. Tucker**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 2. Refer to Exhibit II of the Application, specifically, Section II.B.2.a.

Request 2a. Explain whether the choice of 5 years as the length of contract is based solely on the fact that 5 years is the time period associated with forecasted rates.

Response 2a. Yes, the 5-year contract choice was based on the fact that EKPC is required to offer price terms for five years in this regulation.

Request 2b. Does the period of 5 years associated with forecasted rates refer to East Kentucky's in-house financial forecast? If no, explain to what it refers.

Response 2b. No, the 5 years of associated rates refers to the 5 years of avoided capacity and energy costs defined in this filing.

Request 2c. Is East Kentucky aware that other jurisdictional utilities allow for a term of only 1 year when the contract covers only the purchase of energy? Explain whether East Kentucky objects to a term less than 5 years for energy-only contracts.

Response 2c. Yes. EKPC is willing to consider contracts less than 5 years in duration.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00128
FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 05/12/08
REQUEST 3
RESPONSIBLE PERSON: **Julia J. Tucker**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 3. Refer to Exhibit II of the Application, specifically, Section III, which deals with avoided costs.

Request 3a. In the paragraph under the heading EKPC Avoided Capacity Cost Calculation, the second sentence states that East Kentucky's "anticipated annual load growth is in the 70-80 MW range." The fourth sentence in the paragraph concludes with the phrase "is then divided by the average load growth to derive the avoided capacity cost for a given year." Does "average load growth" in the fourth sentence have the same meaning as "anticipated annual load growth" has in the second sentence? If no, explain what it means.

Response 3a. Yes.

Request 3b. Explain why the difference in the costs of the 2 expansion plan scenarios is divided by the amount of average load growth to derive the avoided capacity cost rather than being divided by the amount of the load reduction.

Response 3b. EKPC's expansion plan is developed based on the annual load growth. Avoided capacity costs are then derived by assuming that enough qualifying capacity will be added to delay the expansion plan one year, which means that the qualifying capacity is equivalent to one year of load growth. The avoided capacity costs are then developed by comparing the base plan to the delayed plan and dividing by the amount of load growth to get the savings. The 100MW of load reduction that is referenced is used to develop the avoided energy costs, not the avoided capacity costs.

Request 3c. Explain why 10 years is the period of time over which the avoided capacity cost is levelized.

Response 3c. The avoided cost is levelized over 10 years to provide a reasonable value for each year of the reporting period. If the avoided costs are only considered annually, then there will be a very large avoided value for the years that a new unit is going on line and then it will drop down very low or to zero in years where there is no new capacity being added.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00128
FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 05/12/08
REQUEST 4
RESPONSIBLE PERSON: **Julia J. Tucker**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 4. Refer to page 1 of 2 of the CapacityCalc.pdf worksheet on the compact disc included with the Application.

Request 4a. Two columns on the right-hand side of the worksheet are headed "Supply-side" and "Demand-Side." Provide a narrative explanation and the calculations of how the Supply-side annual growth of 80.5 MW is reduced to 71.875 MW on the Demand-side.

Response 4a. The avoided capacity cost ($/kW) is adjusted from a supply side cost to a demand side cost using the capacity planning reserve margin of 12%. The 80.5 MW is divided by 1.12 to get 71.875 on the demand side.

Request 4b. Provide calculations showing how the levelized savings amounts, stated in $/kW-YR in both the Supply-side and Demand-side columns, are adjusted for transmission losses to arrive at the amounts of levelized savings at the distribution substation.

Response 4b.

Supply-Side Levelized Savings (\$/KW-Yr)÷(1-Transmission Losses) = Supply-Side Levelized Savings at the Distribution Sub.

i.e. \$34.95597/KW-Yr ÷ (1-0.03093) = \$36.07167

Demand-Side Levelized Savings (\$/KW-Yr) ÷ (1-Transmission Losses) = Demand-Side Levelized Savings at the Distribution Sub.

i.e. \$39.15069/KW-Yr ÷ (1-0.03093) = \$40.40027/KW-Yr