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RECEIVED
SEP 17 2010
PUBLIC SERVICE COMMISSION

September 17, 2010

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2010-00167

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-reference case, an original and ten copies of East Kentucky Power Cooperative, Inc.'s Information Requests to Gallatin Steel, Inc.

Very truly yours,

Mark David Goss

Mark David Goss
Counsel

Enclosures

Cc: Parties of Record

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SEP 17 2010
PUBLIC SERVICE COMMISSION

COMMONNWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

GENERAL ADJUSTMENT OF ELECTRIC RATES OF EAST KENTUCKY POWER COOPERATIVE, INC.	)))	**CASE NO. 2010-00167**

EAST KENTUCKY POWER COOPERATIVE, INC.
INFORMATION REQUESTS TO
GALLATIN STEEL, INC.

Gallatin Steel, Inc. ("Gallatin"), pursuant to the Procedural Schedule in the case dated June 21, 2010, is requested to file responses to the following requests for information by October 1, 2010, with copies to the Commission and to all parties of record, and in accordance with the following:

1. Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

2. If any request appears confusing, please request clarification directly from EKPC.

3. The responses provided should first restate the question asked and also identify the person(s) supplying the information.

4. 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.

5. To the extent that the specific document, workpaper or information does not exist as requested, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

6. 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.

7. If the Respondent objects to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify EKPC as soon as possible.

8. For any document withheld on the basis of privilege, state the following: date; author; addressee; indicted or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

9. "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. 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.), 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 Respondent's possession or subject to its control, state what disposition was made of it, including the date of such disposition.

10. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, considering or evaluating a particular issue or situation, in whatever detail, whether or not the study of the issue or situation is in a preliminary stage, and whether or not the study discontinued prior to completion.

11. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity. 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. 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.

12. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise. 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. "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.

13. Respondent means Gallatin Steel and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

Respectfully submitted,

Mark David Goss
Frost Brown Todd, LLC
250 West Main Street, Suite 2800
Lexington, KY 40507-1749
Ph: 859-231-1000 Fax: 859-231-100
Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that an original and 10 copies of the foregoing East Kentucky Power Cooperative, Inc. Information Requests to Gallatin Steel, Inc. in the above-styled case were hand-delivered to the Office of Jeffrey Derouen, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601 on September 17, 2010.

Counsel for East Kentucky Power Cooperative, Inc.

Data request to Paul A. Coomes

1. Please refer to Dr. Coomes' exhibit, "The Estimated Economic and Fiscal Impacts of Gallatin Steel's Operations in Kentucky." In the second paragraph of the Executive Summary is the statement "Gallatin Steel is interested in learning about and documenting the regional economic importance of its operations, so they can better communicate the ramifications if the steel production operations were financially threatened." As Dr. Coomes' testimony has been filed along with Gallatin Steel's testimony in EKPC's rate case, is it the position of either Dr. Coomes or Gallatin Steel that the pending rate case "financially threatens" the steel production operations? If so, please provide the data which supports this position.

Data request to Lane Kollen

2. Please refer to Exhibit LK-1, pages 5 through 34 of 34.

a. Based upon a review of the testimony appearances listed for Mr. Kollen, it appears that Mr. Kollen has had very limited experience with proceedings utilizing the Kentucky forecasted test period filing option. Please detail the extent of Mr. Kollen's experience both with Kentucky's forecasted test period filing option and the utilization of forecasted test periods in other non-Kentucky cases.

3. Please refer to page 3 of Mr. Kollen's direct testimony, starting at line 15.

a. Would Mr. Kollen agree he was a witness for Kentucky Industrial Utility Customers ("KIUC"), representing Gallatin Steel and Air Liquide, in EKPC's last general rate case, Case No. 2008-00409?

b. Would Mr. Kollen agree that he made the following statement in his direct testimony filed in Case No. 2008-00409, page 19 beginning at line 23, "Fourth, for the first time in this proceeding, the Company's revenue requirement will be determined on the basis of a projected test year rather than a historic test year."?

c. Based on this statement from his direct testimony in EKPC's last general rate case, please explain Mr. Kollen's statements on page 3, starting at line 15, indicating that the current rate case application was the first time EKPC had submitted a rate application utilizing the projected test year approach.

4. Please refer to page 4 of Mr. Kollen's direct testimony, lines 10 through 18.

a. When developing this portion of his testimony, did Mr. Kollen review the testimony of Mr. Oliva and EKPC's response to the Commission Staff's First Data Request, Item 9?

b. If Mr. Kollen reviewed this testimony and data response, which addressed EKPC's budgeting processes, please explain why Mr. Kollen makes no reference to it in this section, or any section, of his testimony.

c. Given the information provided in Mr. Oliva's testimony and EKPC's response to the Commission Staff's First Data Request, Item 9, please explain how Mr. Kollen can conclude that the forecasted test year expenses in this rate application were not developed in the normal course of business for use by EKPC to manage its costs in the same manner that its operating budgets are developed and utilized.

d. Would Mr. Kollen agree that when a forecasted test period is utilized, the focus is on determining the reasonableness of the utility's budgeting and other processes used to arrive at the forecasted test period balances?

5. Please refer to pages 6 through 9 of Mr. Kollen's direct testimony. Mr. Kollen repeatedly makes comparisons between the 2011 forecasted test year and calendar year 2009. He rarely compares the 2011 forecasted test year with the base test year, the period September 1, 2009 through August 31, 2010. Please explain why Mr. Kollen has focused his comparisons on calendar year 2009 instead of the base test year.

6. Please refer to the table on page 8 of Mr. Kollen's direct testimony. Did Mr. Kollen remove the expenses associated with the environmental surcharge in either period presented? If not, please explain why these expenses were not removed.

7. Please refer to Page 8 of Mr. Kollen's testimony, beginning at line 3. To what extent has Mr. Kollen considered the extremely mild weather/lower than normal generation in 2009 when making his comparison to 2011?

8. Please refer to page 9, lines 4 through 8, of Mr. Kollen's direct testimony. Since EKPC added over $1 billion in production assets in 2009 and 2010 (Spurlock 4, two combustion turbines, and the Spurlock 1 and 2 scrubbers), would Mr. Kollen agree that O & M expenses would also increase due to these additions, considering maintenance items are generally covered under warranty for only the first year? Please explain your response.

9. Please refer to pages 18 and 19 of Mr. Kollen's direct testimony. Concerning the unamortized costs of the 2004 Spurlock 1 outage,

a. Would Mr. Kollen agree that EKPC was permitted to begin the amortization of these costs in December 2007?

b. Would Mr. Kollen agree that the Commission originally authorized a 3-year amortization of these costs in Case No. 2006-00472?

c. Would Mr. Kollen agree that his proposal of an additional 3-year amortization period for the unamortized balance of these costs in effect results in a 6-year amortization period?

d. Please explain why Mr. Kollen believes it is reasonable to require a 6-year amortization of these costs.

e. On page 19 of his direct testimony, Mr. Kollen states that EKPC "is allowed to recover the interest expense plus a TIER margin on the debt incurred to finance this cost, so the longer amortization period does not harm the Company." Please explain why Mr. Kollen has assumed these outage costs have been financed with long-term debt.

10. Please refer to page 18, lines 7-8, of Mr. Kollen's testimony. Please explain why, when computing an arithmetic average of five years of actual forced outage costs incurred, it is appropriate to exclude the costs of outages incurred in 2008.

11. What would Mr. Kollen's recommended annual allowance for forced outage costs be if the 2008 outage costs are included in the calculation? Please provide the calculation.

12. Please refer to page 20 of Mr. Kollen's testimony, beginning at line 19. Mr. Kollen states that EKPC's total capitalization is projected to increase by $427.019 million between December 31, 2009 and December 31, 2011. He then states that EKPC's net investment rate base is projected to increase by $311.675 million between those two dates, resulting in Mr. Kollen's assertion that EKPC "will finance $115.334 million more than the increase in its net investment rate base (including environmental) during the two year period."

a) Would Mr. Kollen agree that the projected $427.019 million increase in capitalization is comprised of increased debt of $333.722 million and increased equity of $93.297 million? Please explain your response.

b) Would Mr. Kollen agree that the source of the increased equity is net margins generated internally by EKPC? Please explain your response.

c) Would Mr. Kollen, therefore, agree that the projected increase in long-term debt of $333.722 million during the two year period is only $22.047 million greater than the projected increase in EKPC's net investment rate base of $311.675? Please explain your response.

d) Further, would Mr. Kollen agree that EKPC's unsecured revolving and term credit facility is used both for certain capital expenditure needs and for general corporate purposes (Case No. 2010-00166, Revised Application Exhibit 2)? Please explain your response.

13. Page 21 of Mr. Kollen's testimony refers to his Exhibit _(LK-13) and his Exhibit _(LK-14. Utilizing the data for December 2009 in Exhibit_(LK-13), the sum of Total Utility Plant in Service of $3,083.748 million and Total CWIP of $382.843 million is $3,466.591 million. Utilizing the data projected for December 2011 in Exhibit_(LK-14), the sum of Total Utility Plant in Service of $3,392.929 million and Total CWIP of $545.584 million is $3,938.513 million. Using this data, EKPC's total capital expenditures for the two year period are projected to be $471.922 million ($3,938.513 million less $3,466.591 million).

a. Since EKPC's capital expenditures from December 2009 to December 2011 are projected to be $471.922 million and EKPC's projected increase in long-term debt is projected to by $333.722 million, please explain Mr. Kollen's statement on page 22, lines 18 and 19, that EKPC is projecting "excessive financing."

14. Please refer to page 24, lines 18-23, of Mr. Kollen's testimony. Mr. Kollen states that the debt pursuant to the planned $175 million private placement issuance "is not necessary." Please explain the rationale for this conclusion and why Mr. Kollen believes that EKPC either should not, or is not entitled to, finance properly incurred capital expenditures.

15. Please refer to page 25, lines 14-15, of Mr. Kollen's testimony. Mr. Kollen refers to EKPC's response to Staff 2-32: "EKPC generally funds its capital expenditures in arrears". Please explain Mr. Kollen's understanding of this statement and, in this light, why he believes that new long-term debt should match up with projected capital expenditures.

Data request to Stephen J. Baron

16. Please provide all workpapers, in electronic format with formulae intact, that were used in the preparation of Mr. Baron's testimony. In addition, please provide Baron Exhibit SJB-2 in electronic format with all formulae intact.

17. Please refer to page 4 of Mr. Baron's direct testimony, lines 13 through 20, and page 7, lines 7 through 11.

a. Please explain the basis for Mr. Baron's statement that EKPC did not file a cost of service analysis in this rate application.

b. Was Mr. Baron aware that one of the filing requirements for a forecasted test year is the submission of a cost of service study and that the Commission did not find EKPC's application deficient for this requirement?

c. Please explain why Mr. Baron has not acknowledged that Mr. Eicher filed a cost of service analysis in this case on behalf of EKPC.

d. Please confirm that Mr. Baron is aware that Mr. Seelye has not sponsored any exhibits or testimony on EKPC's behalf in the current rate case.

e. In preparing his testimony, did Mr. Baron review Mr. Scott's testimony, specifically page 7?

f. Does Mr. Baron agree the following statement appears on page 7 of Mr. Scott's testimony, "Yes, EKPC could have utilized the cost-of-service study prepared for this application to propose a rate design that more closely matched the cost-of-service study results."?

g. Please explain how Mr. Baron can claim that EKPC did not file a cost of service study in this rate case, considering the testimony of Mr. Eicher and Mr. Scott.

18. Concerning EKPC's cost of service study filed in Case No. 2008-00409,

a. Would Mr. Baron agree that the Commission did not make a determination of the appropriateness or reasonableness of the cost of service study filed by EKPC in that case?

b. Would Mr. Baron agree that the increase in revenues authorized in Case No. 2008-00409 was allocated to the various rate schedules using a pro-rata allocation method?

19. Please refer to page 10 of Mr. Baron's direct testimony, starting at line 17 and continuing to page 12, line 3. Concerning the allocation of purchased power and fuel expense,

a. Please explain why Mr. Baron believes allocating these costs using a detailed monthly energy allocation is more appropriate than using an annual energy allocation.

b. Please explain why only these costs should be allocated on a monthly allocation basis and not all costs.

c. Please provide citations to the applicable sections of cost allocation and/or cost of service study manuals published by the National Association of Regulatory Utility Commissioners or the Federal Energy Regulatory Commission that support the use of a monthly energy allocation approach. Also, please include copies of the applicable text from these manuals.

d. Please refer to Exhibit SJB-2, page 16 of 24. Would Mr. Baron agree that if his proposed adjustments to operating expenses related to the reallocation of purchased power and fuel expense were removed from the cost of service study, the resulting return on rate base for the Large Special Contract class would be approximately 4.20% and the dollar subsidy would be approximately $476,000?

20. Please refer to page 12 of Mr. Baron's direct testimony, lines 8 through 13.

a. Please provide all workpapers, calculations, and assumptions utilized to determine the 24.84% and 29.4% on-peak usage values.

b. Please provide Gallatin Steel's projected on-peak usage for calendar year 2011. Include all workpapers, calculations, and assumptions utilized to determine the usage value. If this information is not available, please so state.

c. Would Mr. Baron agree that since his cost of service study is for a forecasted test period, it would be more reasonable to reflect Gallatin Steel's projected on-peak usage percentage rather than a current historical usage percentage?

21. Please refer to page 13 of Mr. Baron's direct testimony, starting at line 4 and continuing through page 18, line 2. Concerning the "fuel savings" resulting from interruptions,

a. Please refer to the discussion on page 15 concerning the fuel savings resulting from interruptions and the resulting average fuel rate paid by EKPC firm customers. Would Mr. Baron agree that this average fuel rate paid by EKPC firm customers would be included as part of the fuel adjustment clause mechanism? If not, please explain why not.

b. Would Mr. Baron agree that the same monthly fuel adjustment clause rate is paid by all customers of EKPC, including the customer being interrupted? If not, please explain why not.

c. Would Mr. Baron agree that if fuel savings resulting from the interruption of an interruptible load are reflected in the fuel adjustment clause mechanism and all customers pay the same fuel adjustment clause rate, all customers including the interruptible customer share in those fuel savings? If not, please explain why not.

d. Mr. Baron proposes an adjustment in his cost of service study for this fuel savings from interruption. Please explain why this adjustment doesn't result in a double counting of the benefit from these fuel savings, as the fuel savings would already be reflected in the fuel adjustment clause.

e. Please refer to Exhibit SJB-2, page 16 of 24. Would Mr. Baron agree that if his proposed adjustment to operating expenses related to the avoided fuel costs of interruption were removed from the cost of service study, the resulting return on rate base would be approximately 2.47% and the dollar subsidy would be approximately a negative $2,543,000?

22. Please refer to page 21 of Mr. Baron's direct testimony. EKPC has proposed the following demand and energy charges for Gallatin Steel:

- Firm Demand Charge - $7.00 per kW per month.
- 10-Minute Interruptible Demand Credit - $5.60 per kW per month, or a net demand charge of $1.40 per kW per month.
- 90-Minute Interruptible Demand Credit - $4.20 per kW per month, or a net demand charge of $2.80 per kW per month.
- On-Peak Energy Charge - $0.049754 per kWh.
- Off-Peak Energy Charge - $0.046287 per kWh.

Using Mr. Baron's proposed rate increases as shown on Table 4 and his proposed 10-minute interruptible demand credit, please provide his proposed demand and energy charges for Gallatin Steel. Please include all workpapers, calculations, and assumptions.

23. Mr. Kollen has recommended a revenue increase for EKPC of $3.03 million. Utilizing Mr. Baron's cost of service study and including his proposed 10-minute interruptible credit, please provide the resulting demand and energy charges for Gallatin Steel. Please include all workpapers, calculations, and assumptions.

24. Please refer to page 22 of Mr. Baron's direct testimony. Please provide a description of the characteristics of a "standalone" customer.

25. Please refer to pages 23 and 24 of Mr. Baron's direct testimony. Concerning the apportionment of the EKPC overall revenue increase to rate classes,

a. Please confirm that Mr. Baron is referring to KRS 278.455(3) concerning the treatment of special contracts.

b. Would Mr. Baron agree that Paragraph 15 of the current Gallatin Steel contract states "The rates, terms and conditions of this Agreement for electric service shall be subject to modification or change by order of the KPSC during the initial five year term and thereafter."

c. Please provide Gallatin Steel's legal argument supporting its position concerning the applicability of KRS 278.455(3) to the cost allocation issue as reference on page 24, lines 3 through 9.

26. Please refer to pages 26 through 31 of Mr. Baron's direct testimony.

a. Pursuant to the contract, Gallatin Steel can be interrupted for a total of 360 hours annually. The total operating hours in a year are 8,760. Would Mr. Baron agree that Gallatin Steel's potential total interruptions reflect approximately 4.1% of the total hours in a year?

b. Of the total demand of 160,000 kW, the combined 10-minute and 90-minute interruptible demand is 145,000 kW. Would Mr. Baron agree that the interruptible demand reflects approximately 90.6% of the total demand?

c. Would Mr. Baron agree that while Gallatin Steel can be interrupted for no more than 4.1% of the total hours in a year, 90.6% of its total demand is priced at a rate significantly lower than the firm demand charge for all of the hours in a year?

d. On page 27 of Mr. Baron's direct testimony, he states that if the Gallatin Steel load was firm instead of interruptible, EKPC would require an additional 162,400 kW of peaking capacity, the cost of which would be borne by all of EKPC's customers. Given the size of the required peaking capacity, and Mr. Baron's contention that Gallatin Steel is essentially a "standalone" customer, please explain why Mr. Baron assumes that all of EKPC's customers would bear the costs of this additional peaking capacity.

e. On pages 27 and 28 of Mr. Baron's direct testimony is a discussion of EKPC's peak load growth as reported in the 2009 Integrated Resource Plan. In preparing his testimony, did Mr. Baron review EKPC's response to the Commission Staff's Second Data Request, Item 11?

f. On page 29 of Mr. Baron's direct testimony is a discussion of his proposal to reflect the "value" of the avoided cost of peaking capacity, which Mr. Baron bases on the 12% reserve margin EKPC uses for generating capacity planning purposes. Please explain why it is reasonable to incorporate the entire 12% reserve margin in the 10-minute interruptible credit calculations when Gallatin Steel can be interrupted no more than 4.1% of the hours in a year.

g. Mr. Baron recommends that the 10-minute interruptible credit should be raised to $6.22 per kW. EKPC has proposed that the firm demand charge be $7.00 per kW. The net demand charge for the 10-minute interruptible demand would be $0.78 per kW. This $0.78 per kW demand charge would be applied to 120,000 kW of demand per month for the entire year. Please explain how a demand charge of $0.78 per kW can be considered reasonable for 75% of Gallatin Steel's total demand (120,000 kW of 160,000 kW total).

27. Please refer to pages 31 and 32 of Mr. Baron's direct testimony concerning the 20 MW limit in Section D – Interruptible Service in EKPC's tariff. Mr. Baron recommends the removal of the 20 MW limit.

a. In preparing his testimony, please indicate whether Mr. Baron performed any studies or analyses of the contract demand loads of the Rate B, Rate C, and Rate G retail customers served by EKPC's member cooperatives. If such a study or analysis was not performed, please explain why not.

b. Please indicate if Mr. Baron was aware that there are no Rate B, Rate C, or Rate G retail customers served by EKPC member cooperatives that have a contract demand in excess of 20 MW.

c. Given EKPC's response to the Commission Staff's Second Data Request, Item 11 and the fact that there are no Rate B, Rate C, or Rate G retail customers served by EKPC member cooperatives that have a contract demand in excess of 20 MW, please explain why Mr. Baron believes the 20 MW interruptible limit should be removed from the tariff.

28. Please refer to Exhibit SJB-2.

a. Please indicate the source of the $52,075,727 shown for Labor Expense – Total System on page 5 of 24.

b. Please explain why Interest on Long-Term Debt and Other Interest Expense was combined to arrive at the $112,379,925 shown for Interest Expense – Total System on page 9 of 24.

c. Please indicate the source of the following amounts shown under Total System on page 11 of 24:

i. Sales to Members of $937,679,954.

ii. Off System Sales Revenue of $4,077,873.

iii. Other Non-Operating Income of a negative $67,400.

iv. Other Credits of $161,756.

d. Please identify what entries shown just below Total Operating Revenues – Total System of $8,823,835 and $12,278,338 represent and the source of these amounts.

e. Please indicate the source of the $102,349,021 shown for Pro-Forma Adjustments, Remove Environmental Surcharge Revenue – Total System.