

**Frost
Brown Todd** LLC
ATTORNEYS

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COMMISSION

November 15, 2010

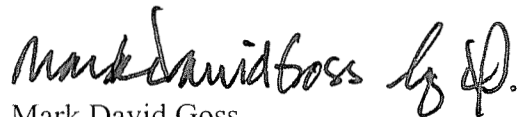
Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2010-00395

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the Commission Staff's First Data Request, dated November 2, 2010.

Very truly yours,



Mark David Goss
Counsel

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 15 2010

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL TO PREPAY)
RURAL UTILITIES SERVICE ("RUS") SECURED DEBT)
AND REFINANCE WITH NATIONAL COOPERATIVE)
SERVICE CORPORATION ("NCSC") UNSECURED)
DEBT IN AN AMOUNT UP TO \$25,000,000)

CASE NO. 2010-00395

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Frank J. Oliva, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's First Data Request dated November 2, 2010 in the above-referenced case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Frank J. Oliva

Subscribed and sworn before me on this 12th day of November, 2010.

[Signature]
Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL TO PREPAY)
RURAL UTILITIES SERVICE (“RUS”) SECURED DEBT)
AND REFINANCE WITH NATIONAL COOPERATIVE) **CASE NO. 2010-00395**
SERVICE CORPORATION (“NCSC”) UNSECURED)
DEBT IN AN AMOUNT UP TO \$25,000,000)

RESPONSES TO COMMISSION STAFF’S FIRST DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED NOVEMBER 2, 2010

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00395

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/02/10

REQUEST 1

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to page 1 of EKPC's application and pages 2-4 of Exhibit 2. Page 1 of the application indicates that EKPC plans to refinance up to \$25,000,000 in existing Rural Utilities Service ("RUS") secured 5 percent debt with unsecured debt from the National Cooperative Service Corporation ("NCSC"). The pages in Exhibit 2 include comparisons of EKPC's payments to RUS and payments to Natural Rural Utilities Cooperative Finance Corporation ("CFC").

Request 1a. According to Exhibit 7 of the application, of its existing long-term debt of roughly \$2.6 billion, EKPC has one note with NCSC with an outstanding balance of \$4,500,000. In recent months, several distribution cooperatives have filed requests to refinance some of their 5 percent RUS debt through either CoBank ACB ("CoBank) or CFC. Explain whether EKPC inquired of either CoBank or CFC regarding financing its 5 percent RUS debt.

Response 1a. EKPC was presented with an unsolicited offer by CFC to refinance EKPC's 5% RUS debt by utilization of NCSC debt. EKPC has neither inquired directly of CoBank nor been contacted by CoBank regarding such refinancing.

Request 1b. If the response to part a. of this request is affirmative, explain why EKPC chose NCSC over CoBank or CFC for the refinancing of its 5 percent RUS debt. If the response to part a. is negative, explain why EKPC made no such inquiry.

Response 1b. CFC is the overwhelming market leader in 5% RUS debt refinancing, having implemented close to \$1 billion in refinancings for the cooperative sector, as well as having a proven track record as EKPC's financial partner over the years. CFC prepared an analysis of EKPC's 5% RUS debt, using an internally developed proprietary model. After subsequent confidential discussion with others in the industry, it is EKPC's belief that the NCSC rates quoted are competitive with rates being offered to others by CoBank on such RUS debt refinancings.

Request 1c. Explain why the pages in Exhibit 2 contain payment comparisons of RUS and CFC, rather than RUS and NCSC. Include in the explanation a description, as appropriate, of any relationship between CFC and NCSC.

Response 1c. The National Cooperative Services Corporation (NCSC) is a member-owned cooperative that provides electric cooperatives with specialized financing services that supplement the financial services of CFC. NCSC is an affiliate of CFC. NCSC is able to refinance the 5% RUS prepayment on an unsecured basis while CFC requires security/lien accommodation. NCSC is therefore better suited for an early implementation of the transaction - without having to wait for the security being granted by RUS. From the underlying economic standpoint, the overall NCSC rate and CFC rate (after patronage capital) are expected to be similar.

Request 1d. EKPC's RUS debt is secured under its RUS/CFC mortgage while the proposed NCSC debt will be issued on an unsecured basis. Explain why the NCSC debt will not be secured and describe any effects it not being secured will have, or is anticipated to have, on the terms of the proposed financing.

Response 1d. Please see the response to Request 1c. The fact that the transaction is unsecured will have no effect on the terms of the proposed financing.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00395

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/02/10

REQUEST 2

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to the first paragraph in Exhibit 3 of the application, which indicates that the NCSC debt will carry an average interest rate of 3.7 percent based on a recent rate quote from NCSC and that the rate is “[s]ubject to market fluctuations and will not be fixed until Commission approval is received.”

Request 2a. Provide a schedule and/or workpapers which show how the 3.7 percent average rate was derived, along with a narrative description of the derivation.

Response 2a. Please refer to pages 3 and 4 of this response for the supporting schedule showing the derivation of the 3.7% average rate. This rate is the weighted average of the rates associated with the different tenors of the proposed refinancing.

Request 2b. Provide the date of the rate quote, along with a description of the indices, interest rates, etc. which trigger fluctuations in the rate.

Response 2b. The original schedules are based on rates as of August 25, 2010. The rates change daily and are based on NCSC's cost of funds. When the transaction closes and/or EKPC is able to lock in the rates, the schedules will be refreshed to recalculate the final effective rates.

Request 2c. State whether the interest rate(s) for all years will be fixed once Commission approval is received. If no, explain.

Response 2c. Yes. The rates for all years will be able to be fixed upon Commission approval.

Request 2d. Provide a November 1, 2010 rate quote for the proposed financing.

Response 2d. Pages 5 through 9 of this response contain a rate quote as of November 8, 2010. The net effective current rate is now 4.18%, up from 3.66% on August 25, 2010. Because of an increase in long-term rates since the original proposal, total savings are now approximately \$1.1 million, a decrease from the original proposed savings of \$1.4 million. Please note that if rates continue to increase such that this financing becomes equivalent to or more costly than the RUS debt at the time of closing, EKPC will cancel the refinancing transaction.



East Kentucky Power Cooperative
CFC Loan Scenario

Portfolio: NCSC RUS 5% Refi Scenario 1 8/25/10

Count	Variable or Fixed	Interest Rate	Amort. Type	Advance Date	Amortization Start Date	Interest Rate Term	Loan Term In Months	Months to defer	Balloon Date	Final Payment Date	Loan Amount	LCTC's required?	Loans w/ Volume	Loans w/ Performance	Loans w/ Collateral	Loans w/ Equity
1	F	1.500%	LD	9/15/2010	12/1/2010	1	12	0		8/31/2011	\$1,443,979	No	\$0	N	N	N
2	F	1.800%	LD	9/15/2010	9/1/2011	2	24	9		8/31/2012	\$2,703,414	No	\$0	N	N	N
3	F	2.200%	LD	9/15/2010	9/1/2012	3	36	21		8/31/2013	\$2,403,465	No	\$0	N	N	N
4	F	2.500%	LD	9/15/2010	9/1/2013	4	48	33		8/31/2014	\$1,952,197	No	\$0	N	N	N
5	F	2.900%	LD	9/15/2010	9/1/2014	5	60	45		8/31/2015	\$1,779,440	No	\$0	N	N	N
6	F	3.200%	LD	9/15/2010	9/1/2015	6	72	57		8/31/2016	\$1,663,882	No	\$0	N	N	N
7	F	3.450%	LD	9/15/2010	9/1/2016	7	84	69		8/31/2017	\$1,751,870	No	\$0	N	N	N
8	F	3.650%	LD	9/15/2010	9/1/2017	8	96	81		8/31/2018	\$1,840,094	No	\$0	N	N	N
9	F	3.850%	LD	9/15/2010	9/1/2018	9	108	93		8/31/2019	\$1,934,236	No	\$0	N	N	N
10	F	4.000%	LD	9/15/2010	9/1/2019	10	120	105		8/31/2020	\$1,608,640	No	\$0	N	N	N
11	F	4.050%	LD	9/15/2010	9/1/2020	11	132	117		8/31/2021	\$1,511,128	No	\$0	N	N	N
12	F	4.150%	LD	9/15/2010	9/1/2021	12	144	129		8/31/2022	\$1,587,865	No	\$0	N	N	N
13	F	4.250%	LD	9/15/2010	9/1/2022	13	156	141		8/31/2023	\$1,179,560	No	\$0	N	N	N
14	F	4.350%	LD	9/15/2010	9/1/2023	14	168	153		8/31/2024	\$1,116,765	No	\$0	N	N	N
15	F	4.450%	LD	9/15/2010	9/1/2024	15	180	165		8/31/2025	\$50,794	No	\$0	N	N	N



East Kentucky Power Cooperative
CFC LOANS - In Summary
Portfolio: NCSC RUS 5% Refi Scenario 1 8/25/10

Effective Interest Rate (Before Discounts, Pat Cap and CTCs):
 Effective Interest Rate (After Discounts, Pat Cap and CTCs):
 Benefit from Discounts, Pat Cap and CTCs:

3.66%
 3.66%
 0.00%



Date of Loan Advance:

09/15/10

Composite Maturity of New CFC debt:

6.88

Composite Interest Rate of New CFC debt:

3.15%

Weighted Average Maturity of New CFC debt:

7.39

Total CFC Current LT Loans Outstanding:
 New Loan Amount:

\$ 23,414,726
 \$ 24,529,321

Total Long-Term Loans Plus New Loans

\$ 47,944,047

Total Equity at CFC (subscriptions, patronage & membership):

\$ 9,602,364

CFC Debt to Equity Ratio with new loans:

4.99

This presentation reflects CFC's programs and policies in effect at the time this presentation was created and will remain valid through
 ____/____/20____. The interest rates used in this presentation were CFC's interest rates as of ____/____/20____ and are effective for
 that date only. No future representation of interest rates is implied.



East Kentucky Power Cooperative
Detailed Comparison of Cash Flows
Portfolio: NCSC RUS 5% Refi Scenario 1 11/8/10

Year	RUS events		CFC events				Comparison	
	RUS Payments	RUS	CFC Payments	CFC Patronage	LCIC's Payments	LCITC's Return	CFC Net Cash Flows	RUS - CFC Net Cash Flows
8/31/2011	(\$2,970,953)		(\$2,450,253)	-	-	-	(\$2,450,253)	(\$520,700)
8/31/2012	(\$3,593,804)		(\$3,592,832)	-	-	-	(\$3,592,832)	(\$972)
8/31/2013	(\$3,034,952)		(\$2,946,875)	-	-	-	(\$2,946,875)	(\$88,078)
8/31/2014	(\$2,769,243)		(\$2,666,589)	-	-	-	(\$2,666,589)	(\$102,654)
8/31/2015	(\$2,340,189)		(\$2,311,921)	-	-	-	(\$2,311,921)	(\$28,268)
8/31/2016	(\$2,340,189)		(\$2,239,777)	-	-	-	(\$2,239,777)	(\$100,412)
8/31/2017	(\$2,340,189)		(\$2,267,397)	-	-	-	(\$2,267,397)	(\$72,791)
8/31/2018	(\$2,340,189)		(\$2,286,916)	-	-	-	(\$2,286,916)	(\$53,273)
8/31/2019	(\$2,218,423)		(\$2,194,278)	-	-	-	(\$2,194,278)	(\$24,145)
8/31/2020	(\$1,748,900)		(\$1,744,424)	-	-	-	(\$1,744,424)	(\$4,476)
8/31/2021	(\$1,748,900)		(\$1,696,158)	-	-	-	(\$1,696,158)	(\$52,742)
8/31/2022	(\$1,566,766)		(\$1,556,440)	-	-	-	(\$1,556,440)	(\$10,325)
8/31/2023	(\$1,152,004)		(\$1,146,305)	-	-	-	(\$1,146,305)	(\$5,699)
8/31/2024	(\$627,011)		(\$586,665)	-	-	-	(\$586,665)	(\$40,346)
8/31/2025	-		-	-	-	-	-	-
8/31/2026	-		-	-	-	-	-	-
8/31/2027	-		-	-	-	-	-	-
8/31/2028	-		-	-	-	-	-	-
8/31/2029	-		-	-	-	-	-	-
8/31/2030	-		-	-	-	-	-	-
8/31/2031	-		-	-	-	-	-	-
8/31/2032	-		-	-	-	-	-	-
8/31/2033	-		-	-	-	-	-	-
8/31/2034	-		-	-	-	-	-	-
8/31/2035	-		-	-	-	-	-	-
8/31/2036	-		-	-	-	-	-	-
8/31/2037	-		-	-	-	-	-	-
8/31/2038	-		-	-	-	-	-	-
8/31/2039	-		-	-	-	-	-	-
8/31/2040	-		-	-	-	-	-	-
8/31/2041	-		-	-	-	-	-	-
8/31/2042	-		-	-	-	-	-	-
8/31/2043	-		-	-	-	-	-	-
8/31/2044	-		-	-	-	-	-	-



East Kentucky Power Cooperative
Detailed Comparison of Cash Flows
Portfolio: NCSC RUS 5% Refi Scenario 1 11/8/10

Year	RUS events		CFC events			LCTC's Return	CFC Net Cash Flows	Comparison RUS - CFC Net Cash Flows
	RUS Payments	RUS	CFC Payments	Patronage	LCTC's Payments			
8/31/2045	-	-	-	-	-	-	-	-
8/31/2046	-	-	-	-	-	-	-	-
8/31/2047	-	-	-	-	-	-	-	-
8/31/2048	-	-	-	-	-	-	-	-
8/31/2049	-	-	-	-	-	-	-	-
8/31/2050	-	-	-	-	-	-	-	-
8/31/2051	-	-	-	-	-	-	-	-
8/31/2052	-	-	-	-	-	-	-	-
8/31/2053	-	-	-	-	-	-	-	-
8/31/2054	-	-	-	-	-	-	-	-
8/31/2055	-	-	-	-	-	-	-	-
8/31/2056	-	-	-	-	-	-	-	-
8/31/2057	-	-	-	-	-	-	-	-
8/31/2058	-	-	-	-	-	-	-	-
8/31/2059	-	-	-	-	-	-	-	-
8/31/2060	-	-	-	-	-	-	-	-

Sum of Cash Flows

Year 5	(\$14,709,142)	(\$13,968,470)	\$0	\$0	\$0	\$0	(\$13,968,470)	(\$740,672)
Year 10	(\$25,697,031)	(\$24,701,262)	\$0	\$0	\$0	\$0	(\$24,701,262)	(\$995,769)
Year 15	(\$30,791,711)	(\$29,686,830)	\$0	\$0	\$0	\$0	(\$29,686,830)	(\$1,104,881)
Year 20	(\$30,791,711)	(\$29,686,830)	\$0	\$0	\$0	\$0	(\$29,686,830)	(\$1,104,881)
Year 30	(\$30,791,711)	(\$29,686,830)	\$0	\$0	\$0	\$0	(\$29,686,830)	(\$1,104,881)
All years	(\$30,791,711)	(\$29,686,830)	\$0	\$0	\$0	\$0	(\$29,686,830)	(\$1,104,881)



East Kentucky Power Cooperative
Summary Comparison of Cash Flows
Portfolio: NCSC RUS 5% Refi Scenario 1 11/8/10

	Principal Payments	Interest Payments	Total Discounts	Patronage Retirement	LCIC Payments	LCIC Return	Total Cash Flow
RUS	(523,612,392)	(16,976,316)	\$0	\$0	\$0	\$0	(540,588,708)
CFC	(522,813,292)	(55,073,438)	\$0	\$0	\$0	\$0	(577,886,730)
TRUS-CFC	\$0	(\$1,194,281)	\$0	\$0	\$0	\$0	(\$1,194,281)



East Kentucky Power Cooperative
CFC Loan Scenario

Portfolio: NCSC RUS 5% Refi Scenario 1 11/8/10

Count	Variable or Fixed	Interest Rate	Amort. Type	Advance Date	Amortization Start Date	Interest Rate Term	Loan Term In Months	Months to defer	Balloon Date	Final Payment Date	Loan Amount	LCTC's required?	Loans w/ Volume	Loans w/ Performance	Loans w/ Collateral	Loans w/ Equity
1	F	2.100%	LD	12/1/2010	3/1/2011	1	12	0		11/30/2011	\$2,747,820	No	\$0	N	N	N
2	F	2.250%	LD	12/1/2010	12/1/2011	2	24	9		11/30/2012	\$2,538,232	No	\$0	N	N	N
3	F	2.450%	LD	12/1/2010	12/1/2012	3	36	21		11/30/2013	\$2,127,321	No	\$0	N	N	N
4	F	2.800%	LD	12/1/2010	12/1/2013	4	48	33		11/30/2014	\$1,952,147	No	\$0	N	N	N
5	F	3.150%	LD	12/1/2010	12/1/2014	5	60	45		11/30/2015	\$1,615,448	No	\$0	N	N	N
6	F	3.550%	LD	12/1/2010	12/1/2015	6	72	57		11/30/2016	\$1,707,115	No	\$0	N	N	N
7	F	3.900%	LD	12/1/2010	12/1/2016	7	84	69		11/30/2017	\$1,795,642	No	\$0	N	N	N
8	F	4.200%	LD	12/1/2010	12/1/2017	8	96	81		11/30/2018	\$1,886,964	No	\$0	N	N	N
9	F	4.500%	LD	12/1/2010	12/1/2018	9	108	93		11/30/2019	\$1,837,651	No	\$0	N	N	N
10	F	4.650%	LD	12/1/2010	12/1/2019	10	120	105		11/30/2020	\$1,355,922	No	\$0	N	N	N
11	F	4.800%	LD	12/1/2010	12/1/2020	11	132	117		11/30/2021	\$1,544,167	No	\$0	N	N	N
12	F	4.950%	LD	12/1/2010	12/1/2021	12	144	129		11/30/2022	\$1,369,610	No	\$0	N	N	N
13	F	5.100%	LD	12/1/2010	12/1/2022	13	156	141		11/30/2023	\$860,127	No	\$0	N	N	N
14	F	5.200%	LD	12/1/2010	12/1/2023	14	168	153		2/29/2024	\$325,315	No	\$0	N	N	N



**East Kentucky Power Cooperative
CFC LOANS - In Summary
Portfolio: NCSC RUS 5% Refi Scenario 1 11/8/10**

Effective Interest Rate (Before Discounts, Pat Cap and CTCs):
Effective Interest Rate (After Discounts, Pat Cap and CTCs):
Benefit from Discounts, Pat Cap and CTCs:

4.18%
4.18%
0.00%



Date of Loan Advance:

12/01/10

Composite Maturity of New CFC debt:

6.25

Composite Interest Rate of New CFC debt:

3.52%

Weighted Average Maturity of New CFC debt:

6.52

Total CFC Current LT Loans Outstanding:
New Loan Amount:

\$ 23,414,726
\$ 23,813,392

Total Long-Term Loans Plus New Loans

\$ 47,228,118

Total Equity at CFC (subscriptions, patronage & membership):

\$ 9,602,364

CFC Debt to Equity Ratio with new loans:

4.92

This presentation reflects CFC's programs and policies in effect at the time this presentation was created and will remain valid through
_____/_____/20____. The interest rates used in this presentation were CFC's interest rates as of ____/____/20____ and are effective for
that date only. No future representation of interest rates is implied.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00395

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/02/10

REQUEST 3

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Provide the expected financing costs of the transaction. Include a detailed breakdown of the costs in the response.

Response 3. There are no financing costs to this transaction.