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April 19, 2011

Via Hand-Delivery

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

Re: PSC Case No. 2011-00032

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 Information Requests from the Informal Conference held on April 12, 2011.

Very truly yours,



Mark David Goss  
Counsel

Enclosures

RECEIVED

APR 19 2011

PUBLIC SERVICE  
COMMISSION

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

**In the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF EAST KENTUCKY</b>	)	
<b>POWER COOPERATIVE, INC. FOR THE</b>	)	<b>CASE NO.</b>
<b>SIX-MONTH BILLING PERIOD ENDING</b>	)	<b>2011-00032</b>
<b>DECEMBER 31, 2010 AND THE PASS-THROUGH</b>	)	
<b>MECHANISM FOR ITS SIXTEEN MEMBER</b>	)	
<b>DISTRIBUTION COOPERATIVES</b>	)	

**RESPONSES OF EAST KENTUCKY POWER COOPERATIVE, INC.  
TO COMMISSION STAFF'S DATA REQUESTS FROM  
INFORMAL CONFERENCE HELD ON APRIL 12, 2011**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR THE )  
SIX-MONTH BILLING PERIOD ENDING )  
DECEMBER 31, 2010 AND THE PASS-THROUGH )  
MECHANISM FOR ITS SIXTEEN MEMBER )  
DISTRIBUTION COOPERATIVES )

CASE NO.  
2011-00032

CERTIFICATE

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Ann F. Wood, 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 Information Requests from the Informal Conference held on April 12, 2010 in the above-referenced case, 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.

Ann F. Wood

Subscribed and sworn before me on this 19<sup>th</sup> day of April, 2011.

Henry M. Willoughby  
Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013  
NOTARY ID #409352



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2011-00032**

**ENVIRONMENTAL SURCHARGE**

**RESPONSE TO DATA REQUESTS**

**COMMISSION STAFF'S DATA REQUESTS FROM INFORMAL CONFERENCE**

**HELD ON 04/12/11**

**REQUEST 1**

**RESPONSIBLE PARTY: Ann F. Wood**

**Request 1.** Refer to page 2 of the Commission's Order in this proceeding dated February 28, 2011. The footnote reference states that "the costs incurred from May 2010 through October 2010 are billed to the Member Cooperatives in the months of July 2010 through December 2010..." EKPC's response to Request 1, page 2 of 3, of Commission Staff's First Information Request begins with the June 2010 expense month. Provide the May 2010 expense month information as requested in the original Order.

**Response 1.** The May 2010 information is provided on page 2 of this response.

East Kentucky Power Cooperative, Inc. Environmental Surcharge Report  
 Calculation of Current Month Environmental Surcharge Factor (CESF)  
 and (Over)/Under Recovery Calculation

Line	Description	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
1	<b>E(m) = RORB + OE - BAS</b>								
2	Rate Base	\$607,557,545	\$605,748,113	\$603,722,880	\$602,103,182	\$656,511,504	\$658,507,629	\$672,249,903	\$689,078,438
3	Rate Base / 12	\$50,629,795	\$50,479,009	\$50,310,240	\$50,175,265	\$54,709,292	\$54,875,636	\$56,020,825	\$57,423,203
4	Rate of Return	= 6.051%	6.051%	6.051%	6.051%	6.051%	6.129%	6.129%	6.129%
5	Return on Rate Base (RORB)	+ \$3,063,609	\$3,054,485	\$3,044,273	\$3,036,105	\$3,310,459	\$3,363,328	\$3,433,516	\$3,519,468
6	Operating Expenses (OE)	+ \$3,492,422	\$3,709,990	\$3,884,632	\$4,258,464	\$3,796,005	\$3,954,251	\$4,063,676	\$4,408,424
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0						
8	Sub-Total E(m)	\$6,566,031	\$6,764,475	\$6,928,905	\$7,294,569	\$7,106,464	\$7,317,579	\$7,497,192	\$7,927,892
8a	Prior Periods Adjustments								
9	Member System Allocation Ratio for the Month (Form 3.0)	98.46%	98.44%	97.92%	97.36%	97.24%	97.30%	97.32%	97.41%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$6,455,068	\$6,658,949	\$6,784,783	\$7,101,992	\$6,910,326	\$7,120,004	\$7,296,268	\$7,722,559
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$522,666	\$522,666	\$0
12a	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$6,455,068	\$6,658,949	\$6,784,783	\$7,101,992	\$6,910,326	\$7,642,670	\$7,818,934	\$7,722,559
12b	2-month true up adjustment	(\$117,599)	\$946,051	\$791,708	(\$353,562)	(\$1,193,197)	(\$329,933)	\$1,626,354	\$1,195,887
12c	E(m) = Ln 12a + Ln 12 b	\$6,337,469	\$7,605,000	\$7,576,492	\$6,748,430	\$5,717,129	\$7,312,737	\$9,445,288	\$8,918,446
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$57,077,299	\$57,662,277	\$58,759,809	\$59,596,338	\$59,912,729	\$59,621,682	\$59,606,578	\$60,620,788
14	CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	11.10%	13.19%	12.89%	11.32%	9.54%	12.27%	15.85%	14.71%
15	BESF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	MESF	11.10%	13.19%	12.89%	11.32%	9.54%	12.27%	15.85%	14.71%
17	Authorized Recovery Amount: Line 13 x Line 16	\$6,337,469	\$7,605,000	\$7,576,492	\$6,748,430	\$5,717,129	\$7,312,737	\$9,445,288	\$8,918,446
18	Environmental Surcharge Revenues Billed	\$3,067,770	\$6,691,031	\$8,798,197	\$8,600,595	\$6,054,258	\$4,090,774	\$6,116,850	\$12,919,387
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	\$791,708	(\$353,562)	(\$1,193,197)	(\$1,024,104)	\$694,172	\$1,626,355	\$1,195,887	(\$3,474,099)



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**HELD ON 04/12/11**

**REQUEST 2**

**RESPONSIBLE PARTY: Ann F. Wood**

**Request 2.** Refer to EKPC's response to Request 2, page 7 of 17, of Commission Staff's First Information Request. The "Mo./Yr." column of the table labeled "Fleming-Mason- Calc of (Over)/Under-All Others" does not reflect the month and year. Provide a revised response reflecting proper formatting.

**Response 2.** Please see the corrected formatting on page 2 of this response.



Fleming-Mason - Calc of (Over)/Under - Sch C + Spec Contracts

Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)
Jul-10	\$ 378,531	\$ 378,531	\$ -	\$ -
Aug-10	\$ 371,557	\$ 371,557	\$ -	\$ -
Sep-10	\$ 319,193	\$ 319,193	\$ -	\$ -
Oct-10	\$ 241,517	\$ 241,517	\$ -	\$ -
Nov-10	\$ 286,855	\$ 286,855	\$ -	\$ -
Dec-10	\$ 463,853	\$ 463,853	\$ -	\$ -
Jan-11	\$ 472,207	\$ 472,207	\$ -	\$ -
Feb-11	\$ 190,118	\$ *	\$ 190,118	\$ 190,118
Cumulative 6-months (Over)/Under Recovery				\$ -
Monthly Recovery (per month for six months)				\$ -

Fleming-Mason - Calc of (Over)/Under - All Others

Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)	Fleming-Mason Total (Over)/Under
Jul-10	\$ 315,085	\$ 188,661	\$ 126,424	\$ 126,424	\$ 126,424
Aug-10	\$ 304,053	\$ 317,739	\$ (13,686)	\$ 112,737	\$ 112,737
Sep-10	\$ 213,492	\$ 315,964	\$ (102,472)	\$ 10,266	\$ 10,266
Oct-10	\$ 147,193	\$ 182,407	\$ (35,214)	\$ (24,948)	\$ (24,948)
Nov-10	\$ 235,337	\$ 83,828	\$ 151,509	\$ 126,562	\$ 126,562
Dec-10	\$ 501,390	\$ 479,223	\$ 22,167	\$ 148,729	\$ 148,729
Jan-11	\$ 479,746	\$ 677,830	\$ (198,084)	\$ (198,084)	\$ (198,084)
Feb-11	\$ 172,274	\$ *	\$ 172,274	\$ (25,810)	\$ 164,308
Cumulative 6-months (Over)/Under Recovery				\$ 148,729	\$ 148,729
Monthly Recovery (per month for six months)				\$ 24,788	\$ 24,788

\* Information not available.



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**REQUEST 3**

**RESPONSIBLE PARTY:            Ann F. Wood**

**Request 3.**            Refer to EKPC's response to Request 4, page 2 of 8, of Commission Staff's First Information Request. Provide an explanation as to why the expense information for accounts 50144 and 501445 contain identical amounts.

**Response 3.**            Accounts 50144 and 501445 contain expenses associated with ash handling for Gilbert and Spurlock 4, respectively. Headwaters, Inc., EKPC's ash handling vendor, sends EKPC an invoice for the total of the Gilbert and Spurlock 4 ash handling. During the 6-month period under review, EKPC simply allocated the invoice amount equally between the two units. Effective February 2011, EKPC began allocating the ash handling expense based on MWh generated for each unit to more appropriately apportion the expense.



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**REQUEST 4**

**RESPONSIBLE PARTY: Ann F. Wood**

**Request 4.** Refer to EKPC's response to Request 4, pages 3 and 4 of 8, of Commission Staff's First Information Request. The "December" fluctuation explanation on page 4 of 8 mentions a decrease in materials of \$679.8K from November. Confirm that the account balances for November and December in account 51244 are accurate. If a revision to the November to December fluctuation analysis is needed, provide such revision.

**Response 4.** The November and December balances in account 51244, reflected in EKPC's response to Request 4, pages 3 and 4 of 8, are accurate. EKPC has revised the December fluctuation explanation for Project 03350; this revision is included on page 2 of this response. In December, EKPC received an invoice from a contractor in the amount of \$744.0K; this amount was charged to Project 03350. Prior to closing the books for 2010, EKPC determined that only \$64.2K should have been charged to this project; the remaining \$679.8K, relating to the purchase of hot shot filter bags, should have been charged to inventory. EKPC made a journal entry that transferred the \$679.8K out of Project 03350 and into inventory.

51244	Maintenance of Boiler Plant Gilbert	June	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	763,156	334,063	43,772	76,155	123,854	88,055	215,876
	Expense Dollars Change		(429,093)	(290,291)	32,383	47,699	(35,799)	127,821
	Percent Change		-56.23%	-86.90%	73.98%	62.63%	-28.90%	145.16%

December -

Project 03206 - Increase in contractor payments of \$28.8K, increase in Materials of \$46.8K and increase in EKPC payroll and benefits of \$8.6K  
 Labor and materials to install reducer retro kit, RH and reducer shaft mount

Project 03350 - Increase in contractor payments of \$64.2K and decrease in EKPC payroll and benefits of \$20.6K  
 Contractor Payments related to labor to vacuum FDA mixers