COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO GALLATIN STEEL COMPANY

Gallatin Steel Company ("Gallatin"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than October 1, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Gallatin shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Gallatin fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Direct Testimony of Lane Kollen ("Kollen Testimony") starting at page 3, line 22, and continuing to page 4, line 1. The referenced sentence states that "In this filing, and for the first time, the Company has used a fully projected test year to quantify its rate increase request." Mr. Kollen testified in the most recent base rate case filed by East Kentucky Power Cooperative, Inc. ("EKPC"), Case No. 2008-00409,[1] in which EKPC based its requested revenue increase on a fully forecasted test year. Confirm that the statement referenced in this request is in error.

2. Refer to the Kollen Testimony, page 10, lines 6-11, and Exhibit_(LK-4). The testimony states that the exhibit reflects EKPC's updated response to Commission Staff's Request 1-43 which shows actual year-to-date expenses through July 2010. However, the exhibit contains a response with year-to-date expenses through April 2010. Provide the correct exhibit referenced in the testimony.

3. Refer to pages 10-12 of the Kollen Testimony, which discusses payroll and payroll tax adjustments proposed by Mr. Kollen.

a. Mr. Kollen recommends that EKPC's payroll expense increase be limited to a 3.0 percent annual escalation factor, or 4.0 percent from the base year to

[1] Case No. 2008-00409, General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc. (Ky. PSC, Mar. 31, 2009).

the test year. Explain why a fixed percentage increase, which does not appear to have a connection to any of the specific wage and salary adjustments identified by EKPC in this proceeding, is a reasonable basis for establishing EKPC's payroll expense.

b. Explain how 3.0 percent was selected as the escalation factor.

4. Refer to page 16, lines 13-15, of the Kollen Testimony which indicates that EKPC's benefits expense should be reduced by $2.661 million. In the summary of the recommended adjustments on page 6 of the testimony, the adjustment to benefits expense is $2.961 million. Explain this discrepancy and provide the appropriate corrections.

5. Refer to pages 24-26 of the Kollen Testimony.

a. Provide the calculation of the $18.129 million in interest expense incurred to finance cash and cash equivalents.

b. Provide the calculation of the average cash and cash equivalent balance of $101.881 million.

c. Provide the calculation of the $27.329 million reduction to EKPC's revenue requirement based on interest expense incurred to fund excess cash.

d. Explain why the amount on page 26 differs from the $28.093 million in the summary of recommended adjustments on page 6 of the testimony.

6. Refer to page 28, at lines 17-21 of the Kollen Testimony. Provide a detailed explanation of how, based on his review of the confidential information related to EKPC's credit facility borrowings, Mr. Kollen determined that the assumed interest rate should be 4.0 percent or less, rather than 5.5 percent as proposed by EKPC.

7. Refer to page 10 of the Direct Testimony of Stephen J. Baron ("Baron Testimony"). Starting at line 5, Mr. Baron states that, to the extent there were differences in methodology between the Dennis Eicher cost of service study ("COSS") filed in the current case and the COSS used in EKPC's 2008 rate case, he applied the methodology used in the 2008 rate case. Explain why the 2008 methodology was used.

8. Refer to page 17 of the Baron Testimony which shows a $3.547 million calculated "fuel savings" associated with Gallatin's interruptible load using the maximum load interruptible and the maximum hours of annual interruption.

a. Explain why it is appropriate to use the maximum amount of load interruptible and hours of annual interruption when calculating the "fuel savings."

b. Provide the amount of "fuel savings" that would be calculated if the load interrupted and hours of interruption equaled those that were used to calculate the load interrupted that is shown for Gallatin in EKPC's billing analysis at Volume 5, Tab 58, page 11 of 13, of the Application. Include in the response the effect this would have on the COSS filed by Mr. Baron.

9. Refer to pages 30 and 31 of the Baron Testimony. Starting at line 7 on page 30, Mr. Baron recommends increasing the 10-minute interruptible credit to $6.22 but states that he does not recommend a change in the 90-minute interruptible credit. Explain why Mr. Baron recommends no change to the 90-minute interruptible credit.

10. Provide an electronic version of Baron Exhibit SJB-2 with the formulas intact and unprotected.

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DATED SEP 17 2010

cc: Parties of Record

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