



EAST KENTUCKY POWER COOPERATIVE

February 15, 2005

Ms Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

FEB 16 2005

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission an original and eight (8) copies of the Responses of East Kentucky Power Cooperative, Inc., Inter-County Energy Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Salt River Electric Cooperative Corporation to the Third Set of Data Requests of the Commission Staff dated February 4, 2005.

Upon receipt, please send a stamped copy of the responses to my attention in the attached, stamped envelope.

Very truly yours,

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc Elizabeth E. Blackford, Esq.-Office of the Attorney General

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

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PUBLIC SERVICE
COMMISSION**

In the Matter of:

**THE APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC., INTER-COUNTY ENERGY)
COOPERATIVE CORPORATION, NOLIN RURAL) CASE NO.
ELECTRIC COOPERATIVE CORPORATION, AND SALT) 2004-00330
RIVER ELECTRIC COOPERATIVE CORPORATION,)
FOR AUTHORITY TO IMPLEMENT A FIXED BILL PILOT)
PROGRAM)**

**RESPONSES TO COMMISSION STAFF'S
THIRD DATA REQUEST TO
EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION
DATED 2/04/05**

**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION**

**PSC CASE NO. 2004-00330
FIXED BILL PILOT PROGRAM
THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 2/04/05
REQUEST 1**

RESPONSIBLE PARTY: William A. Bosta

REQUEST 1. Refer to Section 1.B. of East Kentucky's reply comments, Item 5 of its response to the Attorney General's ("AG") second data request, and Items 7(b) and (c) of its response to the Commission Staff's initial data request.

REQUEST 1a. Explain how East Kentucky and the other Joint Applicants will track the differences between the revenues and expenses experienced under the fixed bill pilot program and the revenues and expenses that would have been experienced in the absence of the program.

RESPONSE 1a. Revenues will be tracked on a monthly basis for each retail Fixed Bill customer by comparing the Fixed Bill dollar amount to the dollar amount the customer would have been billed for actual usage under the applicable residential rate schedule and actual FAC and environmental surcharge in effect at the time of billing. The same comparison will be made at the wholesale

level although the amount that the customer would have been billed will include an estimate of the coincident peak demand because EKPC will not have demand meters for each fixed bill customer.

The incremental program expenses associated with the fixed bill program will be recorded in a separate account for EKPC and for the Member System. No incremental program expenses would have occurred without the program.

REQUEST 1b. Explain in detail how East Kentucky and the other Joint Applicants intend to ensure that the pilot program does not result in cost shifting or other negative impacts on customers not participating in the program.

RESPONSE 1b. As indicated in earlier responses, neither EKPC nor any of the Member Systems intend to seek recovery of any net cost associated with the Fixed Bill Pilot program. Wholesale rates to the members and rates to retail customers will not increase as a result of the net cost of the Fixed Bill Pilot program. Any net costs incurred during the Pilot would affect EKPC's margins in that year. However, as explained in earlier responses, the potential financial impact of the pilot program is expected to be minimal.

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**COMMISSION STAFF'S THIRD DATA REQUEST DATED 2/04/05
REQUEST 2**

RESPONSIBLE PARTY: William A. Bosta/Michael T. O'Sheasy

REQUEST 2. Refer to the response to Item 9 of the Commission Staff's supplemental data request.

REQUEST 2a. Describe the amounts that East Kentucky and the other Joint Applicants will record as fuel adjustment clause ("FAC") revenues and environmental surcharge revenues. Will the amounts recorded reflect the estimates referenced in the response or actual revenues based on the actual FAC and environmental surcharge factors charged to other customers? Explain the response.

RESPONSE 2a. EKPC and the Joint Applicants will record actual revenues for the FAC and the Environmental Surcharge based on the actual FAC and Environmental Surcharge factors charged to other customers in effect for that specific billing month. The recordation of revenues will be based on three components; the actual FAC revenues, actual Environmental Surcharge revenues

and the remaining, all other, revenues, which, in total, equals the total fixed bill dollar amount. This accounting approach is consistent with how other utilities have recorded such revenue amounts for their fixed bill customers.

REQUEST 2b. If East Kentucky and the other Joint Applicants intend to record estimated amounts as FAC and environmental surcharges revenues, explain how this will comply with the provisions of 807 KAR 5:056 and KRS 278.183.

RESPONSE 2b. See response to (a) above. EKPC and the Member Systems intend to record actual amounts for the FAC and environmental surcharge.

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COMMISSION STAFF'S THIRD DATA REQUEST DATED 2/04/05

REQUEST 3

RESPONSIBLE PARTY: William A. Bosta

REQUEST 3. In its application, East Kentucky indicated that it and its member systems intended to evaluate the results of the pilot fixed bill program after 18 months, which, as proposed, would have covered two heating seasons. East Kentucky's November 3, 2004 response to the AG's request for further proceedings stated that implementation of the program needed to be delayed to the Spring of 2005. Explain whether this delay will have any impact on the planned length of the pilot.

RESPONSE 3. Yes. EKPC and the Member Systems anticipate that the length of the pilot will be extended in order to cover two heating seasons. If the pilot began on June 1, 2005, for example, the Joint Applicants would want to have data through the end of March 2007 in order to properly evaluate the results. That equates to an evaluation period of 22 months compared to the 18 months originally requested.

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COMMISSION STAFF'S THIRD DATA REQUEST DATED 2/04/05

REQUEST 4

RESPONSIBLE PARTY: William A. Bosta

REQUEST 4. If a pilot fixed bill program is approved, explain whether East Kentucky or the other Joint Applicants will have the capability of reporting to the Commission, on a monthly basis, the program participants' actual usage levels and the Joint Applicants' estimates of the participants' usage levels for the full term of the pilot. If East Kentucky or the other Joint Applicants believe they do not have the capability to do this reporting, explain why and describe what type of reporting of actual and estimated usage they will be able to provide the Commission.

RESPONSE 4. The Joint Applicants intend to accumulate information on a monthly basis and report the information to the Commission.



EAST KENTUCKY POWER COOPERATIVE

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COMMISSION

MS ELIZABETH O' DONNETT, I.