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February 13, 2006

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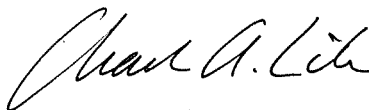
Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2005-00417

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case, an original and eight copies of the responses of East Kentucky Power Cooperative, Inc., to the Commission staff Data Requests dated February 1, 2006.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2005-00417

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

FEBRUARY 1, 2006

REQUEST NO. 1

RESPONDING PERSON: Jeff Brandt

Request 1 (a): Refer to the response to the First Data Request of Commission Staff (“Staff’s First Request”) Item 2.

a. Explain how EKPC determined that the market price for gypsum in 2009 would be \$0.00 per ton.

Response 1 (a): In 2004, Stanley Consultants, Inc. (“SCI”) investigated the future value of commercial gypsum for EKPC. SCI contacted four wallboard manufacturers to discuss their interest in a new supply of commercial gypsum. Shipping commercial gypsum to wallboard manufacturers over long distances is economically unfavorable, so only wallboard manufacturers in the Ohio Valley region were contacted. SCI found the anticipated supply of commercial gypsum will outweigh demand by nearly double in the Ohio Valley region by 2008. In 2008, supply is expected to be at eight million tons per year, while demand is expected at four million tons per year. This surplus of commercial gypsum beginning in 2008 is expected to drive prices down to \$0.00 per ton or less, meaning that the gypsum producer pays the wallboard manufacturer to take the gypsum.

The expected surplus of commercial gypsum producing power plants in the next two to three years is the result of the EPA's stepped-up stance on emission compliance. Unlike the wave of new commercial gypsum producing power plants in the 1990's, it is unlikely that wallboard manufacturers will respond to this new wave by building new wallboard plants.

Request 1 (b): When will EKPC finalize the decision of whether to equip the proposed scrubber with the capability of producing wallboard quality gypsum? Explain the response.

Response 1 (b): An initial decision will be made this year. At this time, EKPC is waiting for information about the grade of limestone quality to use to evaluate the quality of gypsum that could potentially be produced by the scrubber. The quality of gypsum produced determines the market value. The commercial grade vs. disposable grade gypsum evaluation will be based on delivered limestone costs, gypsum market value, operational costs, and gypsum landfill costs. If EKPC decides to produce commercial grade gypsum, it will be based solely on economic factors. If EKPC decides not to install the additional equipment for the production of commercial grade gypsum, the decision will be re-evaluated periodically, based on any changes in the economics.

Request 1 (c): If EKPC does not equip the proposed scrubber with the capability of producing wallboard quality gypsum, explain how EKPC plans to dispose of this scrubber by-product. Include the estimated capital and operating expenditures associated with disposal option.

Response 1 (c): EKPC owns and operates its own landfill at the Spurlock Power Station Site. This landfill will be utilized for the disposable grade gypsum option. EKPC expects that the Spurlock Unit 2 scrubber will annually produce approximately 315,000 tons of disposable grade gypsum. For the wallboard vs. disposable grade gypsum evaluation, beginning in mid 2008, a \$3.50 per ton cost for hauling gypsum to the landfill is being used. In the evaluation, this haul cost is escalated by 1.5% per year for the duration of the 30-year evaluation period. Additional capital costs of \$5 million dollars in 2018 and \$5 million in 2028, were added to the evaluation for expected landfill development costs in those years.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2005-00417

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

FEBRUARY 1, 2006

REQUEST NO. 2

RESPONDING PERSON: Frank J. Oliva

Request 2: Refer to the response to the Staff's First Request, Item 3. Provide the document submitted to the banks showing the proposed scrubber was to be funded by the credit facility.

Response 2: The attached projection of capital expenses and loan advances was submitted to the banks in regards to the credit facility authorized in Case No. 2005-00267. This document projects capital expenditures for the Spurlock #2 Scrubber to be funded by the credit facility in an amount of up to \$172,235,000.

EKPC Capital Expenditures and Projected Loan Advances (\$000)
 (2 - 3 Year Delay in Generation Loan Clearance and Loan Advances Spread Over 2 - 3 Years)

PSC Request 2
Attachment
Page 1 of 1

Capital Expenditures

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Spurlock #4		78,000	160,440	159,560	75,000			473,000
Smith #1 CFB		9,400	137,406	175,000	136,194	75,000		533,000
Smith CT #8 - #12		15,000	80,000	135,000	40,000			270,000
Smith Transmission			25,000	12,000	33,000			70,000
Spurlock #2 Scrubber		60,090	61,965	10,180	40,000			172,235
Warren Transmission	1,035	2,700	3,800	31,465				39,000
Gilbert Unit	392,000	51,863						443,863
LFGTE	13,200	17,800	4,200					35,200
Other Generation		22,622	5,477	5,194				33,293
Transmission & Telecom.	-	49,238	23,416	48,173				120,827
	<u>406,235</u>	<u>306,713</u>	<u>501,704</u>	<u>576,572</u>	<u>324,194</u>	<u>75,000</u>	<u>-</u>	<u>2,190,418</u>

RUS Loan Advances

Spurlock #4				158,000	158,000	157,000		473,000
Smith #1 CFB					177,000	177,000	179,000	533,000
Smith CT #8 - #12					90,000	90,000	90,000	270,000
Smith Transmission					35,000	35,000		70,000
Spurlock #2 Scrubber				86,000	86,235			172,235
Warren Transmission					39,000			39,000
Gilbert Unit (Z8)	150,000	235,000	58,863	-				443,863
LFGTE (AA8 + 3 New Sites)		23,000	4,645	7,555				35,200
Other Generation						33,293		33,293
Transmission			35,000	25,000	15,000	25,000	20,827	120,827
	<u>150,000</u>	<u>258,000</u>	<u>98,508</u>	<u>276,555</u>	<u>600,235</u>	<u>517,293</u>	<u>289,827</u>	<u>2,190,418</u>

Payoff of Construction Loan		50,000						
Smith CT #8 - #12 Front-End Financing		(15,000)	(80,000)	(135,000)	50,000	90,000	90,000	
Annual Funding Deficit (Surplus)		83,713	323,196	165,017	(226,041)	(352,293)	(199,827)	
Cumulative Funding Deficit (Surplus)		83,713	406,909	571,926	345,885	(6,408)	(206,235)	

*Long-term fundings for the Gilbert and current LFGTE projects have already been approved by the RUS.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2005-00417

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

FEBRUARY 1, 2006

REQUEST NO. 3

RESPONDING PERSON: Frank J. Oliva

Request 3: Refer to the response to the Staff's First Request, Item 6(c). Does the projected consumption of sulfur dioxide emission allowances ("SO₂ allowances") reflect that beginning in 2010 EKPC will have to surrender two SO₂ allowances for every ton of SO₂ emitted and beginning in 2015 the surrender rate will be three SO₂ allowances for every ton of SO₂ emitted? Explain the response.

Response 3: The response to the Staff's First Request, Item 3, shows the tons of SO₂ expected to be emitted for each year. A column has been added to reflect the number of SO₂ emission allowances expected to be consumed assuming the enactment of the Clean Air Interstate Rule (CAIR) by the EPA.

Projected Consumption of SO₂ Allowances

<u>Year</u>	<u>Dale</u>	<u>Cooper</u>	<u>Spurlock</u>	<u>Smith</u>	<u>Total Tons SO₂</u>	<u>Allowances Consumed</u>
2006	6,797	28,119	43,821	1	78,738	x 1.00 = 78,738
2007	8,071	29,218	42,565	1	79,855	x 1.00 = 79,855
2008	9,913	30,785	41,730	1	82,429	x 1.00 = 82,429
2009	9,707	28,259	8,151	1	46,118	x 1.00 = 46,118
2010	8,412	1,412	7,938	1	17,763	x 2.00 = 35,526
2011	8,798	1,412	7,957	1	18,168	x 2.00 = 36,336
2012	7,945	1,378	7,873	1	17,197	x 2.00 = 34,394
2013	7,925	1,370	7,826	1	17,122	x 2.00 = 34,244
2014	8,327	1,377	7,865	1	17,570	x 2.00 = 35,140
2015	7,606	1,347	7,786	1	16,740	x 2.86 = 47,876
2016	7,545	1,329	7,730	1	16,605	x 2.86 = 47,490
2017	8,079	1,333	7,772	1	17,185	x 2.86 = 49,149
2018	8,413	1,346	7,836	1	17,596	x 2.86 = 50,325
2019	8,848	1,365	7,880	1	18,094	x 2.86 = 51,749
2020	8,439	1,346	7,831	0	17,616	x 2.86 = 50,382
2021	8,559	1,337	7,809	0	17,705	x 2.86 = 50,636
2022	8,862	1,350	7,843	0	18,055	x 2.86 = 51,637
2023	9,046	1,356	7,882	0	18,284	x 2.86 = 52,292

Projected consumption includes existing EKPC units and Spurlock Unit #4.

Projected consumption assumes the enactment of current CAIR provisions.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2005-00417

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

FEBRUARY 1, 2006

REQUEST NO. 4

RESPONDING PERSON: Frank J. Oliva

Request 4: Provide a schedule of EKPC SO₂ allowances activities for the period 1995 through 2010. The schedule should show activity for the Dale, Cooper, and Spurlock generating stations separately. Each schedule should contain the following information for each year:

- a. The beginning balance for SO₂ allowances.
- b. The allocation of SO₂ allowances from the Environmental Protection Agency.
- c. The purchase of SO₂ allowances.
- d. The consumption of SO₂ allowances. For the period 1995 through and including 2005, show the actual utilization. For the period 2006 through 2010, use the projected consumption.

e. Any other adjustments to SO₂ allowances. Provide an explanation of the reason for the adjustment.

f. The ending balance of SO₂ allowances.

Response 4: Please see the attached schedules in response to this request. Also, please note that there was a typographical error in the response to the Staff's First Data Request, Item 6a. The column headed "Dale" should also say "Cooper".

EKPC SO₂ Allowance Activities -- Dale Station

<u>Year</u>	<u>Beginning Balance</u>	<u>EPA Allocation</u>	<u>Purchases And Acquisitions</u>	<u>Consumption</u>	<u>Adjustments</u>	<u>Ending Balance</u>
1995	-	-	-	-		-
1996	-	-	-	-		-
1997	-	-	-	-		-
1998	-	-	-	-		-
1999	-	-	-	-		-
2000	-	3,831	-	(6,286)	2,600	145
2001	145	3,831	-	(6,846)	2,975	105
2002	105	3,831	-	(7,404)	4,000	532
2003	532	3,831	-	(7,759)	7,719	4,323
2004	4,323	3,831	-	(7,758)	(344)	52
2005	52	3,831	-	(8,210)		(4,327)
2006	(4,327)	3,831	-	(6,797)		(7,293)
2007	(7,293)	3,831	-	(8,071)		(11,533)
2008	(11,533)	3,831	-	(9,913)		(17,615)
2009	(17,615)	3,831	-	(9,707)		(23,491)
2010	(23,491)	3,093	-	(16,824)		(37,222)

Adjustments include EPA adjustments and transfers between EKPC power plants.

Intra-company transfers for 2005 have not yet been finalized.

EKPC SO₂ Allowance Activities -- Cooper Station

<u>Year</u>	<u>Beginning Balance</u>	<u>EPA Allocation</u>	<u>Purchases And Acquisitions</u>	<u>Consumption</u>	<u>Adjustments</u>	<u>Ending Balance</u>
1995	-	22,171	-	(18,389)		3,782
1996	3,782	22,171	-	(16,652)		9,301
1997	9,301	22,171	-	(15,818)		15,654
1998	15,654	22,171	-	(17,613)		20,212
1999	20,212	22,171	-	(19,882)		22,501
2000	22,501	9,818	-	(18,102)	(2,600)	11,617
2001	11,617	9,818	-	(23,389)	5,375	3,421
2002	3,421	9,818	-	(22,713)	11,000	1,526
2003	1,526	9,818	-	(20,596)	14,428	5,176
2004	5,176	9,818	-	(30,529)	15,585	50
2005	50	9,818	-	(23,423)		(13,555)
2006	(13,555)	9,818	-	(28,119)		(31,856)
2007	(31,856)	9,818	-	(29,218)		(51,256)
2008	(51,256)	9,818	-	(30,785)		(72,223)
2009	(72,223)	9,818	-	(28,259)		(90,664)
2010	(90,664)	9,835	-	(2,824)		(83,653)

Adjustments include EPA adjustments and transfers between EKPC power plants.

Intra-company transfers for 2005 have not yet been finalized.

EKPC SO₂ Allowance Activities -- Spurlock Station

<u>Year</u>	<u>Beginning Balance</u>	<u>EPA Allocation</u>	<u>Purchases And Acquisitions</u>	<u>Consumption</u>	<u>Adjustments</u>	<u>Ending Balance</u>
1995	-	23,202	-	(15,297)		7,905
1996	7,905	22,181	-	(13,334)	641	17,393
1997	17,393	22,181	-	(15,669)	278	24,183
1998	24,183	22,181	-	(14,941)		31,423
1999	31,423	22,181	-	(16,444)		37,160
2000	37,160	26,415	-	(38,652)	2,997	27,920
2001	27,920	26,415	29,500	(37,383)	310	46,762
2002	46,762	26,415	33,000	(40,510)	(23,700)	41,967
2003	41,967	26,415	-	(40,362)	(22,179)	5,841
2004	5,841	26,415	15,000	(31,922)	(15,231)	103
2005	103	26,415	52,457	(41,687)		37,288
2006	37,288	26,415	-	(43,821)		19,882
2007	19,882	26,415	(20,000)	(42,565)		(16,268)
2008	(16,268)	26,415	-	(41,730)		(31,583)
2009	(31,583)	26,415	(17,100)	(8,151)		(30,419)
2010	(30,419)	26,462	-	(15,876)		(19,833)

Adjustments include EPA adjustments and transfers between EKPC power plants.

Intra-company transfers for 2005 have not yet been finalized.