



EAST KENTUCKY POWER COOPERATIVE

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MAY 17 2006

PUBLIC SERVICE
COMMISSION

May 17, 2006

HAND DELIVERED

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

RE: PSC Case No. 2006-00131

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case, an original and nine copies of the responses of East Kentucky Power Cooperative, Inc., ("EKPC") to the Commission's Appendix B Requests, contained in the Commission's order dated April 25, 2006, and the Prepared Testimony of William A. Bosta on Behalf of EKPC in this case.

Very truly yours,

A handwritten signature in cursive script that reads "Charles A. Lile".

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

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PUBLIC SERVICE
COMMISSION

**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, 2005 AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)**

**CASE NO.
2006-00131**

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PUBLIC SERVICE
COMMISSION

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND ITS MEMBER SYSTEMS**

PSC ADMINISTRATIVE CASE 2006-00131

PUBLIC SERVICE COMMISSION REQUEST DATED 04/25/06

East Kentucky Power Cooperative, Inc. (EKPC) and its Member Systems hereby submit responses to the information requests contained in Appendix B to the Order of the Public Service Commission ("PSC") in this case dated April 25, 2006. Each response with its associated supportive reference materials is individually tabbed.

The Member Systems are:

Big Sandy Rural Electric Cooperative Corporation
Blue Grass Energy Cooperative Corporation
Clark Energy Cooperative, Inc.
Cumberland Valley Electric
Farmers Rural Electric Cooperative Corporation
Fleming-Mason Energy Cooperative
Grayson Rural Electric Cooperative Corporation
Inter-County Energy Cooperative Corporation
Jackson Energy Cooperative
Licking Valley Rural Electric Cooperative Corporation
Nolin Rural Electric Cooperative Corporation
Owen Electric Cooperative
Salt River Electric Cooperative Corporation
Shelby Energy Cooperative, Inc.
South Kentucky Rural Electric Cooperative Corporation
Taylor County Rural Electric Cooperative Corporation

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CASE NO.
2006-00131

PREPARED TESTIMONY OF WILLIAM A. BOSTA
ON BEHALF OF
EAST KENTUCKY POWER COOPERATIVE, INC.

Q. Please state your name and address.

A. My name is William A. Bosta, East Kentucky Power Cooperative (EKPC), 4775
Lexington Road, Winchester, Kentucky 40391.

Q. By whom are you employed and in what capacity?

A. I am employed by East Kentucky Power Cooperative, Inc., as Manager of Pricing.

**Q. As background for your testimony, please briefly describe your educational
background and work responsibilities at East Kentucky Power Cooperative.**

A. I have a Bachelor's Degree in Economics from Virginia Tech, Blacksburg, Virginia and a
Master's Degree in Industrial Management from Lynchburg College, Lynchburg,
Virginia. My professional career began as an Economist with the engineering consulting
firm of Hayes, Seay, Mattern & Mattern in Roanoke, Virginia. I then worked in the rates
and regulatory area for two AEP subsidiaries, Appalachian Power Company in Roanoke,
Virginia and Indiana Michigan Power Company in Ft. Wayne, Indiana. In 1993, I

1 accepted a position in Regulatory Affairs at Kentucky Utilities Company in Lexington,
2 Kentucky and was subsequently promoted to Director of Regulatory Management for
3 LG&E Energy in Louisville, Kentucky following the merger of KU Energy and LG&E
4 Energy in 1998. In May 2001, I was offered an opportunity to join the EKPC system as
5 Pricing Manager and in June 2001 I assumed my current position. As Pricing Manager, I
6 am responsible for rate and regulatory matters and issues at EKPC and provide support
7 services for all sixteen cooperatives on these issues. I report directly to the Vice
8 President of Finance.

9 **Q. Have you previously testified before the Public Service Commission?**

10 A. Yes.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to describe how EKPC and its Member Systems have
13 implemented the environmental surcharge in a reasonable manner and in accordance with
14 the provisions of the Commission's Order approving settlement in Case 2004-00321 and
15 2004-00372. I will also identify any over/under recoveries accumulated for the six-
16 month review period for EKPC and each Member System and will recommend a new rate
17 of return for use in subsequent review periods.

18 **Q. When did EKPC and its Member Systems implement the environmental surcharge?**

19 A. EKPC filed the initial set of environmental surcharge factors on July 20, 2005, using the
20 June 2005 expense month's environmental costs. EKPC billed its Member Systems in
21 early August 2005, and retail customers were also billed by the Member Systems at
22 approximately the same time. This monthly billing process has continued throughout the
23 six-month review period.

24 **Q. How was the implementation conducted?**

1 A. EKPC and its Member Systems incorporated the environmental surcharge as a line item
2 on the bills sent to consumers. EKPC issued bills to Member Systems in early August for
3 service rendered in July. At the same time, the Member Systems began issuing bills
4 including the environmental surcharge. Depending on the Member System, this process
5 continued throughout the month of August. The implementation was conducted and
6 completed in a reasonable and uniform manner, consistent with the procedures
7 established in Cases 2004-00321 and 2004-00372.

8 **Q. The Commission's Order required EKPC and its Member Systems to incorporate**
9 **certain provisions into the calculation of the monthly environmental surcharge**
10 **factors. Please comment as to how EKPC and the Member Systems have addressed**
11 **the most significant aspects of the Commission's Order.**

12 A. Shown below is a brief description of how EKPC directly accounted for these aspects of
13 the Commission's Order.

- 14 • Compliance Plan Projects
15 EKPC's Compliance Plan consisted only of the four authorized projects and
16 excluded the costs associated with the J.K. Smith Combustion Turbines. The
17 response to First Staff Data Request Item 1 shows the associated capital-related
18 costs for those projects during the six-month review.
- 19 • Base/Current Method
20 EKPC used the Base/Current Method for calculation of the monthly environmental
21 surcharge factor during the review period. Use of the base factor of .51 percent is
22 shown on the response to Item 1 of the First Staff Data Request.

23
24

- 1 • Actual Emission Allowance Expense
2 EKPC included only actual emission allowance expense in the monthly filings.
3 This is verified in the response to Item 3 of the First Staff Data Request.
- 4 • Rate of Return
5 EKPC used a rate of return of 5.66 percent in its monthly environmental surcharge
6 filings. This is based on the weighted average cost of debt at 12/31/2004 for those
7 debt issuances directly related to the four projects in EKPC's Compliance Plan,
8 multiplied by a 1.15 TIER factor. Application of the rate of return to Rate Base is
9 shown in the response to Item 1 of the First Staff Request.
- 10 • Operation and Maintenance (O&M) Expenses
11 In accordance with the Order, EKPC has used a 12-month rolling average for O&M
12 expenses associated with the Compliance Plan. For the Gilbert unit, the average is
13 based on the actual O&M expenses for the months of operation divided by the
14 months of operation. This is illustrated in the response to Items 4 and 5 of the First
15 Staff Data Request.
- 16 • Pass-through Mechanism
17 The Environmental Surcharge factors computed for retail customers were billed by
18 Member Systems at approximately the same time as EKPC billed the Member
19 Systems. In some instances, due to the timing of the Member Systems billing cycle,
20 the bills were issued in the latter part of August.
21 EKPC and its Member Systems adhered to these and all other requirements and
22 provisions of the Commission's Order during the six-month review.

23 **Q. Were the environmental-related amounts included in the monthly surcharge**
24 **calculation based on booked costs?**

1 A. Yes. EKPC used the amounts booked for the various cost categories included in the
2 surcharge calculation and these costs were actual costs and incurred in a prudent manner.

3 **Q. Did EKPC incur any over or under recoveries during the six-month review period?**

4 A. Yes. As shown in the response to Item 1, First Staff Data Request, EKPC incurred an
5 over recovery of \$2,629,288.

6 **Q. How does EKPC intend to refund this amount?**

7 A. EKPC requests approval to refund this amount over the six-month period following the
8 Commission's Order in this proceeding. One-sixth of the amount, or \$438,215 will be
9 reflected as a refund in the calculation of the wholesale Environmental Surcharge Factor
10 in each of those months.

11 **Q. Did the Member Systems incur any over or under recoveries during the six-month
12 review period?**

13 A. Yes. The over or under recovery amounts are shown in the response to Item 2 of the First
14 Staff Data Request.

15 **Q. How will the Member Systems reflect recovery of these over or under recovery
16 amounts?**

17 A. The response to Item 2 of the First Staff Data Request shows the over or under recovery
18 amounts. In general, it is proposed that these amounts be either amortized or refunded in
19 the computation of the environmental surcharge factor for each month in the six-month
20 period following the Commission's Order in this proceeding. The monthly amounts are
21 shown at the bottom of the over/under recovery table for each Member System.

22 **Q. Have you updated the rate of return to be used for subsequent six-month review
23 periods?**

1 A. Yes. The response to Item 6 of the First Staff Request shows that the updated rate of
2 return is 5.59%. This calculation is consistent with the approach authorized by the
3 Commission in its Final Order and has been updated using information as of
4 November 30, 2005. The 5.59% rate of return is a reduction from the 5.66% currently
5 utilized.

6 **Q. When do you propose to implement the new rate of return?**

7 A. EKPC and its Member Systems recommend implementing the updated rate of return in
8 the first month following the Commission's Order approving the new rate. The 5.59%
9 would remain in place until the next six-month review case is concluded.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

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PREPARED TESTIMONY OF WILLIAM A. BOSTA
ON BEHALF OF
EAST KENTUCKY POWER COOPERATIVE, INC.

A F F I D A V I T

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

William A. Bosta, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

William A. Bosta

Subscribed and sworn before me on this 17th day of May, 2006.

Deeann S. Duffin
Notary Public

My Commission expires:

December 8, 2009

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND ITS MEMBER SYSTEMS
PSC CASE NO. 2006-00131
RESPONSES TO FIRST DATA REQUEST**

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COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 1

RESPONSIBLE PERSON: William A. Bosta

**COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems**

Request 1. Prepare a summary schedule showing the calculation of E(M) and the surcharge factor for the expense months covered by the billing period. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount East Kentucky believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for the additional over- or under-recovery.

Response 1. Please see the attached information. As shown in the attachment, EKPC incurred an over recovery of \$2,629,288. EKPC proposes to refund this amount over the six-month period following the Commission's Order in this proceeding, at \$438,215 in each month.

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

Line	Description	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06
1	E(m) = RORB + OE - BAS									
2	Rate Base	\$197,369,871	\$195,885,606	\$203,563,439	\$202,939,284	\$202,191,094	\$203,019,785	\$201,467,293	\$213,877,218	\$225,468,192
3	Rate Base / 12	\$16,447,489	\$16,323,800	\$16,963,620	\$16,911,607	\$16,849,258	\$16,918,315	\$16,788,941	\$17,823,102	\$18,789,016
4	Rate of Return	5.66%	5.66%	5.66%	5.66%	5.66%	5.66%	5.66%	5.66%	5.66%
5	Return on Rate Base (RORB)	\$930,928	\$923,927	\$960,141	\$957,197	\$953,668	\$957,577	\$950,254	\$1,008,788	\$1,063,458
6	Operating Expenses (OE)	\$1,848,506	\$1,861,397	\$4,395,111	\$4,034,479	\$3,838,553	\$4,517,054	\$2,092,733	\$3,166,597	\$3,550,487
7	By-Product and Emission Allowance Sales (BAS)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$2,779,434	\$2,785,324	\$5,355,252	\$4,991,676	\$4,792,221	\$5,474,631	\$3,042,987	\$4,175,385	\$4,613,945
9	Member System Allocation Ratio for the Month (Form 3.0)	99.49%	99.42%	99.40%	99.27%	99.26%	99.16%	98.74%	98.75%	98.74%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$2,765,259	\$2,769,169	\$5,323,120	\$4,955,237	\$4,756,759	\$5,428,644	\$3,004,645	\$4,123,192	\$4,555,810
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$2,765,259	\$2,769,169	\$5,323,120	\$4,955,237	\$4,756,759	\$5,428,644	\$3,004,645	\$4,123,192	\$4,555,810
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$44,001,107	\$44,614,193	\$45,521,639	\$46,398,745	\$47,265,559	\$48,181,393	\$48,843,728	\$48,879,782	\$49,190,166
14	CESF: E(m) / R(m), as a % of Revenue	6.28%	6.21%	11.69%	10.68%	10.06%	11.27%	6.15%	8.44%	9.26%
15	BESF	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
16	MESF	5.77%	5.70%	11.18%	10.17%	9.55%	10.76%	5.64%	7.93%	8.75%
17	Authorized Recovery Amount: Line 13 x Line 16	\$2,538,864	\$2,543,009	\$5,089,319	\$4,718,752	\$4,513,861	\$5,184,318	\$2,754,786	\$3,876,167	\$4,304,140
18	Environmental Surcharge Revenues Billed	\$0	\$2,937,048	\$3,013,534	\$5,489,140	\$4,457,295	\$4,674,894	\$6,645,500	\$3,386,525	\$4,345,255
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	\$0	(\$398,184)	(\$470,525)	(\$399,821)	\$281,457	(\$161,033)	(\$1,461,182)	(\$631,739)	(\$469,085)
20	Cumulative (Over)/Under	\$0	(\$398,184)	(\$868,709)	(\$1,268,530)	(\$1,007,073)	(\$1,168,106)	(\$2,629,288)	(\$3,261,026)	(\$3,730,115)

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND ITS MEMBER SYSTEMS
PSC CASE NO. 2006-00131
RESPONSES TO FIRST DATA REQUEST**

COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 2

RESPONSIBLE PERSON: William A. Bosta

COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 2. For each of the 16 member distribution cooperatives, prepare a summary schedule showing the distribution cooperative's pass through revenue requirement for the months corresponding with the six-month review. Include the two months subsequent to the billing period included in the six-month review. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for the additional over- or under-recovery.

Response 2. Please see the attached information. The refund or amortization amounts are shown at the bottom of the table for each Member System. As shown in the table, these amounts will be refunded or amortized each month during the six-month period following the Commission's Order in this proceeding. Note that it is recommended that any over/under recovery amount for Inter-County Energy should be deferred until the conclusion of the second six-month period due to an accounting method change in January 2006.

Big Sandy RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$66,313	\$61,327	\$4,986	\$4,986
Aug-05	\$66,489	\$122,193	(\$55,704)	(\$50,718)
Sep-05	\$115,649	\$131,568	(\$15,919)	(\$66,637)
Oct-05	\$98,293	\$69,456	\$28,837	(\$37,800)
Nov-05	\$115,156	\$129,300	(\$14,144)	(\$51,944)
Dec-05	\$172,077	\$99,637	\$72,440	\$20,496
Jan-06	\$80,807	\$92,687	(\$11,880)	\$8,616
Feb-06	\$109,032	\$107,454	\$1,578	\$10,194
(Over)/Under Recovery		\$20,496 / 6 =		\$3,416

Blue Grass Energy - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$312,213	\$0	\$312,213	\$312,213
Aug-05	\$314,593	\$303,503	\$11,090	\$323,303
Sep-05	\$573,173	\$301,038	\$272,135	\$595,438
Oct-05	\$446,834	\$491,164	(\$44,330)	\$551,108
Nov-05	\$473,202	\$460,005	\$13,197	\$564,305
Dec-05	\$696,759	\$576,806	\$119,953	\$684,258
Jan-06	\$349,386	\$716,114	(\$366,728)	\$317,530
Feb-06	\$457,263	\$325,017	\$132,246	\$449,776
(Over)/Under Recovery		\$684,258 / 6 =		\$114,043

Clark Energy Cooperative - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$117,518	\$111,816	\$5,702	\$5,702
Sep-05	\$116,870	\$110,275	\$6,595	\$12,297
Oct-05	\$208,093	\$181,429	\$26,664	\$38,961
Nov-05	\$166,356	\$169,895	(\$3,539)	\$35,422
Dec-05	\$182,500	\$220,791	(\$38,291)	(\$2,870)
Jan-06	\$272,496	\$269,918	\$2,578	(\$292)
Feb-06	\$130,943	\$119,833	\$11,110	\$10,818
(Over)/Under Recovery		(\$2,870) / 6 =		(\$478)

Cumberland Valley Electric - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$125,262	\$0	\$125,262	\$125,262
Aug-05	\$128,923	\$133,996	(\$5,073)	\$120,189
Sep-05	\$234,864	\$111,885	\$122,979	\$243,168
Oct-05	\$200,028	\$202,317	(\$2,289)	\$240,879
Nov-05	\$215,937	\$238,886	(\$22,949)	\$217,930
Dec-05	\$309,813	\$274,567	\$35,246	\$253,176
Jan-06	\$156,592	\$261,402	(\$104,810)	\$148,366
Feb-06	\$198,989	\$164,170	\$34,819	\$183,185
(Over)/Under Recovery		\$253,176 / 6 =		\$42,196

Farmers RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$135,106	\$128,367	\$6,739	\$6,739
Sep-05	\$136,955	\$135,800	\$1,155	\$7,894
Oct-05	\$250,315	\$248,720	\$1,595	\$9,489
Nov-05	\$192,219	\$196,511	(\$4,292)	\$5,197
Dec-05	\$196,380	\$212,651	(\$16,271)	(\$11,074)
Jan-06	\$273,746	\$263,700	\$10,046	(\$1,028)
Feb-06	\$143,704	\$141,382	\$2,322	\$1,294
(Over)/Under Recovery		(\$11,074) / 6 =		(\$1,846)

Fleming-Mason - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$240,575	\$80,669	\$159,906	\$159,906
Aug-05	\$237,991	\$196,333	\$41,658	\$201,564
Sep-05	\$489,381	\$343,583	\$145,798	\$347,362
Oct-05	\$433,472	\$467,317	(\$33,845)	\$313,517
Nov-05	\$444,277	\$469,557	(\$25,280)	\$288,237
Dec-05	\$566,686	\$538,835	\$27,851	\$316,088
Jan-06	\$305,769	\$448,799	(\$143,030)	\$173,058
Feb-06	\$364,514	\$318,259	\$46,255	\$219,313
(Over)/Under Recovery		\$316,088 / 6 =		\$52,681

Grayson - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$70,327	\$70,003	\$324	\$324
Aug-05	\$69,221	\$59,554	\$9,667	\$9,991
Sep-05	\$121,184	\$106,890	\$14,294	\$24,285
Oct-05	\$104,728	\$116,720	(\$11,992)	\$12,293
Nov-05	\$116,369	\$134,445	(\$18,076)	(\$5,783)
Dec-05	\$167,184	\$149,306	\$17,878	\$12,095
Jan-06	\$79,183	\$84,739	(\$5,556)	\$6,539
Feb-06	\$106,833	\$88,650	\$18,183	\$24,722
(Over)/Under Recovery		\$12,095 / 6 =		\$2,016

Inter-County ECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$114,464	\$0	\$114,464	\$114,464
Aug-05	\$115,580	\$109,507	\$6,073	\$120,537
Sep-05	\$205,590	\$101,071	\$104,519	\$225,057
Oct-05	\$168,302	\$178,216	(\$9,914)	\$215,143
Nov-05	\$187,163	\$190,592	(\$3,429)	\$211,714
Dec-05	\$289,306	\$250,028	\$39,278	\$250,992
Jan-06	\$0	\$237,477	(\$237,477)	\$13,515
Feb-06	\$140,620	\$136,249	\$4,371	\$17,886
No (Over)/Under Recovery				\$0

*No(Over)/Under Recovery at this time due to a change in accounting methodology in January 2006.

Jackson Energy Cooperative - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$237,363	\$264,728	(\$27,365)	(\$27,365)
Aug-05	\$239,814	\$213,945	\$25,869	(\$1,496)
Sep-05	\$432,979	\$368,529	\$64,450	\$62,954
Oct-05	\$367,746	\$332,546	\$35,200	\$98,154
Nov-05	\$406,980	\$495,301	(\$88,321)	\$9,833
Dec-05	\$607,821	\$624,164	(\$16,343)	(\$6,510)
Jan-06	\$298,516	\$255,513	\$43,003	\$36,493
Feb-06	\$390,130	\$353,332	\$36,798	\$73,291
(Over)/Under Recovery		(\$6,510) / 6 =		(\$1,085)

Licking Valley RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$69,818	\$38,553	\$31,265	\$31,265
Aug-05	\$70,153	\$70,792	(\$639)	\$30,626
Sep-05	\$122,637	\$121,562	\$1,075	\$31,701
Oct-05	\$104,567	\$99,778	\$4,789	\$36,490
Nov-05	\$117,226	\$108,920	\$8,306	\$44,796
Dec-05	\$171,540	\$171,810	(\$270)	\$44,526
Jan-06	\$82,337	\$78,323	\$4,014	\$48,540
Feb-06	\$109,780	\$121,276	(\$11,496)	\$37,044
(Over)/Under Recovery		\$44,526 / 6 =		\$7,421

Nolin RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$187,958	\$0	\$187,958	\$187,958
Aug-05	\$194,729	\$175,795	\$18,934	\$206,892
Sep-05	\$360,933	\$173,973	\$186,960	\$393,852
Oct-05	\$280,119	\$333,896	(\$53,777)	\$340,075
Nov-05	\$287,688	\$304,560	(\$16,872)	\$323,203
Dec-05	\$413,279	\$328,647	\$84,632	\$407,835
Jan-06	\$210,511	\$423,673	(\$213,162)	\$194,673
Feb-06	\$274,075	\$191,696	\$82,379	\$277,052
(Over)/Under Recovery		\$407,835 / 6 =		\$67,973

Owen Electric Cooperative - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$463,841	\$338,824	\$125,017	\$125,017
Sep-05	\$519,907	\$896,815	(\$376,908)	(\$251,891)
Oct-05	\$878,054	\$853,136	\$24,918	(\$226,973)
Nov-05	\$740,887	\$760,295	(\$19,408)	(\$246,381)
Dec-05	\$716,903	\$851,816	(\$134,913)	(\$381,294)
Jan-06	\$909,768	\$889,748	\$20,020	(\$361,274)
Feb-06	\$512,170	\$500,486	\$11,684	(\$349,590)
(Over)/Under Recovery		(\$381,294) / 6 =		(\$63,549)

Salt River RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under*	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$265,360	\$0		
Aug-05	\$267,988	\$242,692	\$22,668	\$22,668
Sep-05	\$487,468	\$221,496	\$46,492	\$69,160
Oct-05	\$350,697	\$374,010	\$113,458	\$182,618
Nov-05	\$364,217	\$425,078	(\$74,381)	\$108,237
Dec-05	\$535,856	\$515,087	(\$150,870)	(\$42,633)
Jan-06	\$266,329	\$501,850	\$34,006	(\$8,627)
Feb-06	\$344,998	\$231,008	\$35,321	\$26,694
(Over)/Under Recovery		(\$42,633) / 6 =		(\$7,106)

*Based on comparison of prior month expense and billed revenue for the current month.

Shelby Energy Cooperative - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$112,004	\$41,791	\$70,213	\$70,213
Aug-05	\$106,320	\$104,237	\$2,083	\$72,296
Sep-05	\$225,998	\$145,055	\$80,943	\$153,239
Oct-05	\$168,617	\$167,651	\$966	\$154,205
Nov-05	\$171,670	\$166,701	\$4,969	\$159,174
Dec-05	\$237,113	\$262,121	(\$25,008)	\$134,166
Jan-06	\$122,157	\$182,454	(\$60,297)	\$73,869
Feb-06	\$153,977	\$120,080	\$33,897	\$107,766
(Over)/Under Recovery		\$134,166 / 6 =		\$22,361

South Kentucky RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on EKPC's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under*	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$294,640	\$0		
Aug-05	\$296,332	\$273,747	\$20,893	\$20,893
Sep-05	\$542,108	\$289,051	\$7,281	\$28,174
Oct-05	\$446,744	\$465,452	\$76,656	\$104,830
Nov-05	\$481,202	\$473,412	(\$26,668)	\$78,162
Dec-05	\$728,730	\$583,016	(\$101,814)	(\$23,652)
Jan-06	\$357,162	\$726,083	\$2,647	(\$21,005)
Feb-06	\$474,657	\$325,045	\$32,117	\$11,112
(Over)/Under Recovery		(\$23,652) / 6 =		(\$3,942)

*Based on comparison of prior month expense and billed revenue for the current month.

Taylor County RECC - Environmental Surcharge: Six-Month Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$124,286	\$113,068	\$11,218	\$11,218
Sep-05	\$131,669	\$129,883	\$1,786	\$13,004
Oct-05	\$240,714	\$251,211	(\$10,497)	\$2,507
Nov-05	\$187,686	\$207,658	(\$19,972)	(\$17,465)
Dec-05	\$198,024	\$191,971	\$6,053	(\$11,412)
Jan-06	\$293,326	\$282,218	\$11,108	(\$304)
Feb-06	\$151,391	\$148,262	\$3,129	\$2,825
(Over)/Under Recovery		(\$11,412) / 6 =		(\$1,902)

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND ITS MEMBER SYSTEMS
PSC CASE NO. 2006-00131
RESPONSES TO FIRST DATA REQUEST**

COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 3

RESPONSIBLE PERSON: Ann Wood

COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 3. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for the August through November 2005 expense months.

Request 3a. For the sulfur dioxide ("SO₂") emission allowance inventory, provide all workpapers, calculations, and assumptions used to determine the balances and dollar values shown for the beginning inventory, allocations/purchases, utilized, sold, and ending inventory categories for the August through November 2005 expense months.

Response 3a. Please see page 3 for the sulfur dioxide emission allowance calculations for the August through November 2005 expense months. Allowances are stated at cost. Allowances used are stated using a monthly weighted-average method of cost determination.

Request 3b. For the nitrogen oxide ("NO_x") emission allowance inventory, provide all workpapers, calculations, and assumptions used to determine the balances and

dollar values shown for the beginning inventory, allocations/purchases, utilized, sold, and ending inventory categories for the September through November 2005 expense months.

Response 3b. Please see page 4 for the nitrogen oxide emission allowance calculations for the September through November 2005 expense months. Allowances are stated at cost. Allowances used are stated using a monthly weighted-average method of cost determination.

EAST KENTUCKY POWER COOPERATIVE, INC.

**PSC CASE NO. 2006-00131
ENVIRONMENTAL SURCHARGE**

SO₂ Emission Allowances - Monthly Expense--August Through November 2005

		Acquired or Sold			Used			Balance		
		Quantity	Price	Cost	Quantity	Price	Cost	Quantity	Price	Cost
Jul	2005	0	\$ -	\$ -	(6,300)	\$109	\$ (685,438)	398	\$109	\$ 43,250
Aug	2005	12,500	\$ 511	\$6,381,600	(6,393)	\$498	\$(3,184,751)	6,504	\$498	\$3,240,100
Sep	2005	7,500	\$ 301	\$2,254,100	(5,772)	\$392	\$(2,264,483)	8,232	\$392	\$3,229,717
Oct	2005	7,500	\$ 321	\$2,404,100	(6,577)	\$358	\$(2,355,399)	9,155	\$358	\$3,278,418
Nov	2005	2,500	\$1,296	\$3,238,750	(5,697)	\$559	\$(3,185,636)	5,958	\$559	\$3,331,532

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00131
 ENVIRONMENTAL SURCHARGE

NOx Emission Allowances - Monthly Expense--September Through November 2005

		Acquired or Sold			Used			Balance		
		Quantity	Price	Cost	Quantity	Price	Cost	Quantity	Price	Cost
Aug	2005	0	\$ -	\$ -	(1,091)	\$ -	\$ -	604	\$ -	\$ -
Sep	2005	140	\$3,835	\$ 536,950	(743)	\$ 722	\$ (536,588)	1	\$ 722	\$ 362
Oct	2005	87	\$3,152	\$ 274,260	(87)*	\$3,139	\$ (273,050)	1	\$3,139	\$ 1,571
Nov	2005	597	\$2,769	\$1,652,840	(40)*	\$2,769	\$ (111,863)	557	\$2,769	\$1,542,548

*Reflects adjustments to emission allowances for the ozone season of May 1, 2005 through September 30, 2005.

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND ITS MEMBER SYSTEMS
PSC CASE NO. 2006-00131
RESPONSES TO FIRST DATA REQUEST**

COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 4

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 4. Refer to Form 2.4, O&M Expenses and Determination of Cash Working Capital Allowance, the "Non-Gilbert" amounts for the June through September 2005 expense months.

Request 4a. In the June 2005 expense month, East Kentucky reported Non-Gilbert operation and maintenance ("O&M") expenses for the "6th previous month" of \$860,756. Provide an analysis of the \$860,756 O&M expenses and explain why the level of expenses reported for the "6th previous month" was significantly higher than any other period shown on Form 2.4 as reported for the June 2005 expense month.

Response 4a. The table below provides an analysis of the \$860,756 O&M expenses for the "6th previous month." The "6th previous month" is December 2004, which is the month in which EKPC received the invoice for 2004-2005 air permit fees. The expensing of these air permit fees caused an increase in O&M expenses for December.

Air Permit Fees—Dale Station	\$276,425
Air Permit Fees—Cooper Station	291,341
Air Permit Fees—Spurlock Station	292,938
SCR Maintenance—Labor	<u>52</u>
	\$860,756

Request 4b. Explain why the level of Non-Gilbert “Current Month” O&M expenses reported for the June through September 2005 expense months were higher than the remaining months in the six-month review period or the 5 months prior to the June 2005 expense month.

Response 4b. The level of Non-Gilbert “Current Month” O&M expenses reported for the June through September 2005 expense months is higher than the other months listed because of ammonia expenses. The ozone season is May through September; ammonia is needed to run the SCR’s to control NOx emissions.

**EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 5

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 5. Refer to Form 2.4, O&M Expenses and Determination of Cash Working Capital Allowance, the "Gilbert" amounts for the June through November 2005 expense months.

Request 5a. Provide the reason(s) why the Gilbert O&M expenses for the October 2005 expense month were significantly lower than the other months in the six-month review period.

Response 5a. Please see the attached schedule.

Request 5b. During the six-month review period, the Gilbert O&M expenses have ranged from \$98,109 to \$361,223. Provide the reason(s) why the following account balances have fluctuated during the six-month review period:

- (1) Account No. 50144 – Fuel Coal Gilbert
- (2) Account No. 51244- Maintenance of Boiler Plant Gilbert

- (3) Account No. 50644 – Miscellaneous Steam Power Expense –
Gilbert

Response 5b. Please see the attached schedule.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00131

ENVIRONMENTAL SURCHARGE

Response 5a.

Gilbert O&M expenses were significantly lower in October 2005 than any other month in the six-month review period. The Gilbert Unit had a scheduled maintenance outage from October 1, 2005 to November 15, 2005. See Response 5b for additional detail.

Response 5b.

	(1) 50144	(2) 51244	(3) 50644	Total
June	\$ 36,947	\$ 55,037	\$ 212,413	\$304,397
July	\$ 48,015	\$ 54,921	\$ 189,530	\$292,466
August	\$ 46,770	\$ 66,583	\$ 163,749	\$277,102
September	\$ 68,402	\$ 87,325	\$ 205,497	\$361,224
October	\$ 100,692	\$ (2,583)	-	\$ 98,109
November	\$ 4,488	\$ 229,397	\$ 94,048	\$327,933

(1) Account 50144 reflects Gilbert ash expense. The September expense represents August charges for loading and hauling approximately 32,204 tons of ash. The October expense represents September charges for loading and hauling approximately 47,691 tons of ash. The Gilbert Unit had a scheduled maintenance outage from October 1, 2005 to November 15, 2005. Therefore, the November 2005 expense is minimal.

(2) Account 51244 reflects Gilbert O&M expenses on pollution control equipment. The October decrease is a result of returning excess filter bags to inventory. These filter bags were ordered for the outage but unused. The November increase was caused by expenses associated with the scheduled maintenance outage, journal assembly work on the limestone mill, and vacuum clean out work on the Fluid Bed Ash Cooler.

(3) Account 50644 captures Gilbert limestone expense. The absence of limestone usage in October 2005 and the minimal limestone usage in November 2005 are results of the scheduled maintenance outage.

**EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 6

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 6. The Settlement Agreement approved in Case No. 2004-00321 provides that East Kentucky's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the six-month surcharge review. Provide the following information as of November 30, 2005:

Request 6a. The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance.

Response 6a. Please see schedule on page 3.

Request 6b. The debt cost for each debt issuance directly related to the projects in the approved compliance plan.

Response 6b. EKPC did not incur any debt cost for each debt issuance directly related to the projects in the approved compliance plan.

Request 6c. East Kentucky's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.15 Times Interest Earned Ratio. Include all supporting calculations showing how the weighted average debt cost was determined.

Response 6c. Please see schedule on page 3.

Weighted Average Cost of Debt

Compliance Project	Loan Source (1)	NBV as of 11/30/2005 (2)	Relative Percentage of Total NBV (3)	Cost (4)	Weights (5)=(3)*(4)	Rate of Return (6) = (5)*1.15
1. Gilbert	Z-8	\$ 67,980,469	34%	4.66%	1.605%	
2. Spurlock 1 - Precipitator	Y-8	\$ 21,821,403	11%	4.96%	0.548%	
3. Spurlock 1 - SCR	Y-8	\$ 72,604,834	37%	4.96%	1.825%	
4. Spurlock 2 - SCR	Y-8	\$ 35,087,380	18%	4.96%	0.882%	
		<u>\$ 197,494,086</u>			<u>4.860%</u>	<u>5.589%</u>

Y-8 30-year

Note Number (1)	Debt Balance as of 11/30/2005 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4)/ Total (2) (5)
HO720	\$ 24,638,519	4.460%	\$ 1,098,878	
HO725	\$ 24,657,521	4.819%	\$ 1,188,246	
HO730	\$ 24,466,913	4.950%	\$ 1,211,112	
HO750	\$ 24,671,309	5.091%	\$ 1,256,016	
HO755	\$ 24,674,182	5.149%	\$ 1,270,474	
HO760	\$ 24,670,013	5.065%	\$ 1,249,536	
HO765	\$ 24,667,308	5.011%	\$ 1,236,079	
HO770	\$ 26,648,117	5.149%	\$ 1,372,112	
	<u>\$ 199,093,882</u>		<u>\$ 9,882,453</u>	<u>4.96%</u>

Z-8 30-year

Note Number (1)	Debt Balance as of 11/30/2005 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4)/ Total (2) (5)
FO810	\$ 50,000,000	4.744%	\$ 2,372,000	
FO815	\$ 50,000,000	4.825%	\$ 2,412,500	
FO820	\$ 50,000,000	4.946%	\$ 2,473,000	
FO825	\$ 25,000,000	4.658%	\$ 1,164,500	
FO830	\$ 25,000,000	4.497%	\$ 1,124,250	
FO835	\$ 25,000,000	4.705%	\$ 1,176,250	
FO840	\$ 25,000,000	4.332%	\$ 1,083,000	
FO845	\$ 19,000,000	4.324%	\$ 821,560	
FO860	\$ 30,000,000	4.468%	\$ 1,340,400	
FO865	\$ 30,000,000	4.470%	\$ 1,341,000	
FO870	\$ 30,000,000	4.769%	\$ 1,430,700	
	<u>\$ 359,000,000</u>		<u>\$ 16,739,160</u>	<u>4.66%</u>

**EAST KENTUCKY POWER COOPERATIVE, INC.
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RESPONSES TO FIRST DATA REQUEST**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06
REQUEST 7**

RESPONSIBLE PERSON: Frank J. Oliva
COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 7. Provide the percentage of East Kentucky's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the November 2005 expense month.

Response 7. The percentage of East Kentucky's debt issuance directly related to projects in the approved compliance plan that has a variable rate as of the November 2005 expense month is 0%.

**EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06

REQUEST 8

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 8. Provide the following information concerning East Kentucky's inventories of SO₂ and NO_x emission allowances:

Request 8a. The number of emission allowances in the ending inventory balances as of December 31, 2005. This ending inventory balance should reflect all available past vintage years of emission allowances through the 2005 vintage year.

Response 8a. Please see the following schedules.

Available Balance of SO₂ Allowances As of 12/31/2005

<u>Vintage</u>	<u>Dale</u>	<u>Cooper</u>	<u>Spurlock</u>	<u>Smith</u>	<u>Total</u>
2005 and prior	8,043	720	23,104	112	31,979

Figures are subject to verification by the EPA, due to the fact that allowances used for 2005 have not yet been deducted from the accounts by the EPA.

Includes 12,500 allowances acquired subsequent to 12-31-2005, but prior to the EPA settlement date of 3-1-2006. These allowances will be included in the EPA's compliance report for 2005.

Available Balance of NOx Allowances As of 12/31/2005

<u>Vintage</u>	<u>Dale</u>	<u>Cooper</u>	<u>Spurlock</u>	<u>Smith</u>	<u>Total</u>
2005 and prior	6	516	13	8	543

Fourteen (14) allowances have been deducted from the year-end balance due to EPA-imposed “flow-control”.

Request 8b.

For each year in the period 2006 through 2016:

(1) Indicate the number of emission allowances allocated or expected to be allocated by the Environmental Protection Agency for the East Kentucky generating units.

(2) Indicate the number of emission allowances that have been “swapped” or otherwise transferred to other entities.

(3) Indicate the number of emission allowances East Kentucky estimates it will utilize in conjunction with the operation of its generating units. Reflect the changes resulting from the adoption of the Clean Air Interstate Rule.

(4) If available, indicate any other estimated additions or withdrawals of emission allowances from the East Kentucky inventories of emission allowances. Include a description of the type of addition or withdrawal.

Response 8b (1).

Please see the following schedules.

SO₂ Allowances Allocated By The EPA

<u>Year</u>	<u>Dale</u>	<u>Cooper</u>	<u>Spurlock</u>	<u>Total</u>
2006	3,831	9,818	26,415	40,064
2007	3,831	9,818	26,415	40,064
2008	3,831	9,818	26,415	40,064
2009	3,831	9,818	26,415	40,064
2010	3,093	9,835	26,462	39,390
2011	3,093	9,835	26,462	39,390
2012	3,093	9,835	26,462	39,390
2013	3,093	9,835	26,462	39,390
2014	3,093	9,835	26,462	39,390
2015	3,093	9,835	26,462	39,390
2016	3,093	9,835	26,462	39,390

NO_x Allowances Allocated By The EPA

<u>Year</u>	<u>Dale</u>	<u>Cooper</u>	<u>Spurlock</u>	<u>Smith</u>	<u>Total</u>
2006	304	594	2,367	36	3,301
2007	364	704	2,090	88	3,246
2008	364	704	2,090	88	3,246
2009	n/a	n/a	n/a	n/a	-
2010	n/a	n/a	n/a	n/a	-
2011	n/a	n/a	n/a	n/a	-
2012	n/a	n/a	n/a	n/a	-
2013	n/a	n/a	n/a	n/a	-
2014	n/a	n/a	n/a	n/a	-
2015	n/a	n/a	n/a	n/a	-
2016	n/a	n/a	n/a	n/a	-

NO_x allowances for years beyond 2008 have not yet been allocated by the EPA.

Response 8b (2). During 2005, 20,000 vintage 2007 SO₂ allowances were exchanged in a cashless swap for 19,957 vintage 2005 allowances. Also in 2005, EKPC exchanged 17,100 vintage 2009 SO₂ allowances for 15,000 vintage 2005 allowances. Both cashless swaps were done at fair market value.

During 2005, 460 vintage 2004 NO_x allowances were exchanged in a cashless swap for 400 vintage 2005 allowances. Also in 2005, EKPC exchanged 113 vintage 2004 NO_x allowances for 100 vintage 2005 allowances. Both cashless swaps were done at fair market value.

Response 8b (3). Please see the following schedules.

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

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

Projected consumption assumes the enactment of current CAIR provisions beginning in 2010.

Projected Consumption of NOx Allowances

<u>Year</u>	<u>Dale</u>	<u>Cooper</u>	<u>Spurlock</u>	<u>Smith</u>	<u>Total Tons NOx</u>		<u>Allowances Consumed</u>
2006	629	1,756	1,153	23	3,561	x 1.00 =	3,561
2007	761	1,853	1,109	52	3,775	x 1.00 =	3,775
2008	928	2,023	1,332	28	4,311	x 1.00 =	4,311
2009	2,157	4,521	3,423	71	10,172	x 1.00 =	10,172
2010	1,869	1,027	3,349	46	6,291	x 1.00 =	6,291
2011	1,955	1,027	3,360	53	6,395	x 1.00 =	6,395
2012	1,765	1,002	3,324	41	6,132	x 1.00 =	6,132
2013	1,761	996	3,304	39	6,100	x 1.00 =	6,100
2014	1,850	1,001	3,323	50	6,224	x 1.00 =	6,224
2015	1,690	979	3,293	41	6,003	x 1.00 =	6,003
2016	1,676	966	3,271	36	5,949	x 1.00 =	5,949

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

Projected consumption assumes the enactment of current CAIR provisions, including the institution of 12-month NOx control beginning in 2009.

Response 8b (4). None.

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND ITS MEMBER SYSTEMS
PSC CASE NO. 2006-00131
RESPONSES TO FIRST DATA REQUEST**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 04/25/06
REQUEST 9**

RESPONSIBLE PERSON: Frank J. Oliva
COMPANY: East Kentucky Power Cooperative, Inc. and its
Member Systems

Request 9. Through the end of 2016, does East Kentucky plan on achieving SO₂ and NO_x emission limit compliance for its generating units only through the operation of currently in service emission control equipment, emission control equipment East Kentucky has received or has pending applications for certificates of public convenience and necessity, and the consumption of emission allowances? If no, describe East Kentucky's current plans for SO₂ and NO_x emission limit compliance at its generating units through the end of 2016.

Response 9. Aside from projects approved by or pending before the Commission, EKPC has not finalized plans for additional emission control equipment. Analysis is ongoing as to the best method to comply with future SO₂ and NO_x emission limitations.