



October 2, 2006

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

Re: PSC Case No. 2006-00236

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and seven copies of the responses of East Kentucky Power Cooperative, Inc., to the Staff Data Requests in this case dated September 26, 2006. Please return the enclosed extra copy to us in the enclosed postage-paid envelope.

Very truly yours,

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

Charles A. Lile
Senior Corporate Counsel

Enclosures

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00236

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

SEPTEMBER 26, 2006

REQUEST NO. 1

RESPONDING PERSON: Ann Wood

Request No. 1: Refer to the response to the Commission Staff's First Data Request dated July 27, 2006 ("Staff's First Request"), Item 3(a). In the response East Kentucky states, "EKPC had understood that such a change in depreciation rates could be applied retroactively for ratemaking purposes, once the new rates are approved by the Commission, and assumed that such an adjustment for a reduction in expenses could be made to the environmental surcharge prior to final action by the Commission in a two-year review."

a. Explain the basis for East Kentucky's understanding that new depreciation rates could be applied retroactively in the environmental surcharge.

Response No. 1 (a): As stated in the response to the referenced data request, EKPC was not aware of the Commission's decisions in the Kentucky Utilities and Louisville Gas & Electric rate cases at the time the application in this case was filed. EKPC's understanding about the potential for retroactive application of new depreciation rates related only to cases where such application was allowed for other ratemaking purposes. EKPC's request for retroactive application of the new depreciation rates in regard to the environmental surcharge was not based on any Commission decisions that directly involved the surcharge. While EKPC believes that the retroactive application of its proposed new depreciation rates would benefit its member systems, it was not our intent to challenge Commission decisions; therefore, our request for retroactive application of the new depreciation rates to the environmental surcharge is withdrawn.

Request No. 1 (b): Explain the basis for East Kentucky's assumption that there would be an adjustment in the environmental surcharge during the 2-year review to reflect the retroactive application of the new depreciation rates.

Response No. 1 (b): EKPC's assumption was based only on its understanding that adjustments to the environmental surcharge could be made in any period prior to any final 2-year review, not on any understanding that the Commission had previously allowed any such adjustments for new depreciation rates.

EAST KENTUCKY POWER COOPERATIVE, INC.

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INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

SEPTEMBER 26, 2006

REQUEST NO. 2

RESPONDING PERSON: Ann Wood

Request No. 2: Refer to the response to the Staff's First Request, Item 7, page 4 of 4. The response shows that East Kentucky's annual depreciation expense, based on December 31, 2005 data, would be reduced by approximately \$13.5 million due to the implementation of the proposed depreciation rates. The depreciation rates approved in the settlement agreement in Case Nos. 2001-00140 and 2001-00141 for Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") resulted in reductions of annual depreciation expense of \$12.8 million and \$5.3 million respectively.

a. Given that the proposed depreciation rates result in a reduction of its annual depreciation expense, would East Kentucky agree that in this regard its application is similar to the KU and LG&E depreciation rate proceedings? Explain the response.

Response No. 2 (a): EKPC agrees that its application is similar to the referenced KU and LG&E depreciation rates proceedings, and withdraws our initial request for retroactive application of the new rates to the environmental surcharge.

Request No. 2 (b): Given that the settlement depreciation rates in Case Nos. 2001-00140 and 2001-00141 and the depreciation rates proposed in this proceeding all result in reductions in annual depreciation expense, explain in detail why the application of East Kentucky's proposed depreciation rates to its environmental surcharge should not be consistent with the decision in Case Nos. 2001-00140 and 2001-00141.

Response No. 2 (b): See Response 1a.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00236

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION DATA REQUEST DATED

SEPTEMBER 26, 2006

REQUEST NO. 3

RESPONDING PERSON: Ann Wood

Request No 3: For purposes of this question, assume that East Kentucky's proposed depreciation rates produced an increase, rather than a decrease, in depreciation expense of \$13.5 million annually. Would East Kentucky have proposed to retroactively apply the new depreciation rates to its environmental surcharge calculations? Explain the response.

Response No. 3: EKPC proposed the January 1, 2006 application of those rates for all purposes because the depreciation study calculated those new rates as of December 31, 2005. This approach would have been taken, even if the proposed new rates had resulted in an increase in expenses. Please see Response 1a.