



EAST KENTUCKY POWER COOPERATIVE

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PUBLIC SERVICE
COMMISSION

November 3, 2006

HAND DELIVERED

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 response of East Kentucky Power Cooperative, Inc., to the Staff's Third Data Request in the case dated October 30, 2006.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Dale W. Henley'.

Dale W. Henley
General Counsel

DWH:wk
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR) CASE NO. 2006-00236
APPROVAL OF A DEPRECIATION STUDY)

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE 2006-00236

THIRD DATA REQUEST RESPONSE

PUBLIC SERVICE COMMISSION'S REQUEST DATED 10/30/06

In response to an Order of the Public Service Commission's data request, East Kentucky Power Cooperative, Inc. (EKPC) submits its responses to the question contained therein.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR APPROVAL) CASE NO.
OF A DEPRECIATION STUDY) 2006-00236

THIRD DATA REQUEST OF COMMISSION STAFF
TO EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to 807 KAR 5:001, Commission Staff requests that East Kentucky Power Cooperative, Inc. ("EKPC") file the original and 7 copies of the following information with the Commission no later than 7 days from the date of this request, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. 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. For purposes of this question, assume that the Commission has approved the depreciation rates as proposed by EKPC. Using the information submitted in the monthly environmental surcharge filing for the September 2006 expense month, calculate the impact the new depreciation rates would have on EKPC's monthly environmental surcharge.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED October 30, 2006

cc: All Parties

Case No. 2006-00236

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC ADMINISTRATIVE CASE NO. 2006-00236
INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/30/06
REQUEST 1**

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. For purposes of this question, assume that the Commission has approved the depreciation rates as proposed by EKPC. Using the information submitted in the monthly environmental surcharge filing for the September 2006 expense month, calculate the impact the new depreciation rates would have on EKPC's monthly environmental surcharge.

Response 1. Attached is a revised Environmental Surcharge report for EKPC for the September 2006 expense month reflecting the proposed depreciation rates. The changes to the items contained in the report are shown in bold. The surcharge factor as calculated would have been 10.86% compared to the 11.29% surcharge factor included in the original report.

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report**

Form 1.0

Calculation of Monthly Billed Environmental Surcharge Factor - MESF

For the Expense Month Ending September 30, 2006

$$\text{MESF} = \text{CESF} - \text{BESF}$$

Where:

CESF = Current Period Environmental Surcharge Factor
BESF = Base Period Environmental Surcharge Factor

Calculation of MESF:

CESF, from ES Form 1.1	=	11.37%
BESF, from Case No. 2004-00321	=	<u>0.51%</u>
MESF	=	<u>10.86%</u>

Effective Date for Billing: Bills issued beginning November 1, 2006 covering service rendered beginning October 1, 2006.

Submitted by: _____

Title: Pricing Manager

Date Submitted: October 20, 2006

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report**

Form 1.1

Calculation of Current Month Environmental Surcharge Factor (CESF)

For the Expense Month Ending September 30, 2006

1 E(m) = RORB + OE - BAS

2 Rate Base		\$240,663,505
3 Rate Base / 12		\$20,055,292
4 Rate of Return	=	5.66%
5 Return on Rate Base (RORB)	+	\$1,135,130
6 Operating Expenses (OE)	+	\$4,580,645
7 By-Product and Emission Allowance Sales (BAS)	-	<u>\$0</u>
8 Sub-Total E(m)		\$5,715,775

9 Member System Allocation Ratio for the Month (Form 3.0) 99.13%

10 Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio **\$5,666,048**

11 Adjustment for (Over)/Under Recovery, as applicable \$0

12 E(m) = Subtotal E(m) plus (Over)/Under Recovery **\$5,666,048**

13 R(m) = Average Monthly Member System Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0) \$49,813,879

14 CESF: **11.37%**
E(m) / R(m); as a % of Revenue

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report**

Form 2.0

Revenue Requirements of Environmental Compliance Costs
For the Expense Month Ending September 30, 2006

Determination of Environmental Compliance Rate Base

Eligible Pollution Control Plant (Gross Plant)	\$221,507,350
Eligible Pollution CWIP	\$0
Subtotal	<u>\$221,507,350</u>
<i>Additions:</i>	
Inventory - Spare Parts	\$0
Inventory - Limestone	\$209,901
Inventory - Emission Allowances	\$49,929,383
Cash Working Capital Allowance	\$880,016
Subtotal	<u>\$51,019,299</u>
<i>Deductions</i>	
Accumulated Depreciation on Eligible Pollution Control Plant	<u>\$31,863,144</u>
Subtotal	<u>\$31,863,144</u>
Environmental Compliance Rate Base	<u>\$240,663,505</u>

Determination of Pollution Control Operating Expenses

Monthly O&M Expense	\$586,677
Monthly Depreciation and Amortization Expense	\$590,333
Monthly Taxes Other Than Income Taxes	\$24,586
Monthly Insurance Expense	\$35,845
Monthly Emission Allowance Expense	\$3,343,205
Monthly Surcharge Consultant Fee	\$0
Total Pollution Control Operating Expense	<u>\$4,580,645</u>

Gross Proceeds from By-Product and Emission Allowance Sales

Total Proceeds from By-Product and Allowance Sales	<u>\$0</u>
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**(Over)/Under Recovery of Monthly
Surcharge Due to Timing Differences**

1	E(m) Revenue Requirement for Six Month Period Ending _____	\$
2	Revenue Collected for Six-Month Period Ending _____	\$
3	Net (Over)/Under Recovery (Row 1 - Row 2)	\$
4	Amortization of Net (Over)/Under Recovery Line (3) / 6	\$

Form 2.1

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report
Plant, CWIP, Depreciation, & Taxes and Insurance Expenses
For the Expense Month Ending September 30, 2006

(1) Project No.	(2) Eligible Gross Plant in Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount	(5) Eligible Net Plant in Service (2)-(3)-(4)=(5)	(6) Monthly Depreciation Expense	(7) Monthly Tax Expense	(8) Monthly Insurance Expense
1	\$69,612,000	\$3,405,442		\$66,206,558	\$142,380	\$8,475	\$12,338
2	\$24,291,751	\$3,263,374		\$21,028,377	\$51,922	\$2,717	\$3,961
3	\$82,442,907	\$13,021,757		\$69,421,150	\$232,262	\$9,035	\$13,178
4	\$45,160,692	\$12,172,571		\$32,988,121	\$163,769	\$4,359	\$6,368
Total	\$221,507,350	\$31,863,144	\$0	\$189,644,206	\$590,333	\$24,586	\$35,845

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report

Form 2.2

Inventories of Spare Parts and Limestone

For the Expense Month Ending September 30, 2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Beginning Inventory	Purchases	Other Adjustments	Utilized	Ending Inventory	Reason(s) for Adjustment
					(2)+(3)+(4)-(5)	
Spare Parts						
Limestone	\$193,899	\$166,833		\$150,831	\$209,901	
Total						

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report**

Form 2.3

Inventory and Expense of Emission Allowances

For the Expense Month Ending September 30, 2006

SO2 Allowances

For the Expense Month Ending September 30, 2006

	Beginnings/ Inventory	Allocations/ Purchases	Utilized	Sold	Ending Inventory
Total 2006 SO2 Emission Allowances in Inventory*					
Quantity	53,820.98	10,000.00	4,938.30	-	58,882.68
Dollars	\$ 24,922,405.69	\$6,457,250.00	\$2,428,075.41	\$0	\$ 28,951,580.28
\$/Allowance	\$463.06	\$645.73	\$491.6824	\$0	\$491.68

Total Future Vintage Years SO2 Allowances in Inventory*

	Beginnings/ Inventory	Allocations/ Purchases	Utilized	Sold	Ending Inventory
Quantity	19,500.00	0.00	0.00	0.00	19,500.00
Dollars	\$18,562,500.00	\$0.00	\$0.00	\$0	\$18,562,500.00

Total SO2 Emission Allowances in Inventory

Quantity	73,320.98	10,000.00	4,938.30	0.00	78,382.68
Dollars	\$43,484,905.69	\$6,457,250.00	\$2,428,075.41	\$0.00	\$ 47,514,080.28

NOx Allowances

For the Expense Month Ending September 30, 2006

	Beginnings/ Inventory	Allocations/ Purchases	Utilized	Sold	Ending Inventory
Total NOx 2006 Emission Allowances in Inventory*					
Quantity	835.52	526.00	787.50	0.00	574.02
Dollars	\$800,683.04	\$781,498.50	\$915,129.25	\$0	\$667,052.29
\$/Allowance	\$958.31	\$1,485.74	\$1,162.07	\$0	\$1,162.07

Total Future Vintage Years NOx Allowances in Inventory*

	Beginnings/ Inventory	Allocations/ Purchases	Utilized	Sold	Ending Inventory
Quantity	930.00	0.00	0.00	0.00	930.00
Dollars	\$1,748,250.00	\$0.00	\$0.00	\$0	\$1,748,250.00

Total NOx Emission Allowances in Inventory

Quantity	1,765.52	526.00	787.50	0.00	1,504.02
Dollars	\$2,548,933.04	\$781,498.50	\$915,129.25	\$0.00	\$ 2,415,302.29

Total SO2 & NOx Emission Allowances - Current and Future Vintage Years

For the Expense Month Ending September 30, 2006

	Beginnings/ Inventory	Allocations/ Purchases	Utilized	Sold	Ending Inventory
Quantity	75,086.50	10,526.00	5,725.80	0.00	79,886.70
Dollars	\$46,033,839	\$7,238,749	\$3,343,205	\$0	\$49,929,383

*Includes coal-fired allowances only.

Form 2.4

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Report
O&M Expenses and Determination of Cash Working Capital Allowance

For the Expense Month Ending September 30, 2006

Eligible O&M Expenses	Non-Gilbert	Gilbert	Total
11th previous month	\$31,128	\$98,109	\$129,237
10th previous month	\$4,513	\$327,933	\$332,446
9th previous month	\$819,053	\$431,266	\$1,250,319
8th previous month	-\$328	\$186,435	\$186,108
7th previous month	\$52,362	\$341,025	\$393,386
6th previous month	\$58,250	\$452,220	\$510,470
5th previous month	\$29,043	\$161,938	\$190,980
4rd previous month	\$136,102	\$136,837	\$272,939
3nd previous month	\$145,131	\$472,979	\$618,110
2nd previous month	\$217,701	\$853,116	\$1,070,816
Previous month	\$326,583	\$557,352	\$883,935
Current Month	\$216,011	\$985,368	\$1,201,379
Total 12 Month O&M	\$2,035,548	\$5,004,577	\$7,040,125
Average Monthly O&M	\$169,629	\$417,048	\$586,677

Determination of Working Capital Allowance			
12 Months O&M Expense	\$2,035,548	\$5,004,577	\$7,040,125
One-Eighth (1/8) of 12 Month O&M Expenses	\$254,443	\$625,572	\$880,016

East Kentucky Power Cooperative, Inc.
Environmental Surcharge
Operating and Maintenance Expenses
For the Expense Month Ending September 30, 2006

Expense Type	Account Description	Amount
I	Maintenance	
50144	Fuel Coal Gilbert	\$132,498
51241	Maintenance of Boiler Plant Spurlock 1	\$60,629
51242	Maintenance of Boiler Plant Spurlock 2	\$5,306
51244	Maintenance of Boiler Plant Gilbert	\$702,040
		<u>\$900,472</u>
II	Air Permit Fees	
50621	Misc Steam Power Environmental Dale	\$0
50631	Misc Steam Power Environmental Cooper	\$0
50645	Misc Steam Power Environmental Spurlock	\$0
		<u>\$0</u>
III	Operating Expense - Ammonia and Limestone	
50641	Misc Steam Power Expense - Spurlock 1	\$150,076
50642	Misc Steam Power Expense - Spurlock 2	\$0
50644	Misc Steam Power Expense - Gilbert	\$150,831
		<u>\$300,907</u>
Summary: Gilbert and Non-Gilbert Accounts		
	<u>Gilbert</u>	
50144	Fuel Coal Gilbert	\$132,498
51244	Maintenance of Boiler Plant Gilbert	\$702,040
50644	Misc Steam Power Expense - Gilbert	\$150,831
	Total - Gilbert	<u>\$985,368</u>
	<u>Non-Gilbert</u>	
51241	Maintenance of Boiler Plant Spurlock 1	\$60,629
51242	Maintenance of Boiler Plant Spurlock 2	\$5,306
50621	Misc Steam Power Environmental Dale	\$0
50631	Misc Steam Power Environmental Cooper	\$0
50645	Misc Steam Power Environmental Spurlock	\$0
50641	Misc Steam Power Expense - Spurlock 1	\$150,076
50642	Misc Steam Power Expense - Spurlock 2	\$0
	Total - Non Gilbert	<u>\$216,011</u>
	Total Monthly Total	<u>\$1,201,379</u>

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Report
 Monthly Average Revenue Computation of R(m)

Form 3.0

For the Expense Month Ending September 30, 2006

Revenues from Member Systems					Total Company Revenues				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Month	Base Rate Revenues	Fuel Clause Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)	Total Excluding Environmental Surcharge (5)-(4)	Off-System Sales	Total (5)+(7)	Total Excluding Environmental Surcharge (8)-(4)	
Oct-05	\$35,988,393	\$7,839,503	\$4,457,295	\$48,285,191	\$43,827,896	\$233,222	\$48,518,413	\$44,061,118	
Nov-05	\$41,133,021	\$7,818,712	\$4,674,894	\$53,626,627	\$48,951,733	\$693,121	\$54,319,748	\$49,644,854	
Dec-05	\$53,100,993	\$8,660,356	\$6,645,500	\$68,406,849	\$61,761,349	\$2,586,287	\$70,993,136	\$64,347,636	
Jan-06	\$45,559,560	\$14,485,338	\$3,386,525	\$63,431,423	\$60,044,898	\$35,341	\$63,466,764	\$60,080,239	
Feb-06	\$46,526,686	\$8,278,260	\$4,345,255	\$59,150,201	\$54,804,946	\$175,208	\$59,325,409	\$54,980,154	
Mar-06	\$43,093,908	\$7,137,164	\$4,393,841	\$54,624,913	\$50,231,072	\$124,020	\$54,748,933	\$50,355,092	
Apr-06	\$33,835,821	\$5,053,563	\$3,527,736	\$42,417,120	\$38,889,384	\$53,400	\$42,470,520	\$38,942,784	
May-06	\$37,974,192	\$6,262,727	\$3,933,880	\$48,170,799	\$44,236,919	\$5,800	\$48,176,599	\$44,242,719	
Jun-06	\$40,540,451	\$7,228,617	\$4,624,694	\$52,393,762	\$47,769,068	\$167,286	\$52,561,048	\$47,936,354	
Jul-06	\$46,656,198	\$5,207,893	\$5,326,879	\$57,190,970	\$51,864,091	\$434,283	\$57,625,253	\$52,298,374	
Aug-06	\$47,628,812	\$6,604,086	\$7,021,816	\$61,254,714	\$54,232,898	\$716,736	\$61,971,450	\$54,949,634	
Sep-06	\$34,739,062	\$6,413,228	\$5,133,457	\$46,285,747	\$41,152,290	\$50,632	\$46,336,379	\$41,202,922	
Totals	\$506,777,097	\$90,989,447	\$57,471,772	\$655,238,316	\$597,766,544	\$5,275,336	\$660,513,652	\$603,041,880	
Average Monthly Member System Revenues, Excluding Environmental Surcharge for 12 Months Ending Current Expense Month.					\$49,813,879				
					Member System Allocation Percentage for Current Month (Environmental Surcharge excluded from Calculations): Column (6) / Column (9) =				99.13%