

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

Via Overnight Mail

April 30, 2007

RECEIVED

MAY 01 2007

**PUBLIC SERVICE
COMMISSION**

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2006-00472

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Kentucky Industrial Utility Customers, Inc.'s Second Set of Data Requests to EKPC filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc:

Certificate of Service

David S. Samford, Esq. (via electronic mail)
Isaac S. Scott (via electronic mail)
Dennis Howard (via electronic mail)


CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail (when available) and by first-class postage prepaid mail, unless otherwise noted, to all parties on the April 30, 2007.

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
Larry.Cook@ag.ky.gov

Honorable Charles A. Lile
Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707
charliel@ekpc.com

Mr. Bill Bosta, Manager of Pricing Process
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707



Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 01 2007

PUBLIC SERVICE
COMMISSION

In The Matter Of: General Adjustment of Electric Rates of
East Kentucky Power Cooperative, Inc.

Case No. 2006-00472

SECOND SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Dated: April 30, 2007

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it?
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "EKPC" means Eastern Kentucky Power Cooperative and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

KIUC'S SECOND SET OF DATA REQUESTS TO EKPC
Case No. 2006-00472

- 1.1 With respect to the direct testimony of William A. Bosta, pages 8-9: (a) Given that Mr. Bosta testifies that this case "is geared to improving EKPC's equity and TIER level and the increase in cost is more oriented to demand-related costs" does Mr. Bosta agree that it would be reasonable to apportion the requested revenue increase across customer classes on the basis of demand-related revenues? (b) If the answer to (a) is no, please explain why it would not be reasonable to apportion the increase on the basis of demand-related revenues in light of the quoted excerpt from Mr. Bosta's testimony.
- 1.2 (a) Does Mr. Bosta agree that it would be reasonable to apportion the requested revenue increase across customer classes on the basis of non-fuel-related base revenues? (b) If the answer to (a) is no, please explain why it would not be reasonable to apportion the increase on the basis of non-fuel-related base revenues in light of the quoted excerpt from Mr. Bosta's testimony in 1.1.
- 1.3 With respect to Mr. Bosta's direct testimony, p. 8, lines 10-13: Why is no rate increase proposed for the TGP contract?
- 1.4 (a) Why does Mr. Bosta propose to apportion the requested rate increase to special contract customers (except TGP) on a collective basis, rather than on an individual contract basis? (b) Does Mr. Bosta agree that it would be reasonable to apportion the requested rate increase to special contract customers on a contract-by-contract basis, based on each contract customer's individual cost responsibility?
- 1.5 Has Gary G. Stansberry performed any class cost-of-service studies prior to this filing? If so, please identify by jurisdiction and docket number. Please indicate the methodology that Mr. Stansberry used for generation cost-of-service in any previous studies.
- 1.6 With respect to Mr. Stansberry's testimony on page 5, lines 8-13: (a) Please explain the conceptual basis for Mr. Stansberry's categorization of Gallatin's 15 MW of firm load as "excess demand." (b) Please explain why Gallatin's firm load is not already included in Gallatin's average demand.
- 1.7 Please refer to Exhibit S, page 10. Using Mr. Stansberry's interpretation of the Average and Excess demand method as applied to Gallatin, please indicate the amount of excess demand, "adjusted excess", and "allocated demand" that would have been assigned to Gallatin if Gallatin's contract had provided for 80 MW of firm load instead of 15 MW, all other things being equal.
- 1.8 With respect to the example presented in 1.7: (a) Does Mr. Stansberry agree that the sum of Gallatin's average demand and its adjusted excess demand would exceed Gallatin's non-coincident peak demand using Mr. Stansberry's approach in the example? (b) Does Mr. Stansberry believe that such a result would be reasonable? (c) If so, please explain why it would be reasonable for any customer class to be allocated costs in excess of its NCP Demand under the Average and Excess method. (d) If the answer to (b) is yes, please explain why it would be reasonable for an interruptible customer to be allocated costs in excess of its NCP Demand under the Average and Excess method.
- 1.9 Please refer to the 1992 NARUC Manual, p. 49. Please refer to the following passage: "The second component of each class's allocation factor is called the 'excess demand factor.' It is the proportion of the difference between the sum of all classes' non-coincident peaks and the system average demand. The difference may be negative for curtailable rate classes." [Underlining added] (a) With respect to the underlined sentence, what is Mr. Stansberry's understanding of the conceptual basis for statement in the NARUC Manual that the "difference may be negative for curtailable rate classes"? (b) Under what circumstances would the difference be negative for curtailable rate classes? (c) How should a "negative difference" be reflected in the costs allocated to a curtailable rate class? (d) Is it mathematically possible to reflect a "negative difference" for a curtailable rate class using Mr. Stansberry's interpretation of how to allocate costs to a curtailable customer? (e) If so, please explain and illustrate with an example. (f) If not, please justify Mr. Stansberry's use of an approach that is inconsistent with the NARUC Manual.

- 1.10 Does Mr. Stansberry agree that the “negative difference” for a curtailable rate class as referenced in the NARUC Manual is determined by subtracting a curtailable class’s average demand from its firm demand (on the basis that firm demand represents the curtailable class’s firm NCP)? If not, please explain how a “negative difference” is more appropriately calculated.
- 1.11 EKPC’s present and proposed energy charge for each rate schedule and contract is shown below. Please confirm that the base fuel cost included in both the present and proposed energy charge is \$.020250 per kWh. If \$.020250 per kWh is not correct, please provide the correct unit cost.

<u>Energy Charge</u>	<u>Present Charge</u> <u>(\$/kWh)</u>	<u>Proposed Charge</u> <u>(\$/kWh)</u>
Schedule A	.027325	.027325
Schedule E		
Option 1 On-Peak	.027620	.031400
Option 1 Off-Peak	.027118	.030898
Option 2 On-Peak	.034684	.038464
Option 2 Off-Peak	.027118	.030898
Schedule E-Interr	.034684	.038464
Schedule B	.027325	.027325
Schedule B - Interr	.027325	.027325
Schedule C	.027325	.027325
Schedule G	.025560	.025560
Inland Electric	.025560	.025560
Inland Steam	.02450058	.02450058
AGC	.025560	.025560
Gallatin		
On-Peak	.027650	.027650
Off-Peak	.024650	.024650
TGP – Taylor (Calc.)	.056280	.056280
TGP – Fleming (Calc.)	.057328	.057328

- 1.12 Please provide an electronic workpaper with formulas intact for the “Proposed Total Revenue” shown in Exhibit I, pp. 3 - 6.
- 1.13 Please provide an electronic workpaper with formulas intact for the “Present Total Revenue” shown in Exhibit I, pp. 3-6.
- 1.14 Please provide an electronic workpaper with formulas intact for Exhibits WAB-1 and WAB-2.
- 1.15 Please provide the cost-of-service study prepared by Mr. Stansberry with all formulas intact.
- 1.16 What is the Company’s proposal on the recovery of environmental costs? Is it to roll-in to base rates some or all of the costs presently recovered through the environmental surcharge? If so, please describe the proposal in detail including the reconciliation of costs already recovered through the surcharge, but included in the filing and how the Company plans to integrate the amounts recovered through base rates with the amounts recovered through the surcharge.

- 1.17 If the Company does not propose to roll-in some or all of the costs presently recovered through the environmental surcharge, how does it propose to correct the base rate filing for the post-test year environmental costs included in the revenue requirement that have no commensurate environmental surcharge revenues?
- 1.18 If the Company does not propose to roll-in to base rates some or all of the costs presently recovered through the environmental surcharge, would it oppose or support the separation of the environmental costs and revenues from the base rate costs and revenues? Please explain the Company's position.
- 1.19 Please provide a copy of all the Company's workpapers supporting the filing, including all electronic spreadsheets with all formulas intact.
- 1.20 Please provide an unredacted copy of Exhibit F Summary.
- 1.21 Refer to Exhibit F Schedule 8 page 2 of 3. Provide the existing depreciation rates by plant account/subaccount, the proposed depreciation rates by plant account/subaccount, the September 30, 2006 plant balances by account/subaccount, and a schedule showing the computation of the September 2006 depreciation expense shown on page 2 of Schedule 8.
- 1.22 Refer to Exhibit F Schedule 8 page 3 of 3. Provide the gross plant and accumulated depreciation used to quantify the NBV at September 30, 2006, preferably by FERC account within tax category.
- 1.23 Refer to Exhibit F Schedule 8 page 3 of 3. Identify and describe the source of the tax rates used on this schedule and provide a copy of the source documents and computations, if any. In addition, describe the assessment date, whether the tax liability is for the prior year or prospective year (if prospective, what is the prospective 12 month period), the date at which the Company books the property tax liability, and the months over which the liability is amortized to property tax expense.
- 1.24 Refer to Exhibit F Schedule 8 page 3 of 3. Please provide the NBV at September 30, 2006 included in each tax category for environmental plant recovered through the environmental surcharge and reflected in the September 2006 expense month environmental surcharge filing. Provide all assumptions, data, computations, and electronic spreadsheets with formulas intact. If the total of the NBV amounts by tax category provided in response to this request does not equal the NBV of environmental plant included in the ECR rate base, then please provide a reconciliation of the amounts by project.
- 1.25 Refer to Exhibit F Summary. Please provide a quantification of the total property tax expense reflected in the Company's filing and identify which line item on this Summary schedule includes the total property tax expense.
- 1.26 Please provide a copy of the Company's monthly Environmental Surcharge filings for each month February 2007 through the most recent month available.
- 1.27 Please provide a copy of the Company's monthly FAC filings for each month during the test year and each month October 2006 through the most recent month available.
- 1.28 a. Please provide the actual CWIP outstanding at March 31, 2007 by project.
- b. Please provide the actual CWIP outstanding at April 30, 2007 by project.
- c. Provide a description of each project listed and quantified in response to parts (a) and (b) of this question.
- d. Please quantify the amount of each of the CWIP projects listed in response to part (a) of this question that was included in rate base in the environmental surcharge filing for the expense month of March 2007 and the comparable amount from part (b) of this question for the expense month of April 2007.

- e. Please identify the amount of each of the CWIP projects listed in response to part (a) of this question that earns AFUDC at March 31, 2007.
 - f. Please identify the amount of each of the CWIP projects listed in response to part (b) of this question that earns AFUDC at April 30, 2007.
- 1.29 Please provide the actual debt outstanding by issue and/or project at March 31, 2007. Provide the annualized interest expense associated with each of these debt issues and/or projects and in total. Also provide a schedule detailing the amortization of discount, premium, discounts, and gains and losses on reacquisition.
- 1.30 Please provide the actual debt outstanding by issue and/or project at April 30, 2007. Provide the annualized interest expense associated with each of these debt issues and/or projects and in total. Also provide a schedule detailing the amortization of discount, premium, discounts, and gains and losses on reacquisition.
- 1.31 Please indicate yes or no whether the amortization of discount, premium, discounts, and gains and losses on reacquisition is included in the interest expense used by the Company to compute its TIER and DSC ratios.
- 1.32 Please provide a computation of the Company's average debt interest rate on an annualized basis at March 31, 2007. Provide the computation of this rate in sufficient detail to replicate.
- 1.33 Please provide the Company's AFUDC rate at the end of March 2007. Provide the computation of this rate in sufficient detail to replicate. Please reconcile this AFUDC rate to the annualized interest rate at March 31, 2007 provided in the preceding question.
- 1.34 Please provide a computation of the Company's average debt interest rate on an annualized basis at April 30, 2007. Provide the computation of this rate in sufficient detail to replicate.
- 1.35 Please provide the Company's AFUDC rate at the end of April 2007. Provide the computation of this rate in sufficient detail to replicate. Please reconcile this AFUDC rate to the annualized interest rate at April 30, 2007 provided in the preceding question.
- 1.36 Please provide the AFUDC rate actually used by the Company in March 2007.
- 1.37 Please provide the AFUDC rate actually used by the Company in April 2007.
- 1.38 Please refer to the Company's response to PSC 2-8 in Case No. 2006-00455. Please describe the current status of the requested RUS loan of \$481,388,000. If the loan has been approved and/or funded, please provide the associated dates. If the loan has not yet been approved and/or funded, please update the anticipated final RUS approval date, amount, and anticipated funding date. In addition, please provide a schedule showing the actual or projected (if not yet funded) use of the RUS loan proceeds to repay other debt (by issue or source such as the credit facility), add funds to the RUS cushion of credit, add to various investments, and each other application of the total loan amount.
- 1.39 Please refer to the Company's response to PSC 2-8 in Case No. 2006-00455. If the interest rate for the anticipated \$481,388,000 issue has been set by the Federal Financing Bank, please provide that rate. If it has not been set, please so state.
- 1.40 Q. Please describe the methodology used by the Company to compute AFUDC on its CWIP projects, e.g. is the rate applied to the beginning CWIP balance, the average balance during the month, the ending CWIP balance, or something else? Also address when the AFUDC rate is computed, e.g. is the rate computed at the end of the current month and applied to the balance for that month or is the rate computed at the end of the preceding month and applied to the balance for the current month?

- 1.41 Please provide the interest income and the quantification of the interest income from each source for each month during the test year and each month after the test year through the most recent month available. Provide the beginning month balance, ending month balance, average monthly balance, daily balances, average daily balances, and the various interest rates used to compute the interest income for each interest bearing investment held by the Company during each of the specified months. In other words, provide all the information necessary to replicate the Company's computations of interest income for each of the months specified.
- 1.42 Please provide the RUS cushion of credit balance sheet amount for each month during the test year and each month after the test year through the most recent month available.
- 1.43 Please provide the amount of each of the Company's investment balance sheet amounts for each type of investment for each month during the test year and each month after the test year through the most recent month available.
- 1.44 Please provide the amount of the Company's revenues each month during the test year and each month after the test year through the most recent month available separated into base rates, FAC surcharge, environmental surcharge, and each other type of specifically sourced or identifiable revenue. Please ensure that the sum of these revenues equals the amounts reported to the RUS each month.
- 1.45 Please provide a computation of base revenues for the twelve months ending March 31, 2007 reflecting an annualization due to customer sales growth over that twelve month period. Provide all assumptions, data, computations, and electronic spreadsheets with formulas intact.
- 1.46 Please provide the number of full-time and part-time employees at the end of each month during the test year, the month preceding the test year, and each month after the test year through the most recent month available.
- 1.47 Provide the actual monthly total payroll costs (all payroll costs, not just expense) for each month during the test year and each month after the test year through the most recent month available separated into regular, overtime, and incentive compensation. Further separate these amounts into expense, capital, and other (if other is clearing accounts, then further separate the clearing account amounts into expense and capital).
- 1.48 Please provide a computation of the annualized payroll costs (all payroll costs, not just expense) at March 31, 2007 separated into regular, overtime, and incentive compensation. Further separate all incentive compensation amounts into descriptive categories, such as those tied to specific plans or bonuses.
- 1.49 Provide the monthly total payroll tax costs (all payroll tax costs, not just expense) for each month during the test year and each month after the test year through the most recent month available separated into regular, overtime, and incentive compensation. Further separate these amounts into expense, capital, and other (if other is clearing accounts, then further separate the clearing account amounts into expense and capital).
- 1.50 Please provide a computation of the annualized payroll tax costs (all payroll tax costs, not just expense) at March 31, 2007 separated into regular, overtime, and incentive compensation. Further separate the payroll tax costs on all incentive compensation amounts into descriptive categories, such as those tied to specific plans or bonuses.
- 1.51 Please provide a copy of all documents, including, but not limited to, internal memoranda, e-mails, studies, reports, and all other analyses since the beginning of the test year addressing the Company's staffing levels.
- 1.52 Please refer to the Company's response to KIUC 1-6. Please confirm whether the annualized salaries of \$1,996,160 for the 30 additional (new) positions represents salaries only or a combination of salaries, benefits, and payroll taxes. In addition, please provide a detailed computation of this amount with all salaries and other costs broken out separately by new position in sufficient detail to replicate the computations and amounts.
- 1.53 Please provide a copy of all documents, including, but not limited to, internal memoranda, e-mails, studies, reports, and all other analyses prepared during the last three years addressing the Company's policy for capitalizing or expensing payroll and other costs.

- 1.54 Please provide a copy of all documents, including, but not limited to, accounting procedures, other written guidelines, and/or internal memoranda that address the Company's capitalization v. expense policies for payroll and other costs.
- 1.55 Refer to Note 1 – Summary of Significant Accounting Policies regarding Electric Plant on page 34 of the Company's 2005 Annual Report. The notation stated "during 2005, the Cooperative began capitalizing certain power delivery expansion employees' salaries and overhead; these costs were previously expensed." Please identify the change made during 2005 to capitalize the additional costs including a description of the types of labor and overheads that were capitalized due to this accounting change. In addition, please provide a copy of all documents, including, but not limited to, accounting procedures, other written guidelines, and/or internal memoranda that address the Company's capitalization policy change.
- 1.56 Refer to the previous question. Please indicate whether additional capitalization policy changes were made in 2006 or 2007 to date. If so, please provide a copy of all documents, including, but not limited to, accounting procedures, other written guidelines, and/or internal memoranda that address the Company's policy change.
- 1.57 Please indicate whether the Company capitalizes A&G payroll and other A&G overhead costs to CWIP. If so, please identify the types of A&G costs capitalized. If not, please explain why the Company does not.
- 1.58 Please refer to the Company's response to KIUC 1-20 that indicated "EKPC primarily uses contract labor for our power plant construction projects." Please indicate whether the Company capitalizes supervisory or other overhead payroll and other costs to these CWIP projects. If so, please identify the types of supervisory or other overhead costs capitalized. If not, please explain why not.
- 1.59 Refer to Exhibit F Schedule 6 page 3 of 5. Please indicate whether the September 2006 NRECA payment is the total cost or the amount expensed. Please provide the total cost and the expense component. If the total cost and the expense component are the same, please explain why.
- 1.60 Refer to Exhibit F Schedule 6 page 3 of 5. Please provide the actual NRECA payments (total and expense) for each month during the test year and each month after the test year through the most recent month available.
- 1.61 Refer to Exhibit F Schedule 6 page 3 of 5. Please indicate whether the full time salaries (regular time) for September 30, 2006 active employees is the total cost or the amount expensed. Please provide the total cost and the expense component. If the total cost and the expense component are the same, please explain why.
- 1.62 Refer to Exhibit F Schedule 6 page 4 of 5. Please indicate whether the 2007 expense projection per actuary is the total cost or the amount expensed. Please provide the total cost and the expense component. If the total cost and the expense component are the same, please explain why.
- 1.63 Refer to Exhibit F Schedule 6 page 5 of 5. Please provide a copy of the full actuarial report. Provide all assumptions, including, but not limited to, the number of employees, the payroll cost used as the starting point, the assumed escalation in payroll costs, the rate of return assumed on plan assets, and all other assumptions used in the computation of the amounts shown on this page.
- 1.64 Refer to Exhibit F Schedule 6 page 5 of 5. Provide a copy of the full actuarial report for 2006.
- 1.65 Please refer to the Company's response to KIUC 1-4, subpart 5 (Test Year: Emission, O&M, and Insurance Expenses). For each of the months listed, October 2005 through September 2006, please provide the breakdown of O&M expense by FERC account and by unit. In addition, please provide the amount in each account attributable separately to payroll, benefits, and payroll taxes designated for each unit. If no amounts for benefits and payroll taxes are included in the ECR computations, please so state.

- 1.66 Please refer to the O&M costs listed in the month of September 2006 of the Company's response to KIUC 1-4, subpart 5 (Test Year: Emission, O&M, and Insurance Expenses). Please provide an annualization of the payroll costs included in O&M as of September 30, 2006 computed in a manner similar to the Company's overall payroll annualization reflected in Exhibit F, Schedule 4. This would include the annualization of the September 30, 2006 total payroll, the additional Board approved general increase of 3% effective November 5, 2006, the payroll affect of any new hires related to the ECR revenue requirement as part of the 30 new hire positions requested by the Company, and the application of the O&M expense factor. Please be sure to separate each of these components in the computation provided.
- 1.67 Refer to Exhibit F Schedule 18 page 2 of 2. Provide the forced outage cost for each month during the test year and after the test year through the most recent month available in the same format as used on this schedule for prior years and the test year, except on a monthly basis and for the months specified in this question.
- 1.68 Please refer to the Company's response to KIUC 1-29 and Exhibit F, Schedule 20. The first paragraph in Schedule 20 describes the effects of USEPA and KYEPA Notice of Violations ("NOV") on Dale Units 1 and 2. The last sentence of that paragraph states "the impact of this has been eliminated." The last sentence in the response noted above stated "An adjustment was made in the filing to eliminate this impact." Please describe the adjustment made in the filing to "eliminate this impact" and provide the location of the adjustment in the filing. In addition, please provide all backup documentation required to replicate the computation of the adjustment, including electronic spreadsheets with all formulas intact.
- 1.69 Refer to Exhibit K page 2 of 5 and 5 of 5. Please provide an updated Exhibit K pages 2 and 5 as of March 31, 2007 using actual amounts. In addition, please separate the rate base amounts on this updated schedule between base and ECR. If all ECR amounts do not source to the amounts in the March 2007 environmental surcharge expense month, then please explain and reconcile all differences.
- 1.70 Please provide a trial balance as of September 30, 2006, December 31, 2006, March 31, 2007, and April 30, 2007.
- 1.71 Refer to Exhibit N. Please provide a copy of the FERC Form 1 for 2006.
- 1.72 Refer to Exhibit Q. Please provide a copy of the Annual Report for 2006.
- 1.73 Refer to Exhibit R. Please provide a copy of the Managerial Reports for each month after the test year through the most recent month available.
- 1.74 Please provide copies of the 2007 operating and capital budgets by business unit in electronic format with all formulas intact. This request include copies of all supporting schedules relied upon in the budget amount determinations.
- 1.75 If the Company has updated its 2007 operating and capital budgets based upon actual 2007 results to date, please provide the most updated budgets by business unit in electronic format with all formulas intact. This request include copies of all supporting schedules relied upon in the budget amount determinations.
- 1.76 Please provide an actual versus budget spending analysis by business unit for the first quarter of 2007 ended March 31, 2007. The response should include year-to-date actual, year-to-date budget, and variance columns.
- 1.77 Please provide an actual versus budget spending analysis by business unit for the first four months of 2007 ended April 30, 2007. The response should include year-to-date actual, year-to-date budget, and variance columns.
- 1.78 Please provide the amounts of notes receivable and/or investment receivable balances from subsidiaries or affiliates as of September 30, 2006, December 31, 2006 and March 31, 2007. Please list each of the balances by subsidiary or affiliate.

- 1.79 Refer to the preceding question. Please indicate whether interest income, or an offset to interest expense, was computed and credited to the Company related to these investment activities and included in the Company's books during the test year? If not, why not. If so, please provide the amounts booked to interest income or as an offset to interest expense for each month during the test year.
- 1.80 Refer to the two preceding questions. Please indicate whether interest income, or a reduction of interest expense, related to these receivables/investments was reflected in the Company's filing. If not, why not. If so, please provide all details necessary to trace their inclusion.



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
513.421.2255 Fax: 513.421.2764
E: mail: mkurtz@BKLawfirm.com

**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS INC.**

April 30, 2007