

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES	)	CASE NO.
OF EAST KENTUCKY POWER	)	2006-00472
COOPERATIVE, INC.	)	

FIRST DATA REQUEST OF COMMISSION STAFF TO  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Kentucky Industrial Utility Customers, Inc. ("KIUC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 8, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KIUC shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

KIUC fails or refuses to furnish all or part of the requested information, KIUC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Direct Testimony of Lane Kollen ("Kollen Testimony"), page 7. Provide a balance sheet and statement of operations reflecting the test year, all of Mr. Kollen's proposed adjustments, and the resulting adjusted test year.

2. Mr. Kollen has identified numerous adjustments where he has utilized account balances and other financial information as of March 31, 2007. East Kentucky Power Cooperative, Inc.'s ("EKPC") proposed test year is the 12 months ended September 30, 2006.

a. Is Mr. Kollen proposing that the Commission reject EKPC's proposed test year and adopt the 12 months ended March 31, 2007 as the appropriate test year in this case?

b. If yes to part (a) above, provide the reason(s) for his rejection of EKPC's proposed test year.

c. If yes to part (a) above, has Mr. Kollen updated all revenues, expenses, rate base, and capital items to balances as of March 31, 2007? Explain the response.

d. If Mr. Kollen is proposing to utilize the September 30, 2006 historic test year, are his proposed adjustments that use actual account balances as of March 31, 2007 consistent with the approach utilized by the Commission in previous cases for similar adjustments? Explain the response.

3. Refer to the Kollen Testimony, pages 20 through 23 and Exhibit LK-3.

a. Was Mr. Kollen aware that in previous cases, when the Commission determines the normalized interest expense, the test-year-end balance of long-term debt is multiplied by the most current interest rates in the record?

b. Explain why Mr. Kollen has chosen to normalize interest expense by updating both the long-term debt balances and the corresponding interest rates. Include in this explanation the reason(s) why the circumstances in this case warrant an approach different from the approach normally followed by the Commission.

c. Concerning the pending \$481 million loan application with the Rural Utilities Service ("RUS"), was Mr. Kollen aware that the applicable interest rate on this loan will not be determined until the first drawdown is made from that loan?

d. Given when the actual interest rate for the pending RUS loan will be determined, explain in detail how the proposed interest expense adjustment constitutes a known and measurable adjustment.

e. Concerning Exhibit LK-3, explain in detail why Mr. Kollen included the sick leave reserve in his determination of the blended long-term interest rate.

4. Refer to the Kollen Testimony, pages 24 and 25. Explain in detail why Mr. Kollen's approach of normalizing Allowance for Funds Used During Construction ("AFUDC") income by utilizing the actual AFUDC balances and corresponding interest

rates as of March 31, 2007 is more appropriate than an approach that utilizes the test-year-end balance for AFUDC and the most current corresponding interest rates.

5. Refer to the Kollen Testimony, page 32. Explain in detail why 50 percent is a reasonable amount to disallow for non-recurring legal expenses.

6. Refer to the Kollen Testimony, page 35. Explain in detail why Mr. Kollen did not recognize in some manner the costs incurred to achieve the savings from the "Early Out" retirement program.

7. Refer to the Kollen Testimony, page 40. Would Mr. Kollen agree that the most current PSC Assessment rate should be utilized when determining the revenue requirements for EKPC?

8. Refer to the Direct Testimony of Kevin C. Higgins ("Higgins Testimony"), pages 16 through 18.

a. Explain how Gallatin Steel's rates were negotiated and whether or not those rates were tied in any way to a cost-of-service study.

b. Provide a chart showing when EKPC interrupted Gallatin Steel during the test year, the amounts of load actually curtailed, and the notice time given for each interruption.

c. What was the effective firm load that Gallatin Steel actually incurred during the test year?

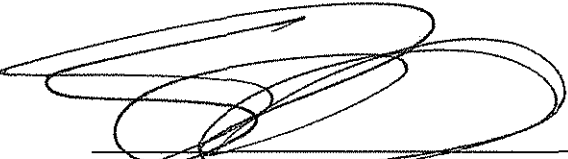
d. From a cost-of-service point of view, if a firm operating under an interruptible tariff is never interrupted during the test year, explain what would be the appropriate amount of load to include in the cost-of-service calculation using the Average and Excess Method.

9. Refer to the Higgins Testimony, Exhibits KCH-1 through KCH-4. Provide electronic copies of the exhibits in Microsoft Excel 97-2003 format, with all formulas and underlying data intact.

10. Refer to the Higgins Testimony, pages 19 and 20 and Exhibit KCH-4.

a. Explain whether or not Inland Electric, TGP, or AGC Automotive are interruptible. If any are interruptible, were adjustments similar to that made for Gallatin Steel also made for these special contract customers?

b. Provide a more detailed explanation of Mr. Higgins' recommended adjustment and a detailed chart showing how the AED\_PROD\_GS allocation factor in Line 1 of the top chart on Exhibit KCH-4 was derived.



Beth O'Donnell  
Executive Director  
Public Service Commission  
P. O. Box 615  
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DATED July 25, 2007

cc: All Parties

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