

Law Offices of
OSCAR H. GERALDS, JR.
259 West Short Street
Lexington, KY 40507

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**PUBLIC SERVICE
COMMISSION**

May 1, 2007

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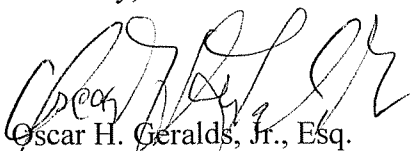
Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
P.O. Box 615, 211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: Case No. 2006-00472

Dear Ms. O'Donnell:

Please find attached for filing with the Commission in the above-referenced case an original and ten copies of the Sierra Club's First Request for Information to East Kentucky Power Cooperative. A copy of this data request has been mailed to all parties listed on the attached Certificate of Service.

Sincerely,



Oscar H. Geraldts, Jr., Esq.
259 West Short St.
Lexington, KY 40507
Ph: (859) 255-7946; Fax: (859) 233-4099
E-mail: ogeralds@lexkylaw.com

Enclosures

cc: Parties of Record

RECEIVED

MAY 01 2007

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF: GENERAL ADJUSTMENT)
OF ELECTRIC RATES OF EAST KENTUCKY) **Case No. 2006-00472**
POWER COOPERATIVE, INC.)

FIRST DATA REQUEST OF THE
CUMBERLAND CHAPTER OF THE SIERRA CLUB

Comes now the intervenor, the Cumberland Chapter of the Sierra Club (“Sierra Club”), and submits this First Request for Information to East Kentucky Power Cooperative, Inc. (“EKPC”), to be answered by the date specified in the Commission’s procedural schedule, and in accord with the following:

- (1) Please identify the witness who will be prepared to answer questions concerning each request.
- (2) These requests shall be deemed continuing so as to require further and supplemental responses if EKPC receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (3) If any request appears confusing, please request clarification directly from the Sierra Club’s Attorney of Record.
- (4) For purposes of this data request, “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.

(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 or code number thereof or other means of identifying it, and its present location and custodian.

(6) For purposes of this data request, "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, concerning 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.

(7) To the extent that the specific document, study, workpaper or information as requested does not exist, but a similar document, study, workpaper or information does exist, please provide the similar document, study, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If EKPC objects to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Sierra Club's Attorney of Record as soon as possible.

(10) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(11) In the event any document called for has been destroyed or transferred beyond the control of the company, please state the identity of the person by whom it was destroyed or transferred; the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Sierra Club's First Set of Data Requests to EKPC
Case No. 2006-00472

1. For each element within each proposed tariff contained in Revised Exhibit C, please state and describe the economic incentives that the tariff element communicates to the customer. Please include an assessment of whether the economic incentive is relatively strong or weak, and a brief explanation of why. The following two examples may make the meaning of this request more clear:

Example 1

Tariff: Wholesale Power Rate Schedule. Element: Load Center Charges – Monthly; A. Metering Point Charge. This element provides an incentive for the customer to minimize the number of metering points and substations it operates. It is a relatively weak incentive because this element represents less than 2% of a typical distribution co-op's bill.

Example 2

Tariff: Wholesale Power Rate Schedule, Section B. Element: Monthly Rate; Demand Charge per kW of Minimum Demand. This element provides an incentive for the customer to minimize its demand during the fifteen-minute period in each month when EKPC's system (coincident) peak is likely to occur. It is a relatively strong incentive because this element can represent 25% to 30% of a typical distribution co-op's bill.

(The Sierra Club recognizes that the two examples above are only for the purpose of illustrating the types of information requested, that the percentages may or may not be correct, and that EKPC may provide different responses than the language in the examples for the two elements referenced above.)

2. For each incentive or set of incentives described in the response to Request 1 above, please explain what behaviors or activities EKPC is trying or hoping to elicit from the member co-op or large industrial customer. Please explain the reasons EKPC wants to encourage each behavior or activity.

3. Referring to the wholesale power rate schedule and Exhibit I, page 5 of 7, would EKPC confirm that the total revenue collected from the metering point/substation tariff element was \$426,000 and the total revenue collected from the metering point tariff element was \$7,500? Is EKPC concerned that if these two tariff elements were eliminated, i.e., set equal to zero, there would be an unreasonable proliferation of metering points? Are there cost or operational advantages associated with having more metering points? If so, what are these advantages?

4. Would EKPC agree that the existence of the Fuel Adjustment Clause greatly reduces EKPC's incentive to minimize fuel costs during any given hour of the year, because any excess fuel costs will likely be recovered? Please explain why or why not.

5. Referring to tariff Section B, is it correct that the calculation method for the minimum demand refers to the same fifteen-minute period as the excess demand, i.e., the period that is coincident with EKPC's system peak for each month?

6. Referring to tariff Section B, does a kilowatt of excess demand cause the same increase in costs to EKPC regardless of the month in which it occurs? If not, why does EKPC charge its customers the same amount per kW of excess demand regardless of the month in which it occurs?

7. Referring to tariff Section E, why does EKPC offer two options? What behaviors or activities by member co-ops is EKPC trying to encourage by offering two options? During the test year, which member co-ops were signed up under each option? Did any member co-ops switch from one option to the other?

8. Referring to tariff Sections A, B, C, D, and E, in the past five years, how often has EKPC's actual monthly system peak occurred outside of the hours applicable for billing demand? Please list the dates of such occurrences, if any.

9. For each of the 12 months of the test year, please provide the following information. A table may be the most appropriate format.

Along the vertical axis: Cooperative name or number, special contract company name, and a line for the EKPC system total

Along the horizontal axis:

- 15-minute time period when each organization had its maximum demand (non-coincident)
- Each organization's demand (kW) during the time period specified above
- Each organization's demand (kW) during the time period when the coincident system peak occurred

10. Is it correct that some or all of EKPC's member co-ops have shifted from full-requirements contracts to contracts whereby the member may purchase up to a certain amount of electricity from sources other than EKPC? If so, when did this change occur? How much electricity may members, jointly and severally, purchase from suppliers other than EKPC? Please provide a copy of the relevant pages of the contract before and after this change.

11. Referring to Sections DSM-1, DSM-2, and DSM-3, is it correct to infer that EKPC has decided not to request cost recovery for any of its DSM programs under the provisions of Kentucky's DSM statute, KRS 278.285? If that inference is correct, please explain the reasons for this decision.

12. As do other utility companies in Kentucky, LG&E has a tariff sheet that specifies the formula that is used to calculate the costs that shall be recovered in connection with all of LG&E's DSM programs. Why does EKPC need tariff sheets describing DSM-1, DSM-2, and DSM-3 if there is no cost recovery and no line on any ultimate customer's electric

bill for a “DSM surcharge?” Why aren’t there separate tariff sheets for EKPC’s other DSM and marketing programs? Why isn’t there a separate tariff sheet for each of EKPC’s supply-side generating units, for example, Dale Unit 1 or Spurlock CFB Unit 4? Would EKPC agree that if it and/or a member co-op were to decide that a minor change in one of the DSM programs were needed, for example to change the rebate amount from \$250 to \$300 per Touchstone Energy Manufactured Home, it would be much easier to make such an adjustment if there were no tariff sheet for this program?

13. Please refer to Exhibit F, Schedule 3 related to AFUDC and to the prepared testimony of Frank J. Oliva on the same topic, Exhibit G-5. What is the meaning of the acronym, “IDC?” The proposed adjustment to AFUDC is over \$15 million per year. Is this adjustment so large because EKPC has recently significantly increased its rate of spending on the five projects listed by Mr. Oliva? Please explain the methods used to derive the numbers in the columns labeled, “Cumulative w/o AFUDC TOTALS” and “Cumulative with AFUDC TOTALS.” Please explain why the numbers in these two columns increased from 218,265,714 in September 2006 to 397,557,045 in March 2007 and from 225,381,989 in September 2006 to 412,656,953 in March 2007, respectively.

14. Does the column labeled “Smith 1 CFB” signify that EKPC has invested or committed to invest approximately \$36 million in this generating unit during the six-month period from October 2006 to March 2007? Would it be accurate to conclude that EKPC’s investment of \$6 million per month, or \$72 million per year, in the construction of Smith Unit 1 CFB is creating upward pressure on EKPC’s base rates in the amount of approximately \$3.9 million per year (calculated by multiplying \$72 million by the listed interest rate of 5.358 percent)? Please explain why or why not.

15. Please refer to the response to the PSC’s First Data Request No. 8(b) by William A. Bosta. On page 8 of 15, Mr. Bosta wrote that in light of EKPC’s difficult financial condition, “EKPC needs to implement the proposed rate increase as quickly as possible as evidenced by the request to enact the rate change for service rendered beginning April 1, 2007. In conjunction with the need for immediate rate relief, it was determined that it would not be prudent to embark on significant efforts to alter the existing rate design structure in this case.” Given that the Commission has approved an interim rate increase in the annualized amount of \$19 million, would EKPC agree that the time pressure has been somewhat relieved? Would EKPC agree that there might now be enough time in the current phase of this proceeding to consider issues of rate structure design?

16. In its public comments submitted to the Commission on July 18, 2006 in Administrative Case No. 2006-00045, the Sierra Club, Intervenor herein, made the following statements:

For reasons of economic efficiency, and in order to speed the technological development of the grid in the directions outlined in the Executive Summary of *Small Is Profitable*, quoted above, the Cumberland Chapter of the Sierra Club supports an expansion of the use of time-based metering and time-based rates. Real-time pricing

(RTP) should be made available to all large electricity customers in Kentucky, because it offers the most economically efficient way to convey price signals to customers.

The RTP program instituted by Georgia Power is an excellent model. This utility has the largest and most successful RTP program in the world, with over 1,600 participating customers and a demand response of 800 to 1,000 MW during high-price periods. More details about the program can be found in a December 2003 *Electricity Journal* article by Michael O'Sheasy titled, "Demand Response: Not Just Rhetoric, It Can Truly Be the Silver Bullet." (Sierra Club public comments, page 12)

Has EKPC ever analyzed what the effects would be if all of its member co-ops and large industrial customers were put on real-time-pricing (RTP) tariffs? If so, please provide a copy of all such studies or analyses. If not, please explain why not.

17. Would EKPC agree that the rate structure design reflected in the Wholesale Power Rate Schedule, Fuel Adjustment, and tariff Sections A, B, C, E, G, and ES provides a very powerful economic incentive for EKPC to boost its sales of electricity? Would EKPC agree that this rate structure design provides a very powerful economic disincentive for EKPC to help its member co-ops and their ultimate customers to eliminate energy waste and thereby significantly reduce the amount of energy they purchase or consume? Please provide as full and complete an explanation for your answers as possible.

18. Does EKPC believe it would be possible to develop rate structure designs that better align the economic incentives faced by EKPC, its member co-ops, and their ultimate customers, in such a way that all parties would have a strong incentive to work together to reduce energy waste? If so, what would such rate structure designs look like? Please provide as full and complete an explanation for your answers as possible.

19. Speaking hypothetically, if EKPC were to discover that the Sierra Club, Intervenor herein, would be willing to discuss issues of rate structure design and incentives for energy efficiency with EKPC staff in a constructive manner, would EKPC be amenable to scheduling such conversations to take place at a mutually convenient time?

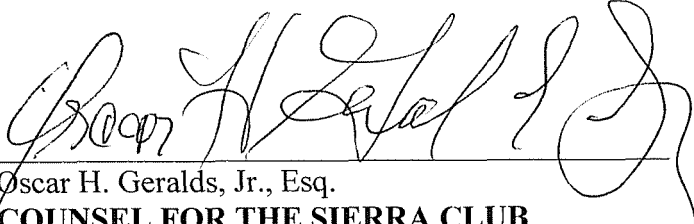
CERTIFICATE OF SERVICE

I hereby certify that an original and ten copies of the foregoing First Request for Information to East Kentucky Power Cooperative, Inc. in the above-styled case were delivered to the office of Beth A. O'Donnell, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and that copies were mailed to the following Parties of Record on this, the 1st day of May, 2007.

Hon. Dennis Howard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Hon. Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202-4434

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



Oscar H. Gerald, Jr., Esq.
COUNSEL FOR THE SIERRA CLUB

*Law Offices of
OSCAR H. GERALDS, JR.
259 West Short Street
Lexington, KY 40507*

May 1, 2007

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

Re: Case No. 2006-00472

Dear Mr. Lile:

Please find enclosed a copy of the Sierra Club's First Request for Information to East Kentucky Power Cooperative filed in the above-referenced proceeding. An original and ten copies of this data request have been delivered to the office of Beth A. O'Donnell, Executive Director, Kentucky Public Service Commission.

Sincerely,



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Ph: (859) 255-7946; Fax: (859) 233-4099
E-mail: ogeralds@lexkylaw.com

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259 West Short Street
Lexington, KY 40507*

May 1, 2007

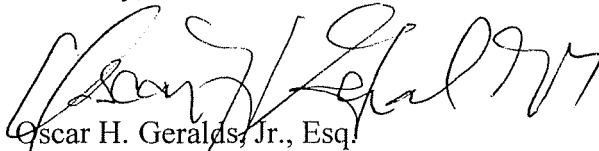
Hon. Dennis Howard
Assistant Attorney General
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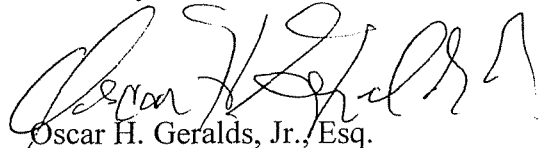
Hon. Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202-4434

Re: Case No. 2006-00472

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