



AUG 3 1 2007
PUBLIC SERVICE
COMMISSION

August 31, 2007

HAND DELIVERED

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

Re: PSC Case No. 2006-00472

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the Joint Stipulation and Recommendation, filed on behalf of East Kentucky Power Cooperative, Inc.; the Office of the Attorney General, Utility and Rate Intervention Division; and Kentucky Industrial Utility Customers, Inc.

Very truly yours,

Charles A. Lile

Senior Corporate Counsel

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Enclosures

Cc: Parties of Record

COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

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

Case No. 2006-00472

JOINT STIPULATION AND RECOMMENDATION

This Joint Stipulation and Recommendation, is submitted to the Public Service Commission (the "Commission"), by and among East Kentucky Power Cooperative, Inc., (hereinafter referred to as "EKPC"); the Kentucky Office of the Attorney General (hereinafter referred to as the "Attorney General"); and Kentucky Industrial Utility Customers, Inc. (hereinafter referred to as "KIUC"), hereinafter collectively referred to as the "Parties". The Parties hereto state to the Commission as follows:

- 1. The Parties to this Joint Stipulation and Recommendation have conducted and reviewed extensive discovery, reviewed EKPC's pre-filed direct testimony and prepared testimony submitted by intervenors in the case, participated in settlement conferences on May 29 and June 20, 2007, and engaged in additional discussions by teleconferences. The Parties have discussed and resolved the issues of the amount and timing of EKPC's general rate increase, the allocation of the increase to all wholesale rate classes, including commercial, large industrial and special contract customer classes. The Parties have not resolved the issues raised by the Cumberland Chapter of the Sierra Club in its Intervenor Testimony, which was filed with the Commission in this case on June 29, 2007, and do not submit this Joint Stipulation and Recommendation as a full settlement of the case.
- 2, It is understood by all parties hereto that this Stipulation and Recommendation is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific

theory supporting the appropriateness of any recommended adjustments to EKPC's rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Stipulation and Recommendation. All of the parties, representing diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

- 3. In addition, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. It is the position of the parties hereto that this Stipulation and Recommendation is supported by sufficient and adequate data and information, and is entitled to serious consideration by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:
 - 1. The Parties agree EKPC and its Member Systems will retain the rate increase of \$19 million granted by the Commission on an interim basis, effective on April 1, 2007, as a permanent rate increase; and that EKPC and the Member Systems will raise rates by an additional annualized amount of \$19.5 million for service rendered no earlier than November 1, 2007, and no later than January 1, 2008, for a total general rate increase of \$38.5 million. The timing of the \$19.5 million second phase rate increase will be determined by EKPC. EKPC will not implement the second phase rate increase of \$19.5 million until January 1, 2008 unless an earlier effective date is reasonably expected to be needed to meet the 2007 TIER and DSC requirements set forth in its loan agreements. The Parties agree that the rate increase agreed to by the Parties herein shall be in addition to EKPC's total base rates in effect as of the effective date.
 - 2. The Parties agree that this rate increase will be allocated to EKPC's individual customer classes on the proportion of demand-related revenues, and in accordance with the rate design methodology, reflected in Exhibit A, which is attached hereto.
 - 3. The Parties agree that this rate increase will be passed through to EKPC's Member Systems by the methodology specified by the Commission, pursuant to KRS §278.455.
 - 4. The Parties agree that this Joint Stipulation and Recommendation in no way resolves the issues raised by the Sierra Club in its Intervenor Testimony, filed in this case on June 29, 2007.
 - 5. The Parties agree that if the Commission materially alters this Joint Stipulation and Recommendation, then any Party hereto may elect to withdraw its consent and this Joint Stipulation and Recommendation

- will be null and void. Before withdrawing from the Joint Stipulation and Recommendation, the Parties agree to renegotiate in good faith to try to reach a supplemental settlement.
- 6. This Joint Stipulation and Recommendation is submitted for the review and consideration of the Commission and shall not be deemed to affect the jurisdiction of the Commission or to in any way supersede Chapter 278 of the Kentucky Revised Statutes.
- 7. The Parties agree that this Joint Stipulation and Recommendation is reasonable given EKPC's status as an electric power cooperative, owned by its members, rather than an investor-owned utility, the unique and unusual circumstances in this proceeding, and the belief based on those circumstances and the evidence that the failure to grant this amount of general increase will materially impair or damage the Company's credit or operations. Nothing in this Joint Stipulation and Recommendation shall be considered as precedent in future cases before the Commission.
- 8. Upon formal adoption and acceptance by the Commission of any of the terms of this Joint Stipulation and Recommendation as a resolution of the issues dealt with herein in regard to EKPC's proposed wholesale rate adjustment, all Parties agree that no petition for rehearing, pursuant to KRS §278.400, nor any appeal, pursuant to KRS §278.410, will be filed by any Party regarding such issues so resolved in this case.
- 9. Attached to this Stipulation and Recommendation as Exhibit B are proof-of-revenue sheets, showing that the rates set forth in Exhibit A will generate the proposed revenue increase to which the parties have agreed in Paragraph number 1 hereof.
- 10. Each party hereto waives all cross-examination of the witnesses of the other parties hereto unless such cross-examination is necessary to support the terms of this Stipulation and Recommendation, or unless the Commission disapproves this Stipulation and Recommendation, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.
- 11. This Stipulation and Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving EKPC or any other utility.
- 12. If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.
- 13. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation, or impose additional conditions or requirements upon the signatory parties, each signatory party shall have the right, within thirty (30) days of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Stipulation and Recommendation by filing a notice with the Commission. Upon rehearing, any signatory party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Stipulation and Recommendation. In such event the terms of this Stipulation and Recommendation shall not be deemed binding upon the parties hereto, nor shall such Stipulation and Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto.
- 14. All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Stipulation and Recommendation in its entirety.

WHEREFORE, The Parties hereto hereby submit this Joint Stipulation and Recommendation in this case and request that the Commission give due consideration to, and accept those recommendations in regard to the issues specified herein.

Respectfully\submitted

Dennis Howard, Esq. Acting Division Director

Lawrence W. Cook, Esq. Assistant Attorney General

OFFICE OF THE ATTORNEY GENERAL UTILITY & RATE INTERVENTION DIVISION

1024 Capital Center Drive, Suite 200 Frankfort, KY 40601-8204

hart a. Lile

Charles A. Lile, Esq.

Senior Corporate Counsel

EAST KENTUCKY POWER COOPERATIVE, INC.

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Winchester, KY 40392-0707

Michael L. Kurtz, Esq. by acc. per authorization

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BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

COUNSEL FOR KENTUCKY INDUSTRIAL

UTILITY CUSTOMERS INC.

CERTIFICATE OF SERVICE

This is to certify that an original and 10 copies of the Joint Stipulation and Recommendation among East Kentucky Power Cooperative, Inc., the Office of the Attorney General Utility and Rate Intervention Division, and Kentucky Industrial Utility Customers, Inc. in PSC Case No. 2006-00472 were delivered to the office of Elizabeth O'Donnell, Executive Director of the Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and copies were mailed to the parties listed below, this 31st day of August, 2007.

Dennis G. Howard, II, Esq. Lawrence W. Cook, Esq. Assistant Attorneys General 1024 Capital Center Drive Suite 200 Frankfort, Kentucky 40601-8204

Michael L. Kurtz, Esq. Boehm, Kurtz & Lowry 36 East Seventh Street Cincinnati, Ohio 45202

Oscar H. Geralds, Jr., Esq. 259 West Short Street Lexington, Kentucky 40507

Stephen A. Sanders, Esq. Appalachian Citizens Law Center, Inc. 207 W. Court Street, Suite 202 Prestonsburg, Kentucky 41653-7725

Charles A. Lile

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FOR SETTLEMENT PURPOSES ONLY \$38.5M INCREASE Revenue Allocation to Major Classes & Rate Design

i.	Test Year Demand Rate Revenue	\$					
	Total Test Yr Revenue	\$510,669,029					
	Load Center Rev Metering TGP All Energy \$	(\$10,219,764) (\$433,500) (\$9,663,647) (\$358,129,662)					
	Demand Rate Revenue	\$132,222,456					
,,	Desiration of Desirand Insurance		% of Demand Revenue total	Allocate to Class	Billing kW	\$/kW	Proposed Rate Increase
11.	Derivation of Propsed Increase		totai	Allocate to Class	Billing KVV	⊅/KVV	Jeroposeo Rate increase
	Proposed Revenue Increase		:	\$38,500,000			
	Demand Revenues Only Rate B	\$6,676,264					
	Rate B - Interr	\$546,551					
	Rate C	\$4,218,721					
		\$11,441,536	8 65%	3,331,500	2,138,666	\$1 558	\$1 56
	Inland Electric	\$1,755,728	1 33%	511,226	325,738		
	AGC	\$1,218,151	0 92%	354,696	226,002		
	Inland Steam	\$1,765,367	1 34%	514,032	508,649		
	Total	\$4,739,246	3 58%	1,379,954	1,060,389	\$1 301	\$1 30
	Gallatin	\$4,414,903	3 34%	1,285,514	1,942,343	\$0 662	\$0 66
	Total Spec Contracts	\$9,154,149	6 92%	2,665,468			
111	Energy Adder to "E" Rate			Ε	"E" Billing kWh	\$/kWh]
	Total Revenue Increase			38,500,000			
	B & C Special Contracts			(\$3,331,500) (\$2,665,468)			
	Special Contracts			(42,005,400)			
	Amount Remaining			\$32,503,032	9,181,636,048	\$0 003540	\$0 003540

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				PRESENT RATES	S					PROPOSED (RATES			
	Base Rate	Buy-Through Total Base	Total Base Rate	FAC	ES	Total	Base Rate	Buy-Through	Total Base Rate	FAC		Total	_	Percentage
Rate Schedule	Revenue	Revenue	Revenue	Revenues	Revenues	Revenues	Revenues	Зечелие	Revenue Revenues Reve	Revenues	sanu	Revenues	_	increase
Section E	.,	***	392,232,413	_	45,722,083	506,586,915	424.707,305		424,707,305	68,632,419	45,722,083	539,061,807	32,474,892	6.41%
Section B		5 66,451	30.108,008		3,540,517	39,844,595	32,156,871	66,451	32,223,322	6,196,072	3,540,517	41,959,911	2,115,316	5.31%
Section C			15,987,564		1,871,288	21,069,515	17,208,567		17,208,567	3,210,663	1,871,288	22,290,518	1,221,003	5.80%
inland Electric		10	7,391,355		884,906	9,922,922	7,814,815		7,814,815	1,646,661	884,906	10,346,382	423,460	4.27%
Inland Steam			8,554,161		1,019.185	11,589,500	9,215,396		9.215,396	2,016,154	1,019,185	12,250,735	661,235	5.71%
Gallatin Steel		1,289,822	32,160,594		3,763,296	43,661,592	32,152,718	1,289,822	33,442,540	7,737,702	3,763,296	44,943,538	1,281,946	2.94%
AGC Automotive			4,959,800	1,085,773	599,856	6,645,429	5,253,603		5,253,603	1,085,773	599,856	6,939,232	293,803	4.42%
Schedule A			•						•					
TGP		_	9.863,847		546,560	10,210,207	9,663,647		9,663,647		546,560	10.210,207		0.00%
EK Offices		6	314,498		35,669	411,992	342,598		342,598		35,669	440,092	28,100	6.82%
Total	500,015,765	5 1,356,273			57,983,360	649,942,667	538,515,520	1.356,273	539,871,793	90,587,269	57,983,360	688,442,422	38,499,755	5.92%
Load Center & Metenng Point	10,653,264	4	10,653,264	0	0	10,553,264	10,553,264		10,653,264	0	0	10.653,264		0.00%
Total	510,669,029	9 1,356,273	512,025,302	90,587,269	57.983.360	660,595,931	549.168.784	1,356,273	550.525.057	90.587,269	57,983,360	699,095,686	38,499,755	5.83%

			EXPC Revenu	EKPC Revenue increase by Member System Per Settlement Agreement	stem Per Settleme	ent Agreement				
Member System		Present Rates				Proposed Rates			Percentage	Amount to
	Base	FAC	ES	Total	Base	FAC	ES	Total	Increase	be Recovered
Big Sandy	\$ 11,716,472	\$ 2,013,267	\$ 1,325,333	\$ 15,055,072	\$ 12,662,407	\$ 2,013,267	\$ 1,325,333	\$ 16,001,007	6.28%	\$ 945,935
Blue Grass	\$ 52,390,639	\$ 9,151,496	\$ 5,979,254	\$ 67,521,389	\$ 56,462,964	\$ 9,151,496	\$ 5,979,254	\$ 71,593,714	6.03%	4
Clark		\$ 3,321,637		\$ 25,197,037	\$ 21,217,346	\$ 3,321,637	\$ 2,229,895	\$ 26,768,878	6.24%	\$ 1,571,841
CVECC	\$ 22,673,225	\$ 3,924,715	\$ 2,572,958	\$ 29,170,898	\$ 24,519,921	\$ 3,924,715	\$ 2,572,958	\$ 31,017,594	6.33%	\$ 1,846,696
Farmers	\$ 21,777,590	\$ 3,861,588		\$ 28,135,821	\$ 23,551,897	\$ 3,861,588	\$ 2,496,643	\$ 29,910,128	6.31%	\$ 1,774,307
F-M W/O Inland & TGP	\$ 25.936,162	\$ 4,676,923	\$ 2,965,000	\$ 33,578,085	\$ 28,003,246	\$ 4,676,923	\$ 2,965,000	\$ 35,645,169	6.16%	\$ 2,067,084
Inland Electric	\$ 7,391,355	\$ 1.646,661	\$ 884,906	\$ 9,922,922	\$ 7,814,815	\$ 1,646,661	\$ 884,906	\$ 10,346,382	4.27%	
Inland Steam		\$ 2,016,144	\$ 1,019,185	\$ 11,589,490	\$ 9,215,396	\$ 2,016,144	\$ 1,019,185	\$ 12,250,725	5.71%	\$ 661,235
TGP	\$ 5,602,582	, so	\$ 313,519	\$ 5,916,101		, so	\$ 313,519	\$. 5,916,101	%00.0	
F-M Total	\$ 47,484,260	\$ 8,339,728	\$ 5,182,610	\$ 61,006,598	\$ 50,636,039	\$ 8,339,728	\$ 5,182,610	\$ 64,158,377	5.17%	\$ 3,151,779
Grayson		\$ 2,026,114	\$ 1,346,778	\$ 15.262,980	\$ 12,832,173	\$ 2,026,114	\$ 1,346,778	\$ 16,205,065	6.17%	\$ 942,085
Inter-County	\$ 20,221,967	\$ 3,445,142	\$ 2,283,809	\$ 25,950,918	\$ 21,816,053	\$ 3,445,142	\$ 2,283,809	\$ 27,545,004	6.14%	\$ 1,594,086
Jackson	\$ 42,364,688	\$ 7,278,321	\$ 4,783,781	\$ 54,426,790	\$ 45,757,360	\$ 7,278,321	\$ 4,783,781	\$ 57,819,462	6.23%	\$ 3,392,672
Licking Valley	\$ 12,034,882	\$ 2,064,583	\$ 1,362,658	\$ 15,462,123	\$ 13,006,149	\$ 2,064,583	\$ 1,362,658	\$ 16,433,390	6.28%	
Nolin	\$ 31,936,390	\$ 5,748,666	\$ 3,675,917	\$ 41,360,973	\$ 34,393,590	\$ 5,748,666	\$ 3,675,917	\$ 43,818,173	5.94%	\$ 2,457,200
Owen (w/o Gallatin)		\$ 8,527,755		\$ 62,210,931	\$ 52,031,917	\$ 8,527,755	\$ 5,534,803	\$ 66,094,475	6.24%	\$ 3,883,544
Owen Gallatin	\$ 32,160,594	\$ 7,737,702	\$ 3,763,296	\$ 43,661,592	\$ 33,442,540	\$ 7,737,702	\$ 3,763,296	\$ 44,943,538	2.94%	\$ 1,281,946
Owen Total	\$ 80,308,967	\$16,265,457	\$ 9,298,099	\$ 105,872,523	\$ 85,474,457	\$16,265,457	\$ 9,298,099	\$111,038,013	4.88%	\$ 5,165,490
Salt River	\$ 42,526,335		\$ 4,872,801	\$ 54,765,930	\$ 45,975,054	\$ 7,366,794	\$ 4,872,801	\$ 58,214,649	6.30%	\$ 3,448,719
Shelby	\$ 18,871,430	\$ 3,414,773	\$ 2,169,423	\$ 24,455,626	\$ 20,300,776	\$ 3,414,773	\$ 2,169,423	\$ 25,884,972	5.84%	\$ 1,429,346
SKRECC	\$ 51.840,181	\$ 8,886,870	\$ 5,867,977	\$ 66,595,028	\$ 55,958,269	\$ 8,886,870	\$ 5,867,977	\$ 70,713,116	6.18%	
Taylor W/O TGP	\$ 19,967,120	\$ 3,416,292	\$ 2,274,737	\$ 25,658,209	\$ 21,556,940	\$ 3,416,292	\$ 2.274,737	\$ 27,248,029	6.20%	\$ 1,589,820
TGP	\$ 4,061,065	s	\$ 225,018	\$ 4,286,083	\$ 4,061,065	, 69	\$ 225,018	\$ 4,286,083	%00.0	, 49
Taylor Total	\$ 24,028,185	\$ 3,416,352	\$ 2,499,755	\$ 29,944,292	\$ 25,618,005	\$ 3,416,352	\$ 2,499,755	\$ 31,534,112	5.31%	\$ 1,589,820
EK Offices	\$ 314,498	\$ 61,826	\$ 35,669	\$ 411,993	\$ 342,598	\$ 61,826	\$ 35,669	\$ 440,093	6.82%	\$ 28,100
	\$ 512,025,302	\$90,587,269	\$57,983,360	\$ 660,595,991	\$ 550,525,058	\$90,587,269	\$57,983,360	\$ 699,095,747	5.83%	\$38,499,756