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**PUBLIC SERVICE
COMMISSION**

June 28, 2007

HAND DELIVERED

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

Re: PSC Case No. 2007-00165

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and five copies of the responses of East Kentucky Power Cooperative, Inc., to the Commission Staff Data Requests dated June 15, 2007.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR AN ORDER APPROVING)
A PILOT REAL-TIME PRICING PROGRAM FOR) CASE NO.
LARGE COMMERCIAL AND INDUSTRIAL) 2007-00165
CUSTOMERS)

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

William A. Bosta, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff Data Requests in the above-referenced case dated June 15, 2007, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

William A. Bosta
William A. Bosta

Subscribed and sworn before me on this 28th day of June, 2007.

Deagay S. Duffin
Notary Public

My Commission expires:

December 8, 2009

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR AN ORDER APPROVING)
A PILOT REAL-TIME PRICING PROGRAM FOR) CASE NO.
LARGE COMMERCIAL AND INDUSTRIAL) 2007-00165
CUSTOMERS)

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED JUNE 15, 2007

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2007-00165

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 06/15/07

REQUEST 1

RESPONSIBLE PERSON: William A. Bosta/Michael T. O'Sheasy

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. With reference to bill neutrality, if participation is voluntary and the intent is to modify behavior, why does EKPC believe that bill neutrality is necessary, other than to enable EKPC to recover its embedded costs? Is there a way to recover EKPC's embedded costs other than through bill neutrality?

Response 1. EKPC believes that bill neutrality is important for the reason cited in the question – that EKPC recovers its embedded cost from RTP customers. By assuring bill neutrality, non-participants are not affected by the usage changes made by RTP participants and EKPC will receive cost recovery for providing service.

As stated in Mr. O'Sheasy's testimony and in the response to AG-6, EKPC's proposed two-part RTP tariff has been used extensively throughout the industry in real-time pricing pilots and on a permanent basis. The assurance of recovery of embedded cost through current rates multiplied by the "CBL" (Customer Baseline Level), allows the utility to then offer a marginal cost based price to changes in consumption levels. Customers can then make decisions on the basis of the real-time marginal cost based price, and the utility provides the value of the customer's change in consumption from the CBL to the customer via its marginal cost of providing service.

Other forms of recovering embedded costs have been offered by other utilities in the state in response to the real-time pricing requirement. EKPC strongly believes that its proposal is preferable because it allows the customer absolute assurance that the changes they make in consumption from a fixed CBL will be priced at the RTP price. This provides the customer with a clear indication that their behavior modification will result in what they expect to happen when they make their consumption choices. This choice is offered to the RTP customer while EKPC has assurance that a satisfactory level of embedded cost is being recovered through use of a fixed CBL. This is a win-win situation for the utility and the participating RTP customer.