



EAST KENTUCKY POWER COOPERATIVE

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HAND DELIVERED

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

RE: PSC Case No. 2007-00378

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the responses of East Kentucky Power Cooperative, Inc., ("EKPC") to the Commission's Appendix B Requests, contained in the Commission's order dated September 19, 2007; and the Prepared Testimony of William A. Bosta on Behalf of EKPC in this case.

Very truly yours,

A handwritten signature in cursive script that reads "Charles A. Lile".

Charles A. Lile
Senior Corporate Counsel

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

An EXAMINATION BY THE PUBLIC SERVICE)
 COMMISSION OF THE ENVIRONMENTAL)
 SURCHARGE MECHANISM OF EAST KENTUCKY)
 POWER COOPERATIVE, INC. FOR THE)
 SIX-MONTH BILLING PERIODS ENDING) CASE NO. 2007-00378
 JUNE 30, 2006 AND DECEMBER 31, 2006, FOR)
 THE TWO-YEAR BILLING PERIOD ENDING)
 JUNE 30, 2007, AND THE PASS THROUGH)
 MECHANISM FOR ITS SIXTEEN MEMBER)
 DISTRIBUTION COOPERATIVES)

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 contained in Appendix B in the above-referenced case dated September 19, 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

Subscribed and sworn before me on this 24th day of October, 2007.

Deanna S. Griffin
Notary Public

My Commission expires: December 8, 2009

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR THE)	
SIX-MONTH BILLING PERIODS ENDING)	CASE NO.
JUNE 30, 2006 AND DECEMBER 31, 2006, FOR)	2007-00378
THE TWO-YEAR BILLING PERIOD ENDING)	
JUNE 30, 2007, AND THE PASS THROUGH)	
MECHANISM FOR ITS SIXTEEN MEMBER)	
DISTRIBUTION COOPERATIVES)	

**RESPONSES TO COMMISSION STAFF'S DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED SEPTEMBER 19, 2007**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC ADMINISTRATIVE CASE 2007-00378

PUBLIC SERVICE COMMISSION REQUEST DATED 09/19/07

East Kentucky Power Cooperative, Inc. (EKPC) hereby submits responses to the data requests contained in Appendix B to the Order of the Public Service Commission ("PSC") in this case dated September 19, 2007. Each response with its associated supportive reference materials is individually tabbed.

1 Roanoke, Virginia. I then worked in the rates and regulatory area for two AEP
2 subsidiaries, Appalachian Power Company in Roanoke, Virginia and Indiana
3 Michigan Power Company in Ft. Wayne, Indiana. In 1993, I accepted a position
4 in Regulatory Affairs at Kentucky Utilities Company in Lexington, Kentucky and
5 was subsequently promoted to Director of Regulatory Management for LG&E
6 Energy in Louisville, Kentucky following the merger of KU Energy and LG&E
7 Energy in 1998. In May 2001, I was offered an opportunity to join the EKPC
8 system as Pricing Manager and in June 2001 I assumed my current position. As
9 Pricing Manager, I am responsible for rate and regulatory matters and issues at
10 EKPC and provide support services for all sixteen cooperatives on these issues. I
11 report directly to the Vice President of Power Supply.

12 **Q.4. Have you previously testified before the Public Service Commission?**

13 A.4. Yes.

14 **Q.5. What is the purpose of your testimony?**

15 A.5. The purpose of my testimony is as follows: (1) To describe how EKPC and its
16 Member Systems have implemented the environmental surcharge in a reasonable
17 manner and in accordance with the provisions of the Commission's Order
18 approving the settlement in Case 2004-00321 and 2004-00372 as well as the
19 provisions of the Commission's Order in Case 2006-00131, the first six-month
20 review case; (2) To identify the over/under recoveries accumulated for the periods
21 under review for EKPC and each Member System and to recommend a refund or
22 amortization of the amounts accumulated in those periods; (3) Pursuant to the
23 requirements for the two-year surcharge review, to consider whether a roll-in of

1 environmental surcharge costs into base rates for EKPC and for the Member
2 Systems is appropriate at this time; and (4) To recommend the rate of return to be
3 used for surcharge purposes following the Commission's Order in this proceeding
4 and following the adjudication of EKPC's general rate case, PSC Case No. 2006-
5 00472.

6 **I. IMPLEMENTATION OF THE SURCHARGE AND ADHERENCE TO**
7 **COMMISSION ORDERS**

8 **Q.6. When did EKPC and its Member Systems implement the environmental**
9 **surcharge?**

10 A.6. EKPC filed the initial set of environmental surcharge factors on July 20, 2005,
11 using the June 2005 expense month's environmental costs. EKPC billed its
12 Member Systems in early August 2005, and retail customers were also billed by
13 the Member Systems at approximately the same time. This monthly billing
14 process has continued throughout the entire two-year review period ending with
15 the billing month of June 2007.

16 **Q.7. How was the implementation of the Environmental Surcharge conducted?**

17 A.7. The implementation of the surcharge during the two-year review period was
18 conducted and completed in a reasonable and uniform manner, consistent with the
19 procedures established in Cases 2004-00321, 2004-00372 and 2006-00131 (first
20 six-month review case). Pursuant to these orders, EKPC utilized a rate of return
21 of 5.66% in the EKPC surcharge calculation through the expense month of
22 December 2006 and then utilized a rate of return of 5.59% for the expense months
23 of January 2007 through May 2007. In addition, EKPC refunded \$438,215 in

1 each expense month of January 2007 through June 2007 pursuant to the Order in
2 the first six-month review case.

3 **Q.8. The Commission’s Orders required EKPC and its Member Systems to**
4 **incorporate certain provisions into the calculation of the monthly**
5 **environmental surcharge factors. Please comment as to how EKPC and the**
6 **Member Systems have addressed the most significant aspects of the**
7 **Commission’s Orders during the review periods.**

8 A.8. Shown below is a brief description of how EKPC directly accounted for these
9 aspects of the Commission’s Order.

10 • **Compliance Plan Projects**

11 EKPC’s Compliance Plan consists only of four authorized projects and
12 excludes the costs associated with the J.K. Smith Combustion Turbines.
13 The monthly Environmental Surcharge reports, incorporated by reference in
14 this case, show the capital costs for these projects.

15 • **Base/Current Method**

16 EKPC used the Base/Current Method for calculation of the monthly
17 environmental surcharge factor during the review periods. Use of the base
18 factor of .51 percent is shown on the response to Item 1 of the Staff First
19 Data Request.

20 • **Actual Emission Allowance Expense**

21 EKPC included only actual emission allowance expense in the monthly
22 filings.

23 • **Return on Emission Allowance Inventory**

1 EKPC has included a return on all environmental surcharge assets, including
2 allowances purchased for future vintage years. This inclusion of future
3 vintage years inventory was incorporated in the June 2006 expense month.
4 The response to Staff First Data Request, Item 5, also addresses this issue.

- 5 • **Rate of Return**

6 Beginning in the January 2007 expense month, EKPC began using a rate of
7 return of 5.59% in its monthly environmental surcharge filings. Prior to that
8 month, EKPC used a rate of 5.66% in accordance with the Commission's
9 Order in the original case. Application of the rate of return to Rate Base is
10 shown in the response to Item 1 of the Staff First Data Request.

- 11 • **Operation and Maintenance (O&M) Expenses**

12 EKPC has continued to use a 12-month rolling average for O&M expenses
13 associated with the Compliance Plan. For those instances where the change
14 in the level of O&M expense exceeds 10 percent, EKPC has provided an
15 explanation. This is shown in the response to Item 4 of the Staff First Data
16 Request.

- 17 • **Pass-through Mechanism**

18 The Environmental Surcharge factors computed for retail customers were
19 billed by Member Systems at approximately the same time as EKPC billed
20 the Member Systems. The calculation of the monthly factors for each
21 Member System was provided in the monthly reports filed with the
22 Commission.

1 EKPC and its Member Systems adhered to these and all other requirements and
2 provisions of the Commission’s Orders for the periods under review.

3 **Q.9. Were the environmental-related amounts included in the monthly surcharge**
4 **calculation based on booked costs?**

5 A.9. Yes. EKPC continues to use the amounts booked for the various cost categories
6 included in the surcharge calculation and these costs were actual costs and
7 incurred in a prudent manner.

8 **II. OVER/UNDER RECOVERY FOR PERIODS UNDER REVIEW**

9 **Q.10. Did EKPC incur any over or under recoveries during the review periods?**

10 A.10. Yes. As shown in the response to Item 1, Staff First Data Request, EKPC
11 incurred an over recovery of \$1,458,105 for the last eighteen month period of the
12 two year review period.

13 **Q.11. How does EKPC intend to refund this amount?**

14 A.11. EKPC requests approval to refund this amount over the six-month period
15 following the Commission’s Order in this proceeding. One-sixth of the amount or
16 \$243,018 will be reflected as a refund in the calculation of the wholesale
17 Environmental Surcharge Factor in each of those months. This is consistent with
18 the method approved by the Commission in the first six-month review case.

19 **Q.12. Did the Member Systems incur any over or under recoveries during the**
20 **review periods?**

21 A.12. Yes. The over or under recovery amounts are shown in the response to Item 2 of
22 the Staff First Data Request.

1 **Q.13. How will the Member Systems reflect recovery of these over or under**
2 **recovery amounts?**

3 A.13. The response to Item 2 of the Staff First Data Request shows the over or under
4 recovery amounts. As in the first review case, it is proposed that these amounts
5 be either amortized or refunded in the computation of the environmental
6 surcharge factor for each month in the six-month period following the
7 Commission's Order in this proceeding.

8 **Q.14. In the Commission's Order in the first six-month review case, it was**
9 **determined that the amortization of the under recovery for Inter-County**
10 **Energy be deferred for consideration until the next case. Was this**
11 **accomplished?**

12 A.14. Yes. The under recovery amount of \$111,933 for Inter-County Energy is for the
13 entire two-year period.

14 **Q.15. Commission Staff First Data Request, Item 12, asks for EKPC's concurrence**
15 **that a two-month true-up, similar to approaches used by other utilities in the**
16 **state, would be advisable. Do you agree?**

17 A.15. No. EKPC and its Member Systems place a significant emphasis on the need to
18 minimize the fluctuation in the surcharge factor. Movement to a two-month true-
19 up adjustment would exacerbate the factor fluctuation and have a significant
20 effect on the monthly factor. For example, as shown in the response to Staff First
21 Data Request, Item 1, EKPC experienced an under recovery of \$1,175,432 in
22 September 2006. Using a two-month true-up approach would have resulted in a
23 one-time increase of about 2.4% in that one month. This is a significant increase

1 that would be flowed through to our Members and their customers. Industrial
2 customers, in particular, are highly sensitive to these fluctuations and continually
3 cite the need for more certainty in the surcharge factor for budgeting purposes.
4 As to whether the true-up adjustment would help EKPC during periods of
5 financial difficulty, EKPC had an over recovery in eleven of the eighteen months
6 of the review periods. For the eighteen-month period, EKPC had a net over
7 recovery of some \$1.5 million. Finally, under the current method, the over
8 recovery for the first six-month period of about \$2.6 million was retained and
9 subsequently refunded to Members over a six-month period. As a result,
10 deferring the timing of the over recovery and then spreading the over recovery
11 over six months has allowed EKPC to retain this money over time. In short,
12 EKPC sees no reason to change the current method and recommends retaining
13 this approach.

14 **III. CONSIDERATION OF ROLL-IN OF ENVIRONMENTAL SURCHARGE**
15 **TO EXISTING BASE RATES**

16 **Q.16. Is EKPC proposing to roll-in any amount of environmental costs to existing**
17 **base rates?**

18 A.16. No. KRS 278.183 provides that, during the two-year reviews, the Commission
19 shall review and evaluate past operation of the surcharge and, to the extent
20 appropriate, incorporate just and reasonable surcharge amounts into existing base
21 rates. For the reasons enumerated below, EKPC does not believe it is appropriate
22 to incorporate surcharge amounts into existing base rates at this time:

- 1 • EKPC and its Member Systems have already experienced several changes in
2 base rates in 2007. First, EKPC increased base rates in April for the interim
3 increase approved in the general rate case; second, the Commission authorized
4 a FAC basing point change effective August 1; third, a number of Member
5 Systems have had their own base rate changes; and, finally, the Commission is
6 expected to issue an order in EKPC’s general rate case by no later than
7 December 5, 2007. Thus, in some cases, retail customers of our Member
8 Systems will have experienced four changes in base rates this year. Avoiding
9 a roll-in at this time would add some stability to our rates.
- 10 • EKPC’s general rate case Order is pending and the recognition of the TIER
11 level on Environmental Surcharge assets to be recognized in base rates is an
12 issue in that proceeding. Clarification on that matter will have bearing on the
13 appropriate roll-in level calculation.
- 14 • EKPC may recommend a roll-in of appropriate surcharge amounts at a later
15 date, depending upon the timing of its next base rate case and the impact of
16 pending rate case order in PSC Case No. 2006-00472.

17 **Q.17. How will the Environmental Surcharge be calculated going forward?**

18 A.17. Absent any other changes from the Commission, EKPC will continue to calculate
19 the surcharge in the manner currently prescribed by the tariff. The “base/current”
20 method will continue to be utilized for the EKPC calculation as well as for the
21 pass through mechanism. EKPC continues to believe that the framework
22 established in the original EKPC Environmental Surcharge Application and Order

1 approving settlement for the “base/current” method is appropriate at wholesale
2 and at retail.

3 **IV. RATE OF RETURN TO BE USED PROSPECTIVELY**

4 **Q.18. Have you updated the rate of return to be used for subsequent six-month**
5 **review periods?**

6 A.18. Yes. There are two aspects of the rate of return in which EKPC believes changes
7 are warranted.

8 First, the average debt cost associated with the four environmental compliance
9 projects should be updated. EKPC recommends that the Commission utilize the
10 average debt cost for these projects as of the end of the two-year review period.

11 This is consistent with the method approved in the original Application and the
12 first six-month review. This average debt cost is 4.876% and the calculation is
13 provided in the response to Item 7, Staff First Data Request.

14 Second, the Times Interest Earned Ratio (“TIER”) to be used in the computation
15 of the rate of return must be updated. In EKPC’s general rate increase

16 application, Case No. 2006-00472, EKPC requested a 1.35X TIER on all assets.

17 Mr. Daniel Walker, an expert witness for EKPC in that proceeding, provided a
18 detailed explanation in his direct testimony (Exhibit G-4, Application of East

19 Kentucky Power Cooperative, Inc. for a General Rate Increase, Case No. 2006-

20 00472) and rebuttal testimony (Rebuttal Testimony of Daniel Walker, Application

21 of East Kentucky Power Cooperative, Inc. for a General Rate Increase, Case No.

22 2006-00472) regarding why a TIER of 1.35X is absolutely necessary for EKPC.

23 For the reasons outlined in Mr. Walker’s testimony in the general rate case, EKPC

1 requests that, going forward, a 1.35X TIER is needed for environmental surcharge
2 purposes. Use of a 1.35X TIER, applied to an average debt cost of 4.876%,
3 results in the proposed rate of return for use in the surcharge prospectively of
4 6.58%. EKPC believes that the TIER used in the rate of return calculation in the
5 environmental surcharge should be consistent with the Commission's Order in the
6 pending rate case.

7 **Q.19. When do you propose to implement the new rate of return?**

8 A.19. EKPC recommends implementing the updated rate of return, for itself and its
9 Member Systems, in the first month following the Commission's Final Order in
10 this proceeding. The rate of return would be based on the average cost of debt at
11 May 2007 of 4.876% multiplied by the authorized TIER level in the 2006-00472
12 case and remain in place until the Commission issues a subsequent Order
13 authorizing a change in the rate of return for the surcharge.

14 **Q.20. Does this conclude your testimony?**

15 A.20. Yes.

16

EAST KENTUCKY POWER COOPERATIVE, INC.

**PSC CASE NO. 2007-00378
ENVIRONMENTAL SURCHARGE
APPENDIX B
DATA REQUEST RESPONSE**

COMMISSION STAFF'S DATA REQUEST DATED 9/19/07

REQUEST 1

RESPONSIBLE PARTY: William A. Bosta

For Each Of The Three Billing Periods Under Review

REQUEST 1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the applicable billing period. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for each 6-month and the 2-year review. Include all supporting calculations and documentation for the additional over- or under-recovery.

RESPONSE 1. Please see pages 2 through 4 of this response.

Derivation of (Over)/Under Recovery
for Billing Period of January 2006 - June 2007

Line	Description	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
1	E(m) = RORB + OE - BAS							
2	Rate Base	\$201,467,293	\$213,877,218	\$225,468,192	\$222,292,224	\$219,073,536	\$223,963,732	\$224,733,860
3	Rate Base / 12	\$16,788,941	\$17,823,102	\$18,789,016	\$18,524,352	\$18,256,128	\$18,663,644	\$18,727,822
4	Rate of Return	= 5.66%	5.66%	5.66%	5.66%	5.66%	5.66%	5.66%
5	Return on Rate Base (RORB)	+ \$950,254	\$1,008,788	\$1,063,458	\$1,048,478	\$1,033,297	\$1,066,362	\$1,059,995
6	Operating Expenses (OE)	+ \$2,092,733	\$3,166,597	\$3,550,487	\$3,733,817	\$3,671,803	\$4,091,274	\$4,413,859
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$3,042,987	\$4,175,385	\$4,613,945	\$4,782,295	\$4,705,100	\$5,147,636	\$5,473,854
9	Member System Allocation Ratio for the Month (Form 3.0)	98.74%	98.75%	98.74%	98.77%	98.85%	98.93%	98.99%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$3,004,645	\$4,123,192	\$4,555,810	\$4,723,473	\$4,650,991	\$5,092,557	\$5,418,568
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$3,004,645	\$4,123,192	\$4,555,810	\$4,723,473	\$4,650,991	\$5,092,557	\$5,418,568
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$48,843,728	\$48,879,782	\$49,190,166	\$49,274,342	\$49,406,204	\$49,909,772	\$50,240,968
14	CESF: E(m) / R(m); as a % of Revenue	6.15%	8.44%	9.26%	9.59%	9.41%	10.20%	10.79%
15	BESF	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
16	MESF	5.64%	7.93%	8.75%	9.08%	8.90%	9.69%	10.28%
17	Authorized Recovery Amount: Line 13 x Line 16	\$2,754,786	\$3,876,167	\$4,304,140	\$4,474,110	\$4,397,152	\$4,836,257	\$5,164,772
18	Environmental Surcharge Revenues Billed	\$6,645,500	\$3,386,525	\$4,345,255	\$4,393,841	\$3,527,736	\$3,933,880	\$4,624,694
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	n/a	(\$631,739)	(\$469,088)	(\$89,701)	\$946,374	\$463,272	\$211,563
20	Cumulative (Over)/Under (for Six-Month Period)	n/a	(\$631,739)	(\$1,100,827)	(\$1,190,529)	(\$244,154)	\$219,118	\$430,681
21	Cumulative (Over)/Under - (for 18-month Period)	n/a	(\$631,739)	(\$1,100,827)	(\$1,190,529)	(\$244,154)	\$219,118	\$430,681

East Kentucky Power Cooperative, Inc. Environmental Surcharge Report
 Calculation of Current Month Environmental Surcharge Factor (CESF)
 and (Over)/Under Recovery Calculation

Line	Description	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
1	E(m) = RORB + OE - BAS						
2	Rate Base	\$241,461,395	\$237,248,984	\$240,447,221	\$245,713,435	\$249,719,347	\$247,427,188
3	Rate Base / 12	\$20,121,783	\$19,770,749	\$20,037,268	\$20,476,120	\$20,809,946	\$20,618,932
4	Rate of Return	= 5.66%	5.66%	5.66%	5.66%	5.66%	5.66%
5	Return on Rate Base (RORB)	+ \$1,138,893	\$1,119,024	\$1,134,109	\$1,158,948	\$1,177,843	\$1,167,032
6	Operating Expenses (OE)	+ \$5,370,867	\$5,511,929	\$4,796,929	\$4,082,642	\$3,810,016	\$3,171,383
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$6,509,760	\$6,630,953	\$5,931,038	\$5,241,590	\$4,987,859	\$4,338,415
9	Member System Allocation Ratio for the Month (Form 3.0)	99.02%	99.00%	99.13%	99.07%	99.06%	99.41%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$6,778,764	\$6,564,644	\$5,879,438	\$5,192,844	\$4,940,973	\$4,312,818
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$0
12	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$6,778,764	\$6,564,644	\$5,879,438	\$5,192,844	\$4,940,973	\$4,312,818
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$50,339,256	\$50,511,519	\$49,813,879	\$49,751,990	\$49,316,808	\$48,747,953
14	CESF: E(m) / R(m); as a % of Revenue	13.47%	13.00%	11.80%	10.44%	10.02%	8.85%
15	BESF	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
16	MESF	12.96%	12.49%	11.29%	9.93%	9.51%	8.34%
17	Authorized Recovery Amount: Line 13 x Line 16	\$6,523,968	\$6,308,889	\$5,623,987	\$4,940,373	\$4,690,028	\$4,065,579
18	Environmental Surcharge Revenues Billed	\$5,326,879	\$7,021,816	\$5,133,457	\$4,903,490	\$4,340,414	\$5,222,473
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	(\$162,107)	(\$497,948)	\$1,175,432	\$720,497	\$599,959	(\$532,445)
20	Cumulative (Over)/Under (for Six-Month Period)	(\$162,107)	(\$659,956)	\$515,476	\$1,235,973	\$1,835,931	\$1,303,487
21	Cumulative (Over)/Under - (for 18-month Period)	\$268,573	(\$229,275)	\$946,157	\$1,666,654	\$2,266,612	\$1,734,168

East Kentucky Power Cooperative, Inc. Environmental Surcharge Report
 Calculation of Current Month Environmental Surcharge Factor (CESF)
 and (Over)/Under Recovery Calculation

Line	Description	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07
1	E(m) = RORB + OE - BAS								
2	Rate Base	\$245,917,021	\$242,621,278	\$239,104,365	\$236,836,385	\$236,087,817	\$234,269,714	\$231,414,182	\$227,435,137
3	Rate Base / 12	\$20,493,085	\$20,218,440	\$19,925,364	\$19,736,365	\$19,673,985	\$19,522,476	\$19,284,515	\$18,952,928
4	Rate of Return	= 5.59%	5.59%	5.59%	5.59%	5.59%	5.59%	5.59%	5.59%
5	Return on Rate Base (RORB)	+ \$1,145,563	\$1,130,211	\$1,113,828	\$1,103,263	\$1,099,776	\$1,091,306	\$1,078,004	\$1,059,469
6	Operating Expenses (OE)	+ \$4,149,128	\$4,087,640	\$4,311,306	\$3,114,090	\$4,185,809	\$4,335,773	\$4,618,430	\$4,833,111
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$5,294,691	\$5,217,851	\$5,425,134	\$4,217,353	\$5,285,585	\$5,427,079	\$5,696,434	\$5,892,580
9	Member System Allocation Ratio for the Month (Form 3.0)	99.37%	99.31%	99.10%	99.11%	99.10%	99.08%	99.09%	99.05%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$5,261,335	\$5,181,848	\$5,376,308	\$4,179,818	\$5,238,014	\$5,377,150	\$5,644,597	\$5,836,600
11	Adjustment for (Over)/Under Recovery, as applicable	(\$438,215)	(\$438,215)	(\$438,215)	(\$438,215)	(\$438,215)	(\$438,215)	\$0	\$0
12	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$4,823,120	\$4,743,633	\$4,938,093	\$3,741,603	\$4,799,799	\$4,938,935	\$5,644,597	\$5,836,600
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$48,821,756	\$49,651,179	\$50,218,717	\$51,002,409	\$52,021,546	\$52,172,474	\$52,283,314	\$52,837,138
14	CESF: E(m) / R(m); as a % of Revenue	9.88%	9.55%	9.83%	7.34%	9.23%	9.47%	10.80%	11.05%
15	BESF	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
16	MESF	9.37%	9.04%	9.32%	6.83%	8.72%	8.96%	10.29%	10.54%
17	Authorized Recovery Amount: Line 13 x Line 16	\$4,574,599	\$4,488,467	\$4,680,384	\$3,483,465	\$4,536,279	\$4,674,654	\$5,379,953	\$5,569,034
18	Environmental Surcharge Revenues Billed	\$5,083,197	\$6,069,617	\$5,159,359	\$4,502,790	\$3,858,035	\$4,348,047	\$4,768,377	\$6,266,485
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	(\$1,017,618)	(\$1,495,018)	(\$670,892)	\$177,594	(\$374,570)	\$188,232	(\$93,723)	(\$886,532)
20	Cumulative (Over)/Under (for Six-Month Period)	(\$1,017,618)	(\$2,512,636)	(\$3,183,529)	(\$3,005,934)	(\$3,380,505)	(\$3,192,273)	(\$3,192,273)	(\$3,192,273)
21	Cumulative (Over)/Under - (for 18-month Period)	\$716,550	(\$778,469)	(\$1,449,361)	(\$1,271,767)	(\$1,646,337)	(\$1,458,105)	(\$1,458,105)	(\$1,458,105)

EAST KENTUCKY POWER COOPERATIVE, INC.

**PSC CASE NO. 2007-00378
ENVIRONMENTAL SURCHARGE
APPENDIX B
DATA REQUEST RESPONSE**

COMMISSION STAFF'S DATA REQUEST DATED 9/19/07

REQUEST 2

RESPONSIBLE PARTY: William A. Bosta

REQUEST 2. For each of the 16 member distribution cooperatives, prepare a summary schedule showing the distribution cooperative's pass through revenue requirement for the months corresponding with each 6-month and the 2-year review. Include the two months subsequent to the billing period included in the applicable review period. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for each 6-month and the 2-year review. Include all supporting calculations and documentation for the additional over- or under-recovery.

RESPONSE 2. Please see pages 2 through 17 of this response.

Big Sandy RECC - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$66,313	\$61,327	\$4,986	\$4,986
Aug-05	\$66,489	\$122,193	(\$55,704)	(\$50,718)
Sep-05	\$115,649	\$131,568	(\$15,919)	(\$66,637)
Oct-05	\$98,293	\$69,456	\$28,837	(\$37,800)
Nov-05	\$115,156	\$129,300	(\$14,144)	(\$51,944)
Dec-05	\$172,077	\$99,637	\$72,440	\$20,496
Jan-06	\$80,807	\$92,687	(\$11,880)	(\$11,880)
Feb-06	\$109,032	\$107,454	\$1,578	(\$10,302)
Mar-06	\$103,636	\$105,820	(\$2,184)	(\$12,486)
Apr-06	\$78,900	\$83,656	(\$4,756)	(\$17,242)
May-06	\$83,061	\$86,809	(\$3,748)	(\$20,990)
Jun-06	\$98,468	\$90,431	\$8,037	(\$12,953)
Jul-06	\$117,195	\$115,268	\$1,927	(\$11,026)
Aug-06	\$152,882	\$152,451	\$431	(\$10,595)
Sep-06	\$104,612	\$116,557	(\$11,945)	(\$22,540)
Oct-06	\$113,656	\$113,044	\$612	(\$21,929)
Nov-06	\$104,897	\$112,409	(\$7,512)	(\$29,441)
Dec-06	\$131,561	\$122,460	\$9,101	(\$20,340)
Jan-07	\$123,816	\$115,507	\$8,309	(\$12,032)
Feb-07	\$149,911	\$172,744	(\$22,833)	(\$34,864)
Mar-07	\$118,699	\$108,117	\$10,582	(\$24,282)
Apr-07	\$101,261	\$107,767	(\$6,506)	(\$30,788)
May-07	\$81,846	\$79,093	\$2,753	(\$28,034)
Jun-07	\$94,494	\$109,112	(\$14,618)	(\$42,652)
Jul-07	\$103,861	\$109,245	(\$5,384)	
Aug-07	\$135,306	\$140,892	(\$5,586)	
Cumulative 18-month (Over)/Under Recovery				(\$42,652)
Monthly Recovery (per month for six months)				(\$7,109)

Blue Grass Energy - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$312,213	\$0	\$312,213	\$312,213
Aug-05	\$314,593	\$303,503	\$11,090	\$323,303
Sep-05	\$573,173	\$301,038	\$272,135	\$595,438
Oct-05	\$446,834	\$491,164	(\$44,330)	\$551,108
Nov-05	\$473,202	\$460,005	\$13,197	\$564,305
Dec-05	\$696,759	\$576,806	\$119,953	\$684,258
Jan-06	\$349,386	\$716,114	(\$366,728)	(\$366,728)
Feb-06	\$457,263	\$325,017	\$132,246	(\$234,482)
Mar-06	\$458,495	\$458,520	(\$25)	(\$234,507)
Apr-06	\$353,852	\$415,611	(\$61,759)	(\$296,266)
May-06	\$401,112	\$370,601	\$30,511	(\$265,756)
Jun-06	\$479,822	\$390,838	\$88,984	(\$176,771)
Jul-06	\$559,012	\$512,684	\$46,328	(\$130,443)
Aug-06	\$739,247	\$635,947	\$103,300	(\$27,143)
Sep-06	\$515,953	\$652,366	(\$136,413)	(\$163,557)
Oct-06	\$503,569	\$514,290	(\$10,721)	(\$174,278)
Nov-06	\$449,095	\$516,850	(\$67,755)	(\$242,033)
Dec-06	\$547,179	\$568,359	(\$21,180)	(\$263,213)
Jan-07	\$534,757	\$490,544	\$44,213	(\$219,000)
Feb-07	\$656,909	\$558,766	\$98,143	(\$120,858)
Mar-07	\$531,433	\$684,148	(\$152,715)	(\$273,572)
Apr-07	\$463,512	\$576,206	(\$112,694)	(\$386,266)
May-07	\$405,726	\$578,203	(\$172,477)	(\$558,743)
Jun-07	\$452,467	\$481,862	(\$29,395)	(\$588,138)
Jul-07	\$504,655	\$744,545	(\$239,890)	
Aug-07	\$671,880	\$739,199	(\$67,319)	
Cumulative 18-month (Over)/Under Recovery				(\$588,138)
Monthly Recovery (per month for six months)				(\$98,023)

Clark Energy Cooperative - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Members Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$117,518	\$111,816	\$5,702	\$5,702
Sep-05	\$116,870	\$110,275	\$6,595	\$12,297
Oct-05	\$208,093	\$181,429	\$26,664	\$38,961
Nov-05	\$166,356	\$169,895	(\$3,539)	\$35,422
Dec-05	\$182,500	\$220,791	(\$38,291)	(\$2,870)
Jan-06	\$272,496	\$269,918	\$2,578	\$2,578
Feb-06	\$130,943	\$119,833	\$11,110	\$13,688
Mar-06	\$174,609	\$173,722	\$887	\$14,575
Apr-06	\$169,726	\$162,706	\$7,020	\$21,595
May-06	\$129,647	\$135,945	(\$6,298)	\$15,297
Jun-06	\$143,160	\$142,241	\$919	\$16,216
Jul-06	\$173,691	\$179,427	(\$5,736)	\$10,480
Aug-06	\$208,166	\$225,784	(\$17,618)	(\$7,139)
Sep-06	\$272,850	\$234,065	\$38,785	\$31,647
Oct-06	\$186,882	\$192,511	(\$5,629)	\$26,018
Nov-06	\$186,579	\$201,261	(\$14,682)	\$11,336
Dec-06	\$169,606	\$199,627	(\$30,021)	(\$18,686)
Jan-07	\$207,827	\$186,836	\$20,991	\$2,305
Feb-07	\$202,954	\$208,337	(\$5,383)	(\$3,078)
Mar-07	\$254,390	\$219,995	\$34,395	\$31,318
Apr-07	\$198,339	\$174,799	\$23,540	\$54,858
May-07	\$174,513	\$168,847	\$5,666	\$60,524
Jun-07	\$143,537	\$132,505	\$11,032	\$71,556
Jul-07	\$164,063	\$213,173	(\$49,110)	
Aug-07	\$183,392	\$195,346	(\$11,954)	
Cumulative 18-month (Over)/Under Recovery				\$71,556
Monthly Recovery (per month for six months)				\$11,926

Cumberland Valley Electric - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$125,262	\$0	\$125,262	\$125,262
Aug-05	\$128,923	\$133,996	(\$5,073)	\$120,189
Sep-05	\$234,864	\$111,885	\$122,979	\$243,168
Oct-05	\$200,028	\$202,317	(\$2,289)	\$240,879
Nov-05	\$215,937	\$238,886	(\$22,949)	\$217,930
Dec-05	\$309,813	\$274,567	\$35,246	\$253,176
Jan-06	\$156,592	\$261,402	(\$104,810)	(\$104,810)
Feb-06	\$198,989	\$164,170	\$34,819	(\$69,991)
Mar-06	\$196,565	\$204,103	(\$7,538)	(\$77,529)
Apr-06	\$158,789	\$155,683	\$3,106	(\$74,423)
May-06	\$168,930	\$166,893	\$2,037	(\$72,386)
Jun-06	\$199,066	\$194,435	\$4,631	(\$67,755)
Jul-06	\$225,203	\$207,524	\$17,679	(\$50,076)
Aug-06	\$302,145	\$261,878	\$40,267	(\$9,809)
Sep-06	\$219,130	\$241,252	(\$22,122)	(\$31,931)
Oct-06	\$231,648	\$257,883	(\$26,235)	(\$58,165)
Nov-06	\$203,947	\$264,409	(\$60,462)	(\$118,628)
Dec-06	\$242,335	\$238,891	\$3,444	(\$115,184)
Jan-07	\$233,963	\$252,033	(\$18,070)	(\$133,254)
Feb-07	\$268,372	\$248,074	\$20,298	(\$112,956)
Mar-07	\$229,149	\$255,813	(\$26,664)	(\$139,621)
Apr-07	\$198,609	\$259,436	(\$60,827)	(\$200,448)
May-07	\$162,898	\$232,616	(\$69,718)	(\$270,166)
Jun-07	\$179,000	\$211,977	(\$32,977)	(\$303,143)
Jul-07	\$197,856	\$232,657	(\$34,801)	
Aug-07	\$270,580	\$326,538	(\$55,958)	
Cumulative 18-month (Over)/Under Recovery				(\$303,143)
Monthly Recovery (per month for six months)				(\$50,524)

Farmers RECC - Environmental Surcharge: Two Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$135,106	\$128,367	\$6,739	\$6,739
Sep-05	\$136,955	\$135,800	\$1,155	\$7,894
Oct-05	\$250,315	\$248,720	\$1,595	\$9,489
Nov-05	\$192,219	\$196,511	(\$4,292)	\$5,197
Dec-05	\$196,380	\$212,651	(\$16,271)	(\$11,074)
Jan-06	\$273,746	\$263,700	\$10,046	\$10,046
Feb-06	\$143,704	\$141,382	\$2,322	\$12,368
Mar-06	\$182,926	\$195,805	(\$12,879)	(\$511)
Apr-06	\$184,352	\$181,491	\$2,861	\$2,351
May-06	\$149,769	\$155,206	(\$5,437)	(\$3,087)
Jun-06	\$167,442	\$167,265	\$177	(\$2,910)
Jul-06	\$205,142	\$204,238	\$904	(\$2,005)
Aug-06	\$235,860	\$233,744	\$2,116	\$111
Sep-06	\$315,141	\$304,076	\$11,065	\$11,176
Oct-06	\$228,836	\$242,014	(\$13,178)	(\$2,002)
Nov-06	\$219,460	\$216,769	\$2,691	\$689
Dec-06	\$188,330	\$197,549	(\$9,219)	(\$8,530)
Jan-07	\$217,874	\$210,858	\$7,016	(\$1,515)
Feb-07	\$217,515	\$213,798	\$3,717	\$2,202
Mar-07	\$253,785	\$236,230	\$17,555	\$19,756
Apr-07	\$209,949	\$210,093	(\$144)	\$19,613
May-07	\$186,281	\$185,514	\$767	\$20,380
Jun-07	\$165,487	\$163,464	\$2,023	\$22,403
Jul-07	\$196,492	\$194,350	\$2,142	
Aug-07	\$214,966	\$230,389	(\$15,423)	
Cumulative 18-month (Over)/Under Recovery				\$22,403
Monthly Recovery (per month for six months)				\$3,734

Fleming-Mason - Environmental Surcharge: Two Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$240,575	\$80,669	\$159,906	\$159,906
Aug-05	\$237,991	\$196,333	\$41,658	\$201,564
Sep-05	\$489,381	\$343,583	\$145,798	\$347,362
Oct-05	\$433,472	\$467,317	(\$33,845)	\$313,517
Nov-05	\$444,277	\$469,557	(\$25,280)	\$288,237
Dec-05	\$566,686	\$538,835	\$27,851	\$316,088
Jan-06	\$305,769	\$448,799	(\$143,030)	(\$143,030)
Feb-06	\$364,514	\$318,259	\$46,255	(\$96,775)
Mar-06	\$403,984	\$385,948	\$18,036	(\$78,739)
Apr-06	\$348,771	\$356,599	(\$7,828)	(\$86,566)
May-06	\$377,406	\$368,468	\$8,938	(\$77,629)
Jun-06	\$401,585	\$362,373	\$39,212	(\$38,417)
Jul-06	\$446,909	\$451,177	(\$4,268)	(\$42,685)
Aug-06	\$565,188	\$486,563	\$78,625	\$35,940
Sep-06	\$480,196	\$463,540	\$16,656	\$52,595
Oct-06	\$457,051	\$470,247	(\$13,196)	\$39,400
Nov-06	\$386,716	\$468,181	(\$81,465)	(\$42,066)
Dec-06	\$435,499	\$406,070	\$29,429	(\$12,637)
Jan-07	\$416,477	\$421,029	(\$4,552)	(\$17,189)
Feb-07	\$477,718	\$451,447	\$26,271	\$9,082
Mar-07	\$487,314	\$500,051	(\$12,737)	(\$3,655)
Apr-07	\$418,548	\$512,450	(\$93,902)	(\$97,557)
May-07	\$362,816	\$437,669	(\$74,853)	(\$172,411)
Jun-07	\$386,332	\$426,677	(\$40,345)	(\$212,756)
Jul-07	\$413,831	\$498,224	(\$84,393)	
Aug-07	\$478,043	\$476,099	\$1,944	
Cumulative 18-month (Over)/Under Recovery				(\$212,756)
Monthly Recovery (per month for six months)				(\$35,459)

Grayson RECC - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$70,327	\$70,003	\$324	\$324
Aug-05	\$69,221	\$59,554	\$9,667	\$9,991
Sep-05	\$121,184	\$106,890	\$14,294	\$24,285
Oct-05	\$104,728	\$116,720	(\$11,992)	\$12,293
Nov-05	\$116,369	\$134,445	(\$18,076)	(\$5,783)
Dec-05	\$167,184	\$149,306	\$17,878	\$12,095
Jan-06	\$79,183	\$84,739	(\$5,556)	(\$5,556)
Feb-06	\$106,833	\$88,650	\$18,183	\$12,627
Mar-06	\$105,895	\$95,092	\$10,803	\$23,430
Apr-06	\$79,830	\$78,856	\$974	\$24,404
May-06	\$85,470	\$88,590	(\$3,120)	\$21,284
Jun-06	\$101,563	\$111,432	(\$9,869)	\$11,415
Jul-06	\$120,928	\$126,474	(\$5,546)	\$5,869
Aug-06	\$158,209	\$128,850	\$29,359	\$35,228
Sep-06	\$109,675	\$118,969	(\$9,294)	\$25,934
Oct-06	\$114,803	\$127,157	(\$12,354)	\$13,580
Nov-06	\$104,954	\$121,934	(\$16,980)	(\$3,400)
Dec-06	\$127,344	\$124,170	\$3,174	(\$226)
Jan-07	\$120,760	\$146,456	(\$25,696)	(\$25,922)
Feb-07	\$154,278	\$118,081	\$36,197	\$10,275
Mar-07	\$121,164	\$115,049	\$6,115	\$16,390
Apr-07	\$104,527	\$88,619	\$15,908	\$32,298
May-07	\$85,053	\$91,165	(\$6,112)	\$26,186
Jun-07	\$95,012	\$102,022	(\$7,010)	\$19,176
Jul-07	\$105,636	\$114,627	(\$8,991)	
Aug-07	\$139,162	\$117,731	\$21,431	
Cumulative 18-month (Over)/Under Recovery				\$19,176
Monthly Recovery (per month for six months)				\$3,196

Inter-County ECC - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$114,464	\$0	\$114,464	\$114,464
Aug-05	\$115,580	\$109,507	\$6,073	\$120,537
Sep-05	\$205,590	\$101,071	\$104,519	\$225,057
Oct-05	\$168,302	\$178,216	(\$9,914)	\$215,143
Nov-05	\$187,163	\$190,592	(\$3,429)	\$211,714
Dec-05	\$289,306	\$250,028	\$39,278	\$250,992 *
Jan-06	\$0	\$237,477	(\$237,477)	\$13,515
Feb-06	\$140,620	\$136,249	\$4,371	\$17,886
Mar-06	\$189,017	\$160,624	\$28,393	\$46,279
Apr-06	\$178,686	\$147,641	\$31,045	\$77,324
May-06	\$129,857	\$132,737	(\$2,880)	\$74,444
Jun-06	\$144,285	\$153,641	(\$9,356)	\$65,089
Jul-06	\$174,615	\$192,684	(\$18,069)	\$47,019
Aug-06	\$208,366	\$213,784	(\$5,418)	\$41,601
Sep-06	\$270,735	\$212,418	\$58,317	\$99,918
Oct-06	\$183,532	\$196,190	(\$12,658)	\$87,260
Nov-06	\$193,523	\$219,062	(\$25,539)	\$61,721
Dec-06	\$178,607	\$209,334	(\$30,727)	\$30,994
Jan-07	\$223,796	\$210,138	\$13,658	\$44,653
Feb-07	\$220,780	\$243,061	(\$22,281)	\$22,372
Mar-07	\$271,696	\$210,244	\$61,452	\$83,824
Apr-07	\$198,778	\$183,187	\$15,591	\$99,415
May-07	\$180,576	\$152,359	\$28,217	\$127,631
Jun-07	\$139,037	\$154,736	(\$15,699)	\$111,933
Jul-07	\$163,458	\$208,203	(\$44,745)	
Aug-07	\$182,300	\$242,413	(\$60,113)	
Cumulative 18-month (Over)/Under Recovery				\$111,933
Monthly Recovery (per month for six months)				\$18,655

*The \$250,992 cumulative under recovery was deferred due to a change in accounting methodology in January 2006 and subsequently approved by the Commission in Case No. 2006-00131. It is therefore included in this two-year review's (over)/under recovery.

Jackson Energy Cooperative - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$237,363	\$264,728	(\$27,365)	(\$27,365)
Aug-05	\$239,814	\$213,945	\$25,869	(\$1,496)
Sep-05	\$432,979	\$368,529	\$64,450	\$62,954
Oct-05	\$367,746	\$332,546	\$35,200	\$98,154
Nov-05	\$406,980	\$495,301	(\$88,321)	\$9,833
Dec-05	\$607,821	\$624,164	(\$16,343)	(\$6,510)
Jan-06	\$298,516	\$255,513	\$43,003	\$43,003
Feb-06	\$390,130	\$353,332	\$36,798	\$79,801
Mar-06	\$374,823	\$369,616	\$5,207	\$85,008
Apr-06	\$283,317	\$305,078	(\$21,761)	\$63,247
May-06	\$302,888	\$301,146	\$1,742	\$64,989
Jun-06	\$359,680	\$393,472	(\$33,792)	\$31,197
Jul-06	\$418,871	\$462,887	(\$44,016)	(\$12,819)
Aug-06	\$549,793	\$507,771	\$42,022	\$29,203
Sep-06	\$385,404	\$392,812	(\$7,408)	\$21,795
Oct-06	\$410,060	\$412,679	(\$2,619)	\$19,176
Nov-06	\$378,814	\$470,350	(\$91,536)	(\$72,360)
Dec-06	\$466,222	\$449,848	\$16,374	(\$55,986)
Jan-07	\$451,675	\$415,832	\$35,843	(\$20,143)
Feb-07	\$531,087	\$452,532	\$78,555	\$58,412
Mar-07	\$426,794	\$357,205	\$69,589	\$128,001
Apr-07	\$377,553	\$327,909	\$49,644	\$177,645
May-07	\$290,401	\$295,378	(\$4,977)	\$172,668
Jun-07	\$328,829	\$392,133	(\$63,304)	\$109,364
Jul-07	\$365,231	\$443,881	(\$78,650)	
Aug-07	\$492,001	\$522,761	(\$30,760)	
Cumulative 18-month (Over)/Under Recovery				\$109,364
Monthly Recovery (per month for six months)				\$18,227

Licking Valley RECC - Environmental Surcharge: Two Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$69,818	\$38,553	\$31,265	\$31,265
Aug-05	\$70,153	\$70,792	(\$639)	\$30,626
Sep-05	\$122,637	\$121,562	\$1,075	\$31,701
Oct-05	\$104,567	\$99,778	\$4,789	\$36,490
Nov-05	\$117,226	\$108,920	\$8,306	\$44,796
Dec-05	\$171,540	\$171,810	(\$270)	\$44,526
Jan-06	\$82,337	\$78,323	\$4,014	\$4,014
Feb-06	\$109,780	\$121,276	(\$11,496)	(\$7,482)
Mar-06	\$105,570	\$102,985	\$2,585	(\$4,897)
Apr-06	\$81,819	\$116,277	(\$34,458)	(\$39,355)
May-06	\$86,375	\$109,031	(\$22,656)	(\$62,011)
Jun-06	\$101,759	\$135,650	(\$33,891)	(\$95,902)
Jul-06	\$121,546	\$122,104	(\$558)	(\$96,460)
Aug-06	\$158,637	\$115,985	\$42,652	(\$53,808)
Sep-06	\$109,972	\$112,497	(\$2,525)	(\$56,333)
Oct-06	\$118,803	\$123,377	(\$4,574)	(\$60,907)
Nov-06	\$108,148	\$130,573	(\$22,425)	(\$83,332)
Dec-06	\$132,147	\$113,191	\$18,956	(\$64,376)
Jan-07	\$123,850	\$125,825	(\$1,975)	(\$66,351)
Feb-07	\$153,490	\$120,034	\$33,456	(\$32,895)
Mar-07	\$121,082	\$100,141	\$20,941	(\$11,954)
Apr-07	\$107,214	\$95,314	\$11,900	(\$54)
May-07	\$84,691	\$83,952	\$739	\$685
Jun-07	\$96,569	\$133,512	(\$36,943)	(\$36,258)
Jul-07	\$107,549	\$130,668	(\$23,119)	
Aug-07	\$141,060	\$121,941	\$19,119	
Cumulative 18-month (Over)/Under Recovery				(\$36,258)
Monthly Recovery (per month for six months)				(\$6,043)

Nolin RECC - Environmental Surcharge: Two Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$187,958	\$0	\$187,958	\$187,958
Aug-05	\$194,729	\$175,795	\$18,934	\$206,892
Sep-05	\$360,933	\$173,973	\$186,960	\$393,852
Oct-05	\$280,119	\$333,896	(\$53,777)	\$340,075
Nov-05	\$287,688	\$304,560	(\$16,872)	\$323,203
Dec-05	\$413,279	\$328,647	\$84,632	\$407,835
Jan-06	\$210,511	\$423,673	(\$213,162)	(\$213,162)
Feb-06	\$274,075	\$191,696	\$82,379	(\$130,783)
Mar-06	\$277,698	\$265,211	\$12,487	(\$118,296)
Apr-06	\$222,807	\$198,807	\$24,000	(\$94,296)
May-06	\$246,591	\$242,886	\$3,705	(\$90,591)
Jun-06	\$289,266	\$309,032	(\$19,766)	(\$110,357)
Jul-06	\$344,937	\$374,368	(\$29,431)	(\$139,788)
Aug-06	\$460,658	\$425,805	\$34,853	(\$104,935)
Sep-06	\$337,184	\$330,273	\$6,911	(\$98,024)
Oct-06	\$320,102	\$333,363	(\$13,261)	(\$111,284)
Nov-06	\$280,134	\$338,222	(\$58,088)	(\$169,372)
Dec-06	\$339,692	\$299,423	\$40,269	(\$129,103)
Jan-07	\$327,148	\$317,572	\$9,576	(\$119,527)
Feb-07	\$392,312	\$461,044	(\$68,732)	(\$188,259)
Mar-07	\$329,005	\$370,069	(\$41,064)	(\$229,323)
Apr-07	\$291,343	\$374,053	(\$82,710)	(\$312,033)
May-07	\$255,571	\$306,453	(\$50,882)	(\$362,914)
Jun-07	\$287,372	\$413,661	(\$126,289)	(\$489,204)
Jul-07	\$314,413	\$387,751	(\$73,338)	
Aug-07	\$417,396	\$415,495	\$1,901	
Cumulative 18-month (Over)/Under Recovery				(\$489,204)
Monthly Recovery (per month for six months)				(\$81,534)

Owen Electric Cooperative - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$463,841	\$338,824	\$125,017	\$125,017
Sep-05	\$519,907	\$896,815	(\$376,908)	(\$251,891)
Oct-05	\$878,054	\$853,136	\$24,918	(\$226,973)
Nov-05	\$740,887	\$760,295	(\$19,408)	(\$246,381)
Dec-05	\$716,903	\$851,816	(\$134,913)	(\$381,294)
Jan-06	\$909,768	\$889,748	\$20,020	\$20,020
Feb-06	\$512,170	\$500,486	\$11,684	\$31,704
Mar-06	\$619,113	\$656,731	(\$37,618)	(\$5,914)
Apr-06	\$689,612	\$636,800	\$52,812	\$46,899
May-06	\$603,675	\$576,907	\$26,768	\$73,666
Jun-06	\$697,898	\$689,102	\$8,796	\$82,463
Jul-06	\$786,402	\$847,887	(\$61,485)	\$20,977
Aug-06	\$863,435	\$1,000,296	(\$136,861)	(\$115,884)
Sep-06	\$1,162,044	\$1,004,952	\$157,092	\$41,208
Oct-06	\$931,341	\$708,028	\$223,313	\$264,521
Nov-06	\$732,757	\$735,047	(\$2,290)	\$262,230
Dec-06	\$622,058	\$733,979	(\$111,921)	\$150,309
Jan-07	\$737,141	\$728,782	\$8,359	\$158,668
Feb-07	\$729,719	\$765,460	(\$35,741)	\$122,927
Mar-07	\$852,161	\$740,045	\$112,116	\$235,043
Apr-07	\$841,199	\$629,280	\$211,919	\$446,962
May-07	\$697,252	\$636,286	\$60,966	\$507,928
Jun-07	\$643,785	\$560,703	\$83,082	\$591,010
Jul-07	\$714,005	\$776,702	(\$62,697)	
Aug-07	\$756,468	\$769,665	(\$13,197)	
Cumulative 18-month (Over)/Under Recovery				\$591,010
Monthly Recovery (per month for six months)				\$98,502

Salt River RECC - Environmental Surcharge: Two Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under*	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$265,360	\$0		
Aug-05	\$267,988	\$242,692	\$22,668	\$22,668
Sep-05	\$487,468	\$221,496	\$46,492	\$69,160
Oct-05	\$350,697	\$374,010	\$113,458	\$182,618
Nov-05	\$364,217	\$425,078	(\$74,381)	\$108,237
Dec-05	\$535,856	\$515,087	(\$150,870)	(\$42,633)
Jan-06	\$266,329	\$501,850	\$34,006	\$34,006
Feb-06	\$344,998	\$231,008	\$35,321	\$69,327
Mar-06	\$347,193	\$345,384	(\$386)	\$68,941
Apr-06	\$279,442	\$308,766	\$38,427	\$107,368
May-06	\$334,546	\$313,349	(\$33,907)	\$73,461
Jun-06	\$410,038	\$386,527	(\$51,981)	\$21,480
Jul-06	\$495,700	\$487,970	(\$77,932)	(\$56,452)
Aug-06	\$656,579	\$480,408	\$15,292	(\$41,160)
Sep-06	\$443,409	\$483,608	\$172,971	\$131,811
Oct-06	\$401,423	\$448,155	(\$4,746)	\$127,066
Nov-06	\$357,052	\$461,790	(\$60,367)	\$66,699
Dec-06	\$435,010	\$457,328	(\$100,276)	(\$33,577)
Jan-07	\$415,949	\$430,912	\$4,098	(\$29,479)
Feb-07	\$506,075	\$419,734	(\$3,785)	(\$33,264)
Mar-07	\$421,425	\$363,489	\$142,586	\$109,322
Apr-07	\$370,851	\$340,223	\$81,202	\$190,524
May-07	\$348,613	\$431,204	(\$60,353)	\$130,172
Jun-07	\$404,083	\$349,006	(\$393)	\$129,779
Jul-07	\$448,181	\$528,724	(\$124,641)	
Aug-07	\$600,858	\$522,233	(\$74,052)	
Cumulative 18-month (Over)/Under Recovery				\$129,779
Monthly Recovery (per month for six months)				\$21,630

*Based on comparison of prior month expense and billed revenue for the current month.

Shelby Energy Cooperative - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$112,004	\$41,791	\$70,213	\$70,213
Aug-05	\$106,320	\$104,237	\$2,083	\$72,296
Sep-05	\$225,998	\$145,055	\$80,943	\$153,239
Oct-05	\$168,617	\$167,651	\$966	\$154,205
Nov-05	\$171,670	\$166,701	\$4,969	\$159,174
Dec-05	\$237,113	\$262,121	(\$25,008)	\$134,166
Jan-06	\$122,157	\$182,454	(\$60,297)	(\$60,297)
Feb-06	\$153,977	\$120,080	\$33,897	(\$26,400)
Mar-06	\$163,936	\$164,076	(\$140)	(\$26,540)
Apr-06	\$134,262	\$153,315	(\$19,053)	(\$45,593)
May-06	\$152,929	\$144,274	\$8,655	(\$36,938)
Jun-06	\$181,425	\$162,695	\$18,730	(\$18,208)
Jul-06	\$201,761	\$197,457	\$4,304	(\$13,904)
Aug-06	\$269,005	\$241,516	\$27,489	\$13,585
Sep-06	\$194,214	\$207,259	(\$13,045)	\$540
Oct-06	\$184,863	\$176,943	\$7,920	\$8,460
Nov-06	\$159,426	\$187,661	(\$28,235)	(\$19,775)
Dec-06	\$184,976	\$219,266	(\$34,290)	(\$54,065)
Jan-07	\$178,792	\$169,472	\$9,320	(\$44,745)
Feb-07	\$219,964	\$207,511	\$12,453	(\$32,292)
Mar-07	\$192,710	\$190,717	\$1,993	(\$30,299)
Apr-07	\$170,052	\$184,044	(\$13,992)	(\$44,291)
May-07	\$150,078	\$166,751	(\$16,673)	(\$60,964)
Jun-07	\$168,887	\$192,993	(\$24,106)	(\$85,070)
Jul-07	\$181,837	\$240,389	(\$58,552)	
Aug-07	\$239,409	\$224,998	\$14,411	
Cumulative 18-month (Over)/Under Recovery				(\$85,070)
Monthly Recovery (per month for six months)				(\$14,178)

South Kentucky RECC - Environmental Surcharge: Two Year Review

	EKPC Invoice Month recorded on EKPC's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under*	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$294,640	\$0		
Aug-05	\$296,332	\$273,747	\$20,893	\$20,893
Sep-05	\$542,108	\$289,051	\$7,281	\$28,174
Oct-05	\$446,744	\$465,452	\$76,656	\$104,830
Nov-05	\$481,202	\$473,412	(\$26,668)	\$78,162
Dec-05	\$728,730	\$583,016	(\$101,814)	(\$23,652)
Jan-06	\$357,162	\$726,083	\$2,647	\$2,647
Feb-06	\$474,657	\$325,045	\$32,117	\$34,764
Mar-06	\$448,494	\$449,967	\$24,690	\$59,454
Apr-06	\$346,488	\$447,678	\$816	\$60,270
May-06	\$378,015	\$336,947	\$9,541	\$69,811
Jun-06	\$456,980	\$401,688	(\$23,673)	\$46,138
Jul-06	\$526,569	\$516,626	(\$59,646)	(\$13,508)
Aug-06	\$686,000	\$541,117	(\$14,548)	(\$28,056)
Sep-06	\$487,283	\$627,754	\$58,246	\$30,191
Oct-06	\$504,236	\$512,758	(\$25,475)	\$4,715
Nov-06	\$458,683	\$561,040	(\$56,804)	(\$52,089)
Dec-06	\$555,586	\$585,499	(\$126,816)	(\$178,905)
Jan-07	\$550,835	\$512,413	\$43,173	(\$135,732)
Feb-07	\$650,579	\$589,467	(\$38,632)	(\$174,364)
Mar-07	\$512,454	\$571,366	\$79,213	(\$95,152)
Apr-07	\$457,478	\$455,174	\$57,280	(\$37,871)
May-07	\$368,519	\$472,784	(\$15,306)	(\$53,177)
Jun-07	\$422,647	\$365,932	\$2,587	(\$50,590)
Jul-07	\$471,282	\$567,708	(\$145,061)	
Aug-07	\$625,677	\$507,462	(\$36,180)	
Cumulative 18-month (Over)/Under Recovery				(\$50,590)
Monthly Recovery (per month for six months)				(\$8,432)

*Based on comparison of prior month expense and billed revenue for the current month.

Taylor County RECC - Environmental Surcharge: Two-Year Review

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-05	\$0	\$0	\$0	\$0
Aug-05	\$124,286	\$113,068	\$11,218	\$11,218
Sep-05	\$131,669	\$129,883	\$1,786	\$13,004
Oct-05	\$240,714	\$251,211	(\$10,497)	\$2,507
Nov-05	\$187,686	\$207,658	(\$19,972)	(\$17,465)
Dec-05	\$198,024	\$191,971	\$6,053	(\$11,412)
Jan-06	\$293,326	\$282,218	\$11,108	\$11,108
Feb-06	\$151,391	\$148,262	\$3,129	\$14,237
Mar-06	\$196,567	\$216,309	(\$19,742)	(\$5,505)
Apr-06	\$185,176	\$187,352	(\$2,176)	(\$7,681)
May-06	\$146,511	\$180,972	(\$34,461)	(\$42,142)
Jun-06	\$163,772	\$157,015	\$6,757	(\$35,385)
Jul-06	\$205,192	\$193,783	\$11,409	(\$23,976)
Aug-06	\$232,421	\$227,554	\$4,867	(\$19,109)
Sep-06	\$302,703	\$308,521	(\$5,818)	(\$24,927)
Oct-06	\$215,834	\$260,919	(\$45,085)	(\$70,012)
Nov-06	\$210,957	\$200,749	\$10,208	(\$59,804)
Dec-06	\$189,947	\$204,099	(\$14,152)	(\$73,956)
Jan-07	\$238,284	\$212,532	\$25,752	(\$48,204)
Feb-07	\$234,207	\$204,722	\$29,485	(\$18,719)
Mar-07	\$276,890	\$281,924	(\$5,034)	(\$23,753)
Apr-07	\$219,865	\$219,785	\$80	(\$23,673)
May-07	\$203,220	\$224,116	(\$20,896)	(\$44,569)
Jun-07	\$169,977	\$153,253	\$16,724	(\$27,845)
Jul-07	\$194,337	\$231,081	(\$36,744)	
Aug-07	\$216,919	\$217,009	(\$90)	
Cumulative 18-month (Over)/Under Recovery				(\$27,845)
Monthly Recovery (per month for six months)				(\$4,641)

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2007-00378
ENVIRONMENTAL SURCHARGE
APPENDIX B
DATA REQUEST RESPONSE

COMMISSION STAFF'S DATA REQUEST DATED 9/19/07
REQUEST 3

RESPONSIBLE PARTY: Frank J. Oliva

- REQUEST 3.** Refer to Form 2.3, Inventory and Expense of Emission Allowances, for each of the expense months covered by the applicable billing period.
- a. For the sulfur dioxide ("SO₂") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
 - b. For the nitrogen oxide ("NO_x") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
 - c. Explain how the purchases of allowances in the expense months covered by the applicable billing periods comply with EKPC's emissions allowance strategy plan.

- RESPONSE 3.**
- a. Please see page 3 of this response.
 - b. Please see page 4 of this response.
 - c. The goal of EKPC's Emissions Allowance Strategy Plan is to be in compliance with regulatory requirements while minimizing costs to EKPC's Member Systems. EKPC regularly reviews compliance options and their costs. EKPC's

strategy is to develop a program that meets federal and state standards at the lowest cost while providing operational flexibility to meet all of its power production needs.

EKPC's current compliance strategy includes a combination of buying low-sulfur fuel, purchasing SO₂ and NO_x emission allowances, operating Selective Catalytic Reduction ("SCR") equipment on its Spurlock 1 and Spurlock 2 units, and constructing new scrubbers at the Spurlock generating station.

For each year, EKPC projects the number of tons of SO₂ and NO_x to be emitted from its plants by utilizing a generation planning model. Emission levels are also considered in EKPC's least-cost planning methodology as a factor in evaluating new generation resources or environmental related capital projects. EKPC monitors the number of tons of SO₂ and NO_x emitted from its generating stations monthly. Based on these measured emissions and the projected generation and fuel consumption for the remainder of the year, EKPC estimates the number of SO₂ and NO_x allowances that will be needed to be held at the end of each year in order to comply with state and federal emissions limitations. In general, EKPC endeavors to purchase emission allowances in a planned cost-effective manner, utilizing dollar-cost-averaging, and to hold in inventory a sufficient number of allowances to cover anticipated utilization of SO₂ and NO_x allowances. EKPC utilizes Energy Venture Associates, a firm experienced in long-term emissions allowance forecasting, for the forecast of emission allowance prices for planning purposes.

SO₂ Emission Allowances

<u>Month</u>	<u>Quantity Acquired</u>	<u>Reason</u>
Dec-05	19,957	For 2005 and 2006 compliance
Jan-06	50,064	For 2006 compliance (includes annual allocation from EPA)
Feb-06	21,000 *	For 2006, 2007, 2008, and 2009 compliance
Mar-06	-	
Apr-06	-	
May-06	18,500 *	For 2006 and 2007 compliance
Jun-06	12,500 *	For 2006, 2007, 2008, and 2009 compliance
Jul-06	-	
Aug-06	1,000	For 2006 and 2007 compliance or for other anticipated future needs
Sep-06	10,000	For 2006 and 2007 compliance or for other anticipated future needs
Oct-06	12,000	For 2006, 2007, and 2008 compliance or for other anticipated future needs
Nov-06	34,500	For 2007 - 2036 compliance or for other anticipated future needs
Dec-06	-	
Jan-07	39,564	For 2007 compliance (includes annual allocation from EPA)
Feb-07	-	
Mar-07	-	
Apr-07	-	
May-07	5,000	For 2007 compliance

* Reflects inventory adjustments made on Form 1.1 Supplement filed with Form 2.3 for the July 2006 expense month

NOx Emission Allowances

<u>Month</u>	<u>Quantity Acquired</u>	<u>Reason</u>
Dec-05	-	
Jan-06	3,301	For 2006 compliance (includes annual allocation from EPA)
Feb-06	-	
Mar-06	-	
Apr-06	-	
May-06	-	
Jun-06	930 *	For 2006 and 2007 compliance
Jul-06	1,100	For 2006, 2007, and 2008 compliance
Aug-06	-	
Sep-06	526	For 2006 compliance or for other anticipated future needs
Oct-06	1,166	For 2006, 2007, and 2008 compliance or for other anticipated future needs
Nov-06	858	For 2007 compliance or for other anticipated future needs
Dec-06	100	For 2007 compliance or for other anticipated future needs
Jan-07	4,076	For 2007 compliance (includes annual allocation from EPA)
Feb-07	-	
Mar-07	-	
Apr-07	-	
May-07	-	

* Reflects inventory adjustments made on Form 1.1 Supplement filed with Form 2.3 for the July 2006 expense month

EAST KENTUCKY POWER COOPERATIVE, INC.

**PSC CASE NO. 2007-00378
ENVIRONMENTAL SURCHARGE
APPENDIX B
DATA REQUEST RESPONSE**

COMMISSION STAFF'S DATA REQUEST DATED 9/19/07

REQUEST 4

RESPONSIBLE PARTY: Ann F. Wood

REQUEST 4. Refer to Form 2.5, Operating and Maintenance Expenses, for each of the expense months covered by the applicable billing period. For each of the 10 expense account numbers listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

RESPONSE 4. Please see pages 2 through 7 of this response.

Account #	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Change
Maintenance of Boiler Plant Spurlin 1													
51241	\$ 1,509	\$ 709	\$ 368	\$ 392	\$ 363,64%	\$ 5,282	\$ (328)	\$ 9,115	\$ 17,274	\$ 5,978	\$ 3,575	\$ 6,745	145%
51241	\$ 68,621	\$ 40,087	\$ 60,629	\$ 20,070	\$ 108,984	\$ 5,520	\$ (85,143)	\$ 18,317	\$ 1,440	\$ 20,091	\$ 87,864		
Decrease from June 2005 to July 2005: In June 2005, EKPC purchased supplies for a damper repair. These expenses were not incurred in July.													
Decrease from July 2005 to August 2005: EKPC labor and benefits costs for August relating to maintenance on the Unit 1 precipitator were lower than in July.													
Decrease from August 2005 to September 2005: EKPC labor and benefits costs for September relating to maintenance on the Unit 1 precipitator were lower than in August. Also, an adjustment was made to payroll creating the credit amount in September.													
Increase from September 2005 to October 2005: EKPC labor and benefits costs for October relating to maintenance on the Unit 1 precipitator were higher than in September.													
Increase from October 2005 to November 2005: EKPC labor and benefits costs for November relating to maintenance on the Unit 1 precipitator were higher than in October.													
Increase from November 2005 to December 2005: EKPC labor and benefits costs for December relating to maintenance on the Unit 1 precipitator were lower than in November. However, EKPC incurred \$4K of material charges in December for the Unit 1 precipitator.													
Decrease from December 2005 to January 2006: During January, EKPC made an adjustment to labor and benefits creating the credit balance.													
Increase from January 2006 to February 2006: EKPC incurred \$8.7K of contractor expenses relating to the inspection and repair of the Unit 1 SCR. No adjustments were made in February.													
Increase from February 2006 to March 2006: EKPC labor and benefits costs for March relating to maintenance on the Unit 1 precipitator and SCR were higher than the labor and contractor costs in February.													
Decrease from March 2006 to April 2006: EKPC labor and benefits costs for April relating to maintenance on the Unit 1 precipitator and SCR were lower than the costs in March.													
Decrease from April 2006 to May 2006: EKPC labor and benefits cost for May relating to maintenance on the Unit 1 precipitator and SCR were lower than the costs in April.													
Increase from May 2006 to June 2006: Material costs charged to Unit 1 SCR maintenance increased \$5K.													
Increase from June 2006 to July 2006: During July 2006, EKPC incurred \$87K in contractor costs to install dilution air dynamine filter modifications to the Unit 1 SCR. There were no changes for material in July.													
Decrease from July 2006 to August 2006: August contractor costs decreased \$28K from July. August contracting payments totaled \$39K and were for inspection and repair of the Unit 1 SCR and the installation of the dilution air dynamine filter modifications to the Unit 1 SCR.													
Increase from August 2006 to September 2006: EKPC incurred \$60K in contractor payments in September for modifications to the emissions monitoring system. This is an increase of \$21K in total contractor payments from August.													
Decrease from September 2006 to October 2006: October contractor payments totaled \$11K, a decrease of \$49K from September contractor payments. The October contractor payment was to install dilution air dynamine filter modifications to the Unit 1 SCR.													
During October, EKPC charged \$9,500 in materials from the warehouse. EKPC labor and benefits costs relating to the Unit 1 precipitator increased in October.													
Increase from October 2006 to November 2006: November contractor costs increased \$92.9K. November expenses were for SCR valves, SCR engineering work, and inspection of the Unit 1 precipitator.													
Decrease from November 2006 to December 2006: December changes were primarily for EKPC labor and benefits; no outside services were used in December.													
Decrease from December 2006 to January 2007: Credit balance in January is a result of a reversal of a 2006 set up in accounts payable for \$41K. The expense was incurred in 2006, but the invoice was not received in January. The invoice was received later in 2007 and payment was made.													
Increase from January 2007 to February 2007: February contractor expenses totaled \$16.9K. These relate to the installation of a dilution air dynamine filter modification to the Unit 1 SCR and for inspection and repair to the Unit 1 SCR.													
Decrease from February 2007 to March 2007: March expenses consist mainly of EKPC labor and benefits costs for maintenance on the Unit 1 precipitator and SCR.													
Increase from March 2007 to April 2007: April expenses include \$5K for Unit 1 Catalyst testing. EKPC labor and benefits costs relating to the Unit 1 SCR and precipitator increased \$6,500.													
Increase from April 2007 to May 2007: May expenses include \$16.1K for Unit 1 SCR catalyst testing and \$72K for contract labor to inspect the Unit 1 precipitator.													

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REQUEST 5**

RESPONSIBLE PARTY: Frank J. Oliva

Billing Period from July 1, 2006 through December 31, 2006

REQUEST 5. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for the July 2006 expense month. Explain in detail why the form was revised.

RESPONSE 5. As reflected on Form 1.1 Supplement filed with Form 2.3 for the July 2006 expense month, EKPC began to acquire future vintage SO₂ and NO_x emission allowances. The revision in Form 2.3 allows a distinguishment between current year vintage allowances and future vintage years allowances held in EKPC's inventory.

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COMMISSION STAFF'S DATA REQUEST DATED 9/19/07
REQUEST 6

RESPONSIBLE PARTY: Frank J. Oliva

Billing Period from July 1, 2005 through June 30, 2007

REQUEST 6. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for the January 2007 expense month. Explain the negative purchases reported for future vintage years for both SO₂ and NO_x allowances.

RESPONSE 6. a. SO₂ – The negative purchase of 33,600 Tons reported in January 2007 is comprised of the following transactions:

Transfer of vintage 2007 allowances purchased in 2006 from the future vintage inventory section to the current vintage inventory section. This resulted in a decrease of future vintage allowances of 14,500 Tons.

A cashless swap of 22,000 vintage 2015 – 2036 allowances for 2,900 Tons of vintage 2009 allowances. This transaction was completed on 1/17/07 and resulted in a net decrease of future vintage allowances of 19,100 Tons.

Total net decrease of future vintage years allowances in inventory, as a result of these transactions, is 33,600 Tons.

b. NO_x - The negative purchase of 830 Tons reported in January 2007 is comprised of the following transactions:

Transfer of vintage 2007 allowances purchased in 2006 from the future vintage inventory section to the current vintage inventory section. This resulted in a decrease of future vintage allowances of 830 Tons.

Total net decrease of future vintage years allowances in inventory, as a result of this transaction, is 830 Tons.

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COMMISSION STAFF'S DATA REQUEST DATED 9/19/07
REQUEST 7

RESPONSIBLE PARTY: Frank J. Oliva

REQUEST 7. The Settlement Agreement approved in Case No. 2004-00321 provides that East Kentucky's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the 6-month surcharge review. Provide the following information as of May 31, 2007:

- a. The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance.
- b. The debt cost for each debt issuance directly related to the projects in the approved compliance plan.
- c. East Kentucky's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.15 Times Interest Earned Ratio ("TIER"). Include all supporting calculations showing how the weighted average debt cost was determined.

- RESPONSE 7.**
- a. Please see schedule on page 2.
 - b. Please see schedule on page 2.
 - c. Please see schedule on page 2.

Weighted Average Cost of Debt

Compliance Project	Loan Source (1)	NBV as of 5/31/2007 (2)	Cost (3)	Weights (4)=(2)*(3)	Rate of Return (5) = (4)*1.15
1. Gilbert	Z-8	\$ 64,990,893	4.72%	1.662%	
2. Spurlock 1 - Precipitator	Y-8	\$ 20,553,210	4.96%	0.553%	
3. Spurlock 1 - SCR	Y-8	\$ 67,372,979	4.96%	1.812%	
4. Spurlock 2 - SCR	Y-8	\$ 31,577,075	4.96%	0.849%	
		<u>\$ 184,494,157</u>		<u>4.876%</u>	<u>5.607%</u>

Y-8 30-year

Note Number (1)	Current Liability 05/31/2007 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4)/ Total (2) (5)
HO720	\$ 23,907,387	4.460%	\$ 1,066,269	
HO725	\$ 23,965,808	4.819%	\$ 1,154,912	
HO730	\$ 23,794,605	4.950%	\$ 1,177,833	
HO750	\$ 24,008,394	5.091%	\$ 1,222,267	
HO755	\$ 24,017,290	5.149%	\$ 1,236,650	
HO760	\$ 24,004,385	5.065%	\$ 1,215,822	
HO765	\$ 23,996,017	5.011%	\$ 1,202,440	
HO770	\$ 25,938,673	5.149%	\$ 1,335,582	
HO885	\$ 6,381,359	4.890%	\$ 312,048	
	<u>\$ 200,013,918</u>		<u>\$ 9,923,826</u>	4.96%

Z-8 30-year

Note Number (1)	Current Liability 05/31/2007 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4)/ Total (2) (5)
HO810	\$ 49,154,582	4.744%	\$ 2,331,893	
HO815	\$ 49,167,503	4.825%	\$ 2,372,332	
HO820	\$ 49,186,491	4.946%	\$ 2,432,764	
HO825	\$ 24,570,339	4.658%	\$ 1,144,486	
HO830	\$ 24,557,062	4.497%	\$ 1,104,331	
HO835	\$ 24,574,150	4.705%	\$ 1,156,214	
HO840	\$ 24,543,100	4.332%	\$ 1,063,207	
HO845	\$ 18,652,234	4.324%	\$ 806,523	
HO860	\$ 29,465,562	4.468%	\$ 1,316,521	
HO865	\$ 29,465,763	4.470%	\$ 1,317,120	
HO870	\$ 29,495,153	4.769%	\$ 1,406,624	
HO890	\$ 14,869,514	5.345%	\$ 794,775	
HO895	\$ 9,912,785	5.333%	\$ 528,649	
HO915	\$ 23,000,000	4.776%	\$ 1,098,480	
HO920	\$ 23,251,000	4.812%	\$ 1,118,838	
	<u>\$ 423,865,238</u>		<u>\$ 19,992,757</u>	4.72%

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REQUEST 8**

RESPONSIBLE PARTY: Frank J. Oliva

REQUEST 8. Provide the percentage of East Kentucky's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the May 2007 expense month.

RESPONSE 8. None. The debt cost for each debt issuance directly related to the projects in the approved compliance plan are at fixed interest rates.

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REQUEST 9

RESPONSIBLE PARTY: William A. Bosta

REQUEST 9. The Settlement Agreement in Case No. 2004-00321 provides that the reasonable rate of return on compliance-related capital expenditures will be determined by multiplying the weighted average debt cost of the debt issuances directly related to projects in the approved compliance plan times a TIER of 1.15. Does EKPC believe that a TIER of 1.15 is still reasonable? Explain the response.

RESPONSE 9. No. As explained in the testimony of Mr. Bosta, EKPC requested a 1.35X TIER in the general rate case (2006-00472) on all assets, including environmental surcharge assets. For the reasons outlined by expert witness Daniel Walker in the general rate case, EKPC believes that a 1.35X TIER is appropriate and should be used on a going-forward basis. EKPC does believe that the TIER awarded in the rate case by the Commission should also apply to the environmental surcharge.

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REQUEST 10

RESPONSIBLE PARTY: William A. Bosta

REQUEST 10. KRS 278.183(3) provides that during the 2-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

- a. Provide the surcharge amount that EKPC believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.
- b. The surcharge factor reflects a percentage of revenue approach, rather than a per kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into EKPC's base rates. Include any analysis that EKPC believes supports its position.
- c. Provide the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, workpapers, and assumptions.
- d. Does EKPC believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into

EKPC's existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

RESPONSE 10. a. Please see Mr. Bosta's attached testimony. For the reasons outlined therein, EKPC does not believe it is appropriate to incorporate surcharge amounts into existing base rates at this time.

b,c,d. Please see the response to (a) above.

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REQUEST 11

RESPONSIBLE PARTY: William A. Bosta

REQUEST 11. The Settlement Agreement approved in Case No. 2004-00321 provides that the use of the “base/current” approach for the pass through mechanism was not being decided in that case and the issue could be raised at the first 2-year environmental surcharge review. Provide EKPC’s position concerning the use of the “base/current” approach for the pass through mechanism.

RESPONSE 11. Please see Mr. Bosta’s testimony, question 17. EKPC will continue to utilize the “base/current” approach for the pass through mechanism.

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REQUEST 12

RESPONSIBLE PARTY: William A. Bosta

REQUEST 12. The environmental surcharge mechanisms approved for Kentucky Utilities Company, Kentucky Power Company, and Louisville Gas and Electric Company include a 2-month true-up adjustment, which addresses the timing differences inherent in surcharge mechanisms. EKPC's surcharge mechanism does not include a 2-month true-up adjustment.

a. Would EKPC agree that a similar 2-month true-up adjustment to address inherent timing differences should be incorporated into its surcharge mechanism? Explain the response.

b. In light of EKPC's financial condition, would EKPC agree that such a 2-month true-up adjustment should favorably affect the over- or under-recovery of the surcharge determined during the 6-month and 2-year reviews? Explain the response.

c. Provide an example of a 2-month true-up adjustment that EKPC believes would address the timing differences inherent in its surcharge mechanism. Include all assumptions and supporting calculations.

RESPONSE 12. a. No. Please see Mr. Bosta's testimony, question 15.

b. As explained in Mr. Bosta's testimony, the deferral of refunding the first six-month over recovery along with the deferral of the refunds of the over recovery in the current eighteen-month period, have helped EKPC's cash flow during the first two years of the surcharge.

c. As indicated in the responses to Requests 12(a) and 12(b), EKPC does not believe that a change from the current six-month over/under recovery to a 2-month true-up is justified.