

**RECEIVED**

AUG 25 2008

PUBLIC SERVICE
COMMISSION

August 25, 2008

BY FACSIMILE AND MAIL

Ms. Stephanie L. Stumbo
Executive Director
Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: Case No. 2008-00115

Dear Ms. Stumbo:

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., to the Commission Staff's data requests made during the hearing in this case, held on August 20, 2008.

Also enclosed are an original and ten copies of the affidavit of publication from the Lexington Herald-Leader for the notice of that hearing. Originals of the affidavits of publication from the Courier-Journal and the Kentucky Enquirer, and a facsimile of the Herald-Leader affidavit, were filed with the Commission on the day of the hearing.

Very truly yours,



Charles A. Lile
Corporate Counsel

Enclosures

Cc: Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

PSC Request 1

Page 1 of 2

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2008-00115

POST-HEARING DATA REQUEST RESPONSE

COMMISSION STAFF'S POST-HEARING DATA REQUEST DATED 08/20/08

REQUEST 1

RESPONSIBLE PERSON: Ann Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Please provide support for the settlement amounts reflected in the Supplemental Testimony of David G. Eames, Page 5, lines 11 through 18.

Response 1. The \$3.904 million referenced in the Supplemental Testimony of David G. Eames relates to CWIP-related interest and TIER margins for three facilities included in this case (Environmental Equipment for Spurlock Unit 4, the Spurlock Unit 1 Scrubber, and the Spurlock Unit 2 scrubber), which were also in CWIP during our base rate case (Case No. 2006-00472). The \$2.892 referenced in the Supplemental Testimony of David G. Eames relates to an AFUDC offset included in Case No. 2006-00472. The \$1.012 is the agreed upon adjustment.

Please see page 2 of this response for a detailed calculation.

PSC Request 1

Page 2 of 2

EKPC CWIP BALANCES AT 9/30/06

As Filed in Staff First Data Request 3(a), Page 3 of 3

| Acct | Project Description | CWIP project balance net of AFUDC @ 9/30/06 | AFUDC charged to project through 9/30/06 | CWIP total project balance @ 9/30/06 | |
|-------|---------------------|--|--|--|---|
| 10720 | Spurlock Unit 4 | \$ 179,771,312 | \$ 6,183,347 | \$ 185,954,659 | a |
| 10720 | Spurlock 1 Scrubber | \$ 1,372,495 | \$ 19,721 | \$ 1,392,216 | b |
| 10720 | Spurlock 2 Scrubber | \$ 20,567,539 | \$ 436,263 | \$ 21,003,802 | c |

Settlement Calculations:

| | | |
|--|----------------------|---------|
| Pollution Control Portion of Gilbert (Estimated at 15% of total costs) | \$ 27,893,199 | a x 15% |
| Spurlock 1 Scrubber | \$ 1,392,216 | b |
| Spurlock 2 Scrubber | \$ 21,003,802 | c |
| Subtotal | <u>\$ 50,289,216</u> | d |

Interest Rate as Calculated on Exhibit AFW-2, page 2 of 2
as Filed with Application

5.75% e

Interest Rate Including a 1.35 TIER

e x 1.35 7.76% f

Application of Total Return to Subtotal Above

d x f \$ 3,903,700 g**

Isolation of TIER Component of 1.35

g / 1.35 \$ 2,891,630 h**

Difference

g - h \$ 1,012,070 ***

Alternate Calculation:

Isolation of TIER Component

f - e 2.01% i

Application of TIER Component to Subtotal Above

g x d \$ 1,012,070 ***

*Rounded to \$3.904M in Eames Supplemental Testimony, Page 5

**Rounded to \$2.892M in Eames Supplemental Testimony, Page 5

***Rounded to \$1.012M in Eames Supplemental Testimony, Page 5

PSC Request 2

Page 1 of 2

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
POST-HEARING DATA REQUEST RESPONSE**

**COMMISSION STAFF'S POST-HEARING DATA REQUEST DATED 08/20/08
REQUEST 2**

RESPONSIBLE PERSON: Ann Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Please provide the account numbers that EKPC plans to use in order to avoid double-recovery of allowance for funds used during construction.

Response 2. Please see page 2 of this response.

The accounting information is shown below.

- Assumptions (1) Project # SS100 accumulates all costs relating to the Spurrack 1 scrubber;
 (2) This project is included in account 10720, Construction Work in Progress (CWIP);
 (3) The project balance at September 30, 2008 totals \$1,000,000;
 (4) The average interest rate for calculating October AFUDC is 5%;
 (5) October is the first expense month eligible for calculating a return on CWIP;
 (6) EKPC's surcharge revenue for the month is \$250,000.

The following are the proposed journal entries for October, using "T" accounts from accounting.

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---------------------|--------|---------------------|----------------|---------------|---------------|--------------|--------------|--|-------|--------|------|---------------------|---------------|---------------|------------|-----------|--|-------|--------|---|---------------------|---------------|---------------|-----------|-----------|---|-------|--------|---|------|---------------|---------------|-----------|-----------|
| <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Debit</td> <td style="width: 50%; text-align: center;">Credit</td> </tr> <tr> <td style="text-align: center;">Accounts Receivable</td> <td style="text-align: center;">Energy Revenue</td> </tr> <tr> <td style="text-align: center;">Account 14210</td> <td style="text-align: center;">Account 44710</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: center;">a \$ 250,000</td> <td style="border-top: 1px solid black; text-align: center;">\$ 250,000 d</td> </tr> </table> | Debit | Credit | Accounts Receivable | Energy Revenue | Account 14210 | Account 44710 | a \$ 250,000 | \$ 250,000 d | <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Debit</td> <td style="width: 50%; text-align: center;">Credit</td> </tr> <tr> <td style="text-align: center;">Cash</td> <td style="text-align: center;">CWIP--Project SS100</td> </tr> <tr> <td style="text-align: center;">Account 13111</td> <td style="text-align: center;">Account 10720</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: center;">\$ 250,000</td> <td style="border-top: 1px solid black; text-align: center;">\$ 50,000</td> </tr> </table> | Debit | Credit | Cash | CWIP--Project SS100 | Account 13111 | Account 10720 | \$ 250,000 | \$ 50,000 | <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Debit</td> <td style="width: 50%; text-align: center;">Credit</td> </tr> <tr> <td style="text-align: center;">Allowance for Interest on Borrowed Funds Used During Construction</td> <td style="text-align: center;">Accounts Receivable</td> </tr> <tr> <td style="text-align: center;">Account 41911</td> <td style="text-align: center;">Account 14210</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: center;">\$ 50,000</td> <td style="border-top: 1px solid black; text-align: center;">\$ 50,000</td> </tr> </table> | Debit | Credit | Allowance for Interest on Borrowed Funds Used During Construction | Accounts Receivable | Account 41911 | Account 14210 | \$ 50,000 | \$ 50,000 | <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Debit</td> <td style="width: 50%; text-align: center;">Credit</td> </tr> <tr> <td style="text-align: center;">Interest on Borrowed Funds Used During Construction</td> <td style="text-align: center;">Cash</td> </tr> <tr> <td style="text-align: center;">Account 41911</td> <td style="text-align: center;">Account 13111</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: center;">\$ 50,000</td> <td style="border-top: 1px solid black; text-align: center;">\$ 50,000</td> </tr> </table> | Debit | Credit | Interest on Borrowed Funds Used During Construction | Cash | Account 41911 | Account 13111 | \$ 50,000 | \$ 50,000 |
| Debit | Credit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts Receivable | Energy Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Account 14210 | Account 44710 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| a \$ 250,000 | \$ 250,000 d | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debit | Credit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | CWIP--Project SS100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Account 13111 | Account 10720 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ 250,000 | \$ 50,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debit | Credit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Allowance for Interest on Borrowed Funds Used During Construction | Accounts Receivable | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Account 41911 | Account 14210 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ 50,000 | \$ 50,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debit | Credit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest on Borrowed Funds Used During Construction | Cash | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Account 41911 | Account 13111 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ 50,000 | \$ 50,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

- a Entry a records environmental surcharge revenue. Note that the application of return to CWIP, net of AFUDC, is a component of this revenue.
 b Entry b records AFUDC to the project and to AFUDC income in accordance with RUS guidelines. (\$1,000,000 times 5%)
 c Entry c reflects the AFUDC offset, or reversal of the b entry. (\$1,000,000 times 5%)
 d Entry d reflects payment of the receivable.

STATE OF KENTUCKY
COUNTY OF FAYETTE

Before me, a Notary Public, and for said County and State, this 15th day of August, 2008 came Jonelle Sidebotham

Personally known to me, who, being duly sworn, states as follows:

That she is Account Executive of

Lexington Herald-Leader, and that said publication date of

August 15, 2008 carried the advertising

of East Ky Power

occupying the following space 1 X 7.18 inches.

Account Executive

By Jonelle Sidebotham

(SEAL)

Lee H. Napier
Notary Public

LEGAL NOTICES

view of a proposed case settlement, regarding the consideration of an amendment to EKPC's Wholesale Environmental Compliance Plan and Environmental Surcharge. The Commission's decision in this case may affect the retail Environmental Surcharge rates of the following EKPC member systems: Big Sandy RECC, Blue Grass Energy Cooperative, Clark Energy Cooperative, Cumberland Valley Electric, Farmers RECC, Fleming-Mason Energy Cooperative, Grayson RECC, Inter-County Energy Cooperative, Jackson Energy Cooperative, Licking Valley RECC, Nolichucky RECC, Owen Electric Cooperative, Salt River Electric Cooperative, Shelby Energy Cooperative, South Kentucky RECC, and Taylor County RECC.

NOTICE OF PUBLIC HEARING

Notice is hereby given that the Kentucky Public Service Commission (the "Commission") will conduct a public hearing at 9:00 a.m. Eastern Daylight Time on Wednesday, August 20, 2008, in Hearing Room 1 at its offices at 211 Sower Boulevard, Frankfort, Kentucky, 40602, for the purpose of cross-examination of witnesses of East Kentucky Power Cooperative, Inc., ("EKPC") and intervenors in PSC Case No. 2008-00115, and for other proceedings, including the re-

EAST KENTUCKY POWER COOPERATIVE, INC.
P.O. BOX 707
WINCHESTER, KENTUCKY
40392-0707
(859) 744-4812

FACSIMILE COVER SHEET

East Kentucky Power Cooperative

RECEIVED

East Kentucky Power Cooperative
4775 Lexington Road 40391
P.O. Box 707, Winchester, Kentucky 40392-0707
Tel. (859) 744-4812
Fax. (859) 744-6008

AUG 25 2008
PUBLIC SERVICE
COMMISSION

DATE: Aug 25, 2008 TIME: _____

PLEASE DELIVER THE FOLLOWING TO:

NAME: Stephanie Stumbo FAX: 502-564-9625
COMPANY: PSC
CITY: _____ STATE: _____
FROM: Charles Lile

TOTAL NUMBER OF PAGES, INCLUDES THIS PAGE: 8

SUBJECT MATTER/EXPLANATION OF TRANSMITTED MATERIAL:

PSC Case No 2008-00115

