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JAN 26 2009

**PUBLIC SERVICE
COMMISSION**

Via Overnight Mail

January 23, 2009

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

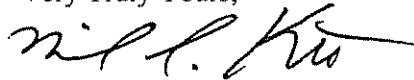
Re: Case No. 2008-00409

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of the SECOND SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO EAST KENTUCKY POWER COOPERATIVE, INC. filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail (when available) and by first-class postage prepaid mail, to all parties on the 23rd day of January, 2009.

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

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

In The Matter Of: General Adjustment of Electric Rates of : Case No. 2008-00409
East Kentucky Power Cooperative, Inc. :
:

**SECOND SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

Dated: January 23, 2009

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it?
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "EKPC" means Eastern Kentucky Power Cooperative, Inc. and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

KIUC'S SECOND SET OF DATA REQUESTS TO EKPC
Case No. 2008-00409

- KIUC 2-1 Please refer to the Company's response to AG 1-43a. Provide the amounts in account 10600 (Compl Constr Not Classified) for each major (over \$1 million) generation project or other project by month in the test year. Your response should include the costs projected for the following projects:
- Spurlock 4
 - Spurlock 1 Scrubber
 - Spurlock 2 Scrubber
 - Smith 9 CT
 - Smith 10 CT
 - Each Other Project Over \$1 Million.
- KIUC 2-2 Please refer to the response to the previous question. Provide a computation of the depreciation expense that was projected for each of the major generation projects and each other major project by month in the test year. In the computation for each project for each month, include the gross asset to be depreciated, the estimated depreciable life of the asset, the depreciation rate utilized, and any salvage value used in the projection. Provide the response in electronic format with all formulas intact.
- KIUC 2-3 Please refer to the Company's response to KIUC 2-1. Provide the most updated projections of capital costs by month for each of the major generation or other projects as listed by the Company.
- KIUC 2-4 Based on the Company's most updated capital cost projections, please provide a computation of the effects on projected depreciation expense to synchronize the effects of the updated projections for each of the major generation or other projects as listed by the Company. Include in the computation any changes to projected operational dates, including the effects of the delay in the commercial operation dates of Smith 9 and 10 CTs as noted in the Company's response to PSC 2-5.
- KIUC 2-5 Please refer to the Company's response to KIUC 1-37. Please provide the amount of purchased power costs associated with forced outages for each of the past ten years starting with 1999, the amount allowed in the FAC and the amount not allowed in the FAC.
- KIUC 2-6 Please refer to the Company's response to PSC 2-41a. Based on the reduction of construction projects underway during the projected year, did the Company factor into its projected test year costs reduced salaries or overtime to offset the higher percentage of payroll costs to be expensed? If so, please describe and quantify changes made to its projected costs related to the reduction of construction projects. If not, please explain why not.
- KIUC 2-7 Please refer to the Company's response to PSC 2-42. Provide the amount of non-firm transmission revenue that should have been included in the Company's budget and forecasted test year projection of "Other Operating Revenue – Income."
- KIUC 2-8 Please refer to Seelye Exhibit 2, page 1 of 2. The environmental surcharge revenues which are removed from revenues on lines 6 and 7 total \$106,102,686. The

environmental surcharge costs which are removed from expenses on lines 17 through 21 total \$97,110,417.

- a. Please refer to Seelye Exhibit 2, page 1 of 2. Please provide a copy of all computations of revenues and costs excluded by month related to the ECR reflected on lines 6, 7, 17, 18, 19, 20 and 21. This request includes all workpapers and computations, including electronic spreadsheets with formulas intact and all assumptions and source documents used in the computations of the amounts on each line as well as for supporting Schedules 1.04 through 1.08.
- b. Explain why, with the use of a forecasted test period, the amount of environmental surcharge related revenues removed is not the same as the environmental surcharge related expenses removed. .
- c. Please reconcile the environmental revenues and expenses reflected in the Company's test year and the amounts that are removed. Provide a description and computation of each reconciling difference identified by the Company and an explanation as to why such a difference should be recognized in the non-ECR base revenue requirement.

KIUC 2-9 Please refer to Seelye Exhibit 2, Schedule 1.08. Please provide the quantifications for each month, including the ECR rate base computations, the interest rate and the TIER margin used. In addition, please provide a reconciliation of the ECR rate base for the most recent month for which the Company has actual data and the first month of test year.

KIUC 2-10 Please refer to Volume 1, Tab 19, page 2 of 2 in the Company's filing. Explain why there is no amount for "Allowance for Funds used for Construction" for capital projects being constructed during the test year. In the response, please make specific reference to the Smith 1 generating unit. If the Company believes that an amount should have been included in this schedule, please provide a computation of that amount by capital project, providing an electronic version of such with all formulas intact.

KIUC 2-11 Please provide the monthly projection of Smith 1 CWIP from December 2008 through May 2010, with the amounts shown for June 2009 through May 2010 the same as included by the Company in the test year rate base and capitalization. Provide the directs and the AFUDC included in the CWIP balance at the end of each month.

KIUC 2-12 Please refer to the Company's response to AG 1-40.

- a. Please provide a list of capital projects during the forecasted test period that meet the Company's criteria for the application of AFUDC.
- b. For each project identified in response to part (a) of this question, please provide the monthly projection of CWIP from December 2008 through May 2010, with the amounts shown for June 2009 through May 2010 the same as included by the Company in the test year rate base and capitalization. Provide the directs and the AFUDC included in the CWIP balance at the end of each month.

KIUC 2-13 Please provide the monthly Spurlock 4 CWIP in-service amounts during the test year.

KIUC 2-14 Please provide the monthly projection of Spurlock 4 CWIP from December 2008 through March 2009 and the monthly projection of Spurlock 4 plant in service from April through

May 2010, with the amounts shown for June 2009 through May 2010 the same as included by the Company in the test year rate base and capitalization. Provide the directs and the AFUDC included in the CWIP balance at the end of each month.

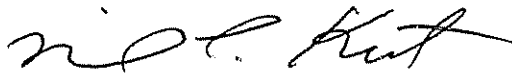
- KIUC 2-15 Please provide the monthly computation of Spurlock 4 AFUDC and the reduction of AFUDC for the Spurlock 4 capital costs included in the ECR since January 2008. Provide actual amounts through December 2008 and the monthly projections for each month through March 2009. Provide the computations in electronic format with formulas intact.
- KIUC 2-16 Please refer to Mr Crawford's testimony, page 9, line 14. According to his testimony, construction is targeted to begin on Smith 1 in January 2010. Did the Company include an amount for AFUDC related to Smith 1 in the forecast year? If so, please describe how much and where the AFUDC amount is reflected. If not, please explain why not.
- KIUC 2-17 Please refer to the Company's response to AG 1-91. Explain why the Company did not purchase "Outage Insurance" during 2008.
- KIUC 2-18 Please explain why the Company plans to purchase "Outage Insurance" during the forecast period when it did not do so during 2008.
- KIUC 2-19 Please reference the Company's response to KIUC 1-36 regarding lime costs. Please provide the following:
- a.) The amount of lime expense in 2008 by FERC O&M expense account and subaccount for each generating unit and in total.
 - b.) The amount of lime expense included in the test year by month and by FERC O&M expense account and subaccount for each generating unit.
- KIUC 2-20 Please refer to the Seelye Exhibit 3, page 1 of 2.
- a. Please provide the Company's projection of CWIP by month and by major project, the Company's projection of plant in service showing transfers from CWIP to plant in service upon completion of each major project, retirements of plant in service and any other increases or reductions in plant in service during the test year.
 - b. Please explain why the CWIP amounts are not adjusted downward when the Smith CTs are projected to be placed into service in late 2009.
- KIUC 2-21 Please refer to Volume 3, Tab 24, page 2 of 2. For each of the generation and transmission budgeted capital projects for 2009 and 2010, please provide the following information by month during 2009 and 2010: Construction beginning balance, direct costs added, AFUDC added, and ending balance.
- KIUC 2-22 Please refer to Seelye Exhibit 2, Schedule 1.18. Please provide a copy of all Commission precedent to the Company's knowledge regarding the normalization of turbine overhaul costs.

- KIUC 2-23 Please refer to Seelye Exhibit 2, Schedule 1.18 and to his testimony regarding the proposed turbine overhaul costs on pages 19-20. Please provide the actual turbine overhaul expenses by generating unit for each of the last ten years.
- KIUC 2-24 Please refer to Seelye Exhibit 2, Schedule 1.18 and to his testimony regarding the proposed turbine overhaul costs on pages 19-20. Please describe in detail how the estimated cost for each individual generating unit was derived.
- KIUC 2-25 Please refer to the Company's responses to AG 1-96 and AG 1-98 related to the six annual payments of \$1,900,000 (Fixed Penalty Payment) beginning in December 2007 related to the Acid Rain Consent Decree. Please state whether the \$1,900,000 annual payment to be paid in December 2009 was included in expense in the test year. If so, please describe the location of the amount in the Company's filing and explain why this expense was not removed.
- KIUC 2-26 Refer to the Company's response to KIUC 1-8 page 2 of 2.
- a. Please explain why the mW of gas fired turbines dropped to 814 in May 2010 from 995 in April 2010. If this was an error, then please provide a corrected schedule.
 - b. Please identify the additions to the mW of gas fired turbines in October 2009 and November 2009. Identify the unit added and the capacity of the unit. If the capacity added in these two months consists of the Smith 9 and 10 CTs, then please explain why the capacity was not added in September, according to the Company's budget or October, according to the Company's response to PSC 2-5.
- KIUC 2-27 Refer to the Company's response to KIUC 1-10 and KIUC 1-26 page 3 of 3.
- a. Please provide a detailed description of the Company's methodology for forecasting off-system sales revenues and expenses, including the number of kWh available for sale off-system and the kWh rates for revenues and expenses.
 - b. Please provide the source, including assumptions, data, and computations for the kWh and rates per kWh used to forecast off-system sales revenues and incremental costs for the test year, including electronic spreadsheets with formulas intact. Please provide all fuel and margin forecasts used and the sources for those input assumptions.
- KIUC 2-28 Please refer to the Company's responses to KIUC 1-5 and KIUC 1-10. For each month during the forecasted test period, reconcile the per kWh rate for off-system sales with the per kWh rate for purchased power. In addition, for each month, explain each difference in the assumed average rates and why such differences would exist.
- KIUC 2-29 Please provide a five year monthly history of actual off-system sales revenues, kWh sold, fuel expense associated with off-system sales, kWh generated for off-system sales (sales plus losses).
- KIUC 2-30 Please reconcile the fuel expense and kWh for off-system sales shown in the Company's response to KIUC 1-26 pages 2 and 3 to the fuel expense and kWh for off-system sales

shown in the Company's response to KIUC 1-28 for the same months. Which projection is correct and on what basis does the Company make this assertion?

- KIUC 2-31 Please refer to the Company's response to KIUC 1-31. Please provide the depreciation rates as requested.
- KIUC 2-32 Please refer to page 4 lines 14 - 15 of Mr. Walker's Direct Testimony. Please provide supporting documentation for the "different rating methodology" referred to by Mr. Walker.
- KIUC 2-33 Please refer to page 6 lines 4 - 5 of Mr. Walker's Direct Testimony. Please provide the documentation supporting the statement that 60% of the credit evaluation is based on financial performance and rate flexibility.
- KIUC 2-34 Please provide a copy of East Kentucky's mortgage referred to on page 13 lines 2 and 3 of Mr. Walker's Direct Testimony.
- KIUC 2-35 Please refer to the Company's responses to PSC 1-34 and AG 1-54.
- a. Broken out between total capital and operating expense salaries and wages, provide actual salary and wage amounts for each month during calendar year 2008. In addition, sum the data for the year and reflect an adjustment to annualize the effects of the September 28, 2008 merit increases.
 - b. Provide the effective months of the budgeted merit increases of 5% and 3% for 2009 and 2010, respectively.
 - c. Broken out between total capital and operating expense salaries and wages, provide the budgeted salary and wage amounts for each month during calendar years 2009 and 2010. Provide the monthly data showing the amounts before the merit increases, the merit increase amounts by year, and the amounts inclusive of the merit increases. Provide the data in electronic format with all formulas intact.
 - d. Provide the same data and computations as subpart c. for the forecast test period months during 2009 and 2010. Provide the data in electronic format with all formulas intact.
- KIUC 2-36 Please provide all details available concerning the basis of progression from actual data to budgeted/forecasted data for each month during the forecasted test period for all Balance Sheet and Income Statement amounts. This request seeks to determine the basis of how each line item budget/forecast amount was determined to assess the reasonableness of the projected amount compared to the most recent actual data available. (For example, was the budgeted/forecasted amount based on an actual amount plus an incremental percentage increase? If so, provide all details utilized to reflect the increase.)
- KIUC 2-37 Please refer to the Company's response to KIUC 1-22. Please provide a quantification of the forecasted salary and other expense amounts by month related to each of the unfilled positions noted to include salaries and wages, payroll taxes, and all benefits. Please provide the computations separating the expected level of O&M and capital amounts.

- KIUC 2-38 Please provide a narrative explaining how the monthly purchased power forecast (mWh and rates/revenues) provided in response to KIUC 1-5 was developed (i.e., the forecast methodology). Please provide all supporting documents used to make the forecast.
- KIUC 2-39 With regard to the monthly purchased power expenses provided in response to KIUC 1-5, please provide a breakdown, by month, of the amounts purchased on-peak and off-peak. If an exact breakdown is not available, please provide approximate on-peak and off-peak percentages of such purchases, by month, based on EKPC's projections and/or historical actual purchases.
- KIUC 2-40 With regard to EKPC's response KIUC 1-5, please provide a narrative explaining each of the categories or products purchased (e.g., "SEPA, Greenup Hydro, Story Co. Wind, Forced Outage Purch, OTHER"). If any of these purchases are pursuant to a contract, please provide a copy of the contract, including pricing terms.
- KIUC 2-41 Please provide a narrative explaining how the monthly off-system sales forecast (mWh and rates/revenues) provided in response to KIUC 1-10 was developed (i.e., the forecast methodology). Please provide all supporting documents used to make the forecast.
- KIUC 2-42 With regard to the monthly off-system sales forecast provided in response to KIUC 1-10, please provide a breakdown, by month, of the amounts sold (mWh, rate and revenue sold on-peak and off-peak. If an exact breakdown is not available, please provide approximate on-peak and off-peak percentages of such sales, by month, based on EKPC's projections and/or historical actual sales.
- KIUC 2-43 Please provide, by month, mWh energy by rate class (i.e., the cost of service study rate classes shown in Seelye Exhibit 7) for on-peak and off-peak periods. Please also include the definition of on-peak and off-peak periods used in the response (e.g., July weekdays, HE 7am to HE 11pm).
- KIUC 2-44 Please provide the supporting workpapers used to develop the "Energy Allocation Factors" (E01) shown on pages 25 and 26 of Seelye Exhibit 7. Include, at a minimum, the monthly mWh energy used to develop the allocation factors.
- KIUC 2-45 Please provide an allocation of the on-peak and off-peak amounts of purchased power expense (\$64,242,370 per Seelye Exhibit 2) to cost of service rate classes on the basis of each rate classes' contribution to on-peak and off-peak mWh energy by month. Please also include a the definition of on-peak and off-peak periods used in the response (e.g., July weekdays, HE 7am to HE 11pm).



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**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS INC.**

January 23, 2009