

**Frost
Brown Todd** LLC
ATTORNEYS

March 3, 2010

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PUBLIC SERVICE
COMMISSION

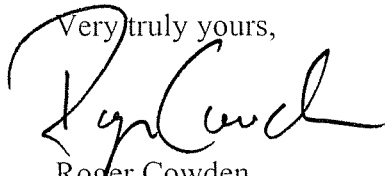
Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: PSC Case No. 2010-00021

Dear Mr. Derouen:

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 February 11, 2010, and the Prepared Testimony of Ann F. Wood on Behalf of EKPC in this case.

Very truly yours,



Roger Cowden
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 PERIOD ENDING)
DECEMBER 31, 2009; AND THE PASS-THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)**

**CASE NO.
2010-00021**

**RESPONSES TO COMMISSION STAFF'S FIRST DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.**

DATED FEBRUARY 11, 2010

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC ADMINISTRATIVE CASE 2010-00021

PUBLIC SERVICE COMMISSION REQUEST DATED 02/11/10

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 February 11, 2010. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

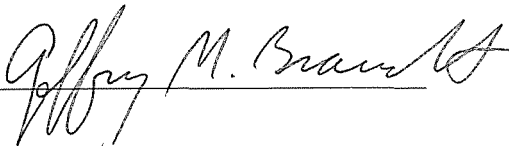
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CASE NO.
2010-00021

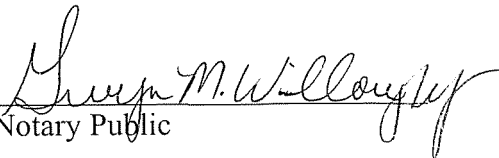
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Jeffrey M. Brandt, 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 First Data Requests contained in Appendix B in the above-referenced case dated February 11, 2010, 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.



Subscribed and sworn before me on this 2nd day of March, 2010.


Notary Public

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

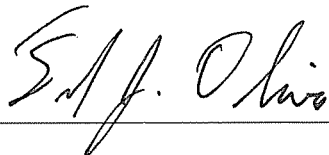
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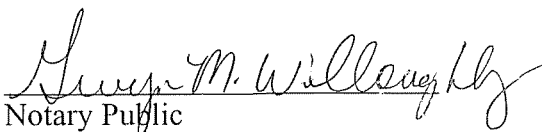
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Frank J. Oliva, 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 First Data Requests contained in Appendix B in the above-referenced case dated February 11, 2010, 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.



Subscribed and sworn before me on this 2nd day of March, 2010.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

1 COMMONWEALTH OF KENTUCKY

2
3 BEFORE THE PUBLIC SERVICE COMMISSION

4
5 In the Matter of:

6
7 AN EXAMINATION BY THE PUBLIC SERVICE)
8 COMMISSION OF THE ENVIRONMENTAL)
9 SURCHARGE MECHANISM OF EAST KENTUCKY)
10 POWER COOPERATIVE, INC. FOR THE)
11 SIX-MONTH BILLING PERIOD ENDING)
12 DECEMBER 31, 2009; AND THE PASS-THROUGH)
13 MECHANISM FOR ITS SIXTEEN MEMBER)
14 DISTRIBUTION COOPERATIVES)

CASE NO.
2010-00021

15
16
17 DIRECT TESTIMONY OF ANN F. WOOD
18 ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.
19
20

21 Q. Please state your name, business address and occupation.

22 A. My name is Ann F. Wood and my business address is East Kentucky Power
23 Cooperative (“EKPC”), 4775 Lexington Road, Winchester, Kentucky 40391. I
24 am the Manager of Regulatory Services for EKPC.

25 Q. Please state your education and professional experience.

26 A. I received a B.S. Degree in Accounting from Georgetown College in 1987. After
27 graduation I accepted an audit position with Coopers & Lybrand in the Lexington
28 office. My responsibilities ranged from performing detailed audit testing to
29 managing audits. In October 1995, I started working for Lexmark International,
30 Inc. as an analyst. In May 1997, I joined EKPC and held various management
31 positions in the accounting and internal auditing areas. In August 2008, I became
32 Manager of Regulatory Services at EKPC. I am a certified public accountant in
33 Kentucky.

1 **Q. Please provide a brief description of your duties at EKPC.**

2 A. As Manager of Regulatory Services, I am responsible for managing all filings
3 with the Public Service Commission (“Commission.”) I report directly to the
4 Senior Vice President of Power Supply.

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

6 A. The purpose of my testimony is to describe how EKPC and its Member Systems
7 have applied the environmental surcharge mechanism in a reasonable manner
8 during the period under review and to identify the over/under recoveries
9 accumulated for the periods under review for EKPC and each Member System
10 and recommend an amortization of such amounts accumulated during the period
11 under review. My testimony will also propose updating the rate of return used in
12 the environmental surcharge calculation.

13 **Q. Is EKPC preparing testimony and responding to data requests on behalf of**
14 **its member systems?**

15 A. Yes. EKPC is preparing testimony on behalf of each member system. These
16 member systems are: Big Sandy Rural Electric Cooperative Corporation; Blue
17 Grass Energy Cooperative Corporation; Clark Energy Cooperative, Inc.;
18 Cumberland Valley Electric, Inc.; Farmers Rural Electric Cooperative
19 Corporation; Fleming-Mason Energy Cooperative; Grayson Rural Electric
20 Cooperative Corporation; Inter-County Energy Cooperative Corporation; Jackson
21 Energy Cooperative; Licking Valley Rural Electric Cooperative Corporation;
22 Nolin Rural Electric Cooperative Corporation; Owen Electric Cooperative; Salt

1 River Electric Cooperative Corporation; Shelby Energy Cooperative, Inc.; South
2 Kentucky Rural Electric Cooperative Corporation; and Taylor County RECC.

3 **Q. Have other EKPC representatives provided responses to data requests in this**
4 **proceeding?**

5 A. Yes. Jeffrey M. Brandt, Manager of Gas, Emissions and Renewable Fuels, has
6 provided the emission allowance information for Response 3 of the First Data
7 Request of Commission Staff. Frank J. Oliva, Manager of Finance, has provided
8 the debt and average interest rate/ TIER information for Responses 5 and 6 of the
9 First Data Request of Commission Staff.

10 **Q. Previous Commission Orders required EKPC and its Member Systems to**
11 **incorporate certain provisions into the calculation of the monthly**
12 **environmental surcharge factors. Please comment on how EKPC and the**
13 **Member Systems have addressed the most significant aspects of these Orders**
14 **during the periods under review.**

15 A. A brief description of each component of the environmental surcharge
16 calculation, applied consistently with Commission Orders, is discussed below.

17 • **Compliance Plan Projects**

18 EKPC's compliance plan consists the projects approved by the Commission
19 upon implementation of the environmental surcharge (Case No. 2004-00321)
20 and upon the amendment to its compliance plan (Case No. 2008-00115.) The
21 monthly environmental surcharge reports, incorporated by reference in this
22 case, show the capital costs for these projects.

23 • **Base/Current Method**

1 EKPC used the Base/Current method for calculating the monthly
2 environmental surcharge factor during the review periods. A base factor of
3 1.21% was applied for the period under review. This base factor was updated
4 as a result of the Order in Case No. 2008-00115. Use of this factor is
5 identified in Response 1 to the First Data Request of Commission Staff.
6 Please note that as a result of the Commission's Order in Case No. 2009-
7 00317 dated January 28, 2010, the base factor is now 0%. This base factor
8 change was made beginning with the January 2010 expense month
9 calculation.

10 • **Actual Emission Allowance Expense**

11 EKPC included only actual SO₂ and NO_x emission allowance expense in the
12 monthly filings.

13 • **Return on Emission Allowance Inventory and Limestone Inventory**

14 EKPC has included a return on all environmental surcharge assets, including
15 emission allowances purchased for current and vintage years. This is
16 addressed in Response 3 to the First Data Request of Commission Staff.

17 EKPC has also included a return on its limestone inventory.

18 • **Return on Construction Work in Process (CWIP)**

19 EKPC has included a return on CWIP during the period under review.

20 • **Rate of Return**

21 EKPC's rate of return consists of two components: the average cost of debt
22 on its compliance plan projects and a Times Interest Earned Ratio (TIER)
23 component. For the billing periods July 2009 through October 2009

1 (September 2009 expense month) as granted in Case No. 2007-00378, EKPC
2 applied an average cost of debt of 4.876% and a 1.35 TIER to yield a 6.58%
3 rate of return. As a result of Commission Order in Case No. 2009-00039,
4 EKPC updated its average cost of debt at 4.762% and applied a 1.35 TIER,
5 which yielded a 6.429% rate of return. EKPC applied this rate of return
6 beginning with the November 2009 billing period (October 2009 expense
7 month.) Application of the rate of return is reflected in Response 1 to the First
8 Data Request of Commission Staff.

9 • **Operation and Maintenance (O&M) Expenses**

10 EKPC has continued to use a 12-month rolling average for O&M expenses
11 associated with the compliance plan projects. For those instances where the
12 change in the level of O&M expense exceeded 10 percent, EKPC has
13 provided an explanation. These explanations are provided in Response 4 to
14 the First Data Request of Commission Staff.

15 • **Pass-Through Mechanism**

16 The environmental surcharge factors computed for retail customers were
17 billed by EKPC's Member Systems at approximately the same time as EKPC
18 billed the Member Systems at wholesale. The calculation of the monthly
19 factors for each Member System was provided in the monthly reports filed
20 with the Commission. EKPC and the Member Systems adhered to these and
21 all other requirements and provisions of the Commission's Orders for the
22 periods under review.

1 **Q. Were the environmental-related amounts included in the monthly surcharge**
2 **calculation based on booked costs?**

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

6 **Q. Did EKPC incur any over and under recoveries during the periods under**
7 **review?**

8 A. Yes. As shown in Response 1 to the First Data Request of Commission Staff,
9 EKPC incurred an under recovery of \$1,045,332 during the July and August
10 expense months.

11 **Q. Why did EKPC identify only the July and August expense months and not**
12 **the remaining months in the review period?**

13 A. Based on the November 30, 2009 Order in Case No. 2009-00039, the
14 Commission allowed EKPC to modify the monthly environmental surcharge
15 calculation to include a two-month “true-up” adjustment for over/under
16 recoveries. As shown in Response 1 to the First Data Request of Commission
17 Staff, this two-month “true-up” adjustment began with the November expense
18 month calculation, and included the September 2009 under recovery in making
19 this calculation.

20 **Q. How does EKPC intend to refund the July and August 2009 under recovery?**

21 A. EKPC requests approval to refund this amount over a two-month period,
22 beginning with the month after Commission Order in this proceeding, which
23 would increase the calculation by \$522,666 for each of the two months.

1 **Q. Did the Member Systems incur any over or under recoveries during the**
2 **review periods?**

3 A. Yes. The over or under recovery amounts are shown in Response 2 to the First
4 Data Request of Commission Staff. Please note that the Commission also
5 approved the two-month “true-up” adjustment for the pass-through mechanism
6 (Case No. 2009-00039.)

7 **Q. How will the Member Systems reflect recovery of these over or under**
8 **recovery amounts?**

9 A. EKPC proposes to amortize these amounts over a two-month period, consistent
10 with the recovery period that EKPC is proposing on the wholesale calculation.

11 **Q. When do EKPC and the Member Systems plan to implement this proposed**
12 **amortization period relating to over or under recovery?**

13 A. EKPC and the Member Systems plan to implement a two-month amortization
14 period in the first month following the Commission’s Final Order in this
15 proceeding.

16 **Q. Does EKPC propose changes to its surcharge mechanism during this review?**

17 A. No, not at this time.

18 **Q. Has EKPC updated the rate of return to be used prospectively?**

19 A. Yes. As indicated in Response 6 the First Data Request of Commission Staff,
20 EKPC recommends that the Commission approve the average debt cost of
21 4.540%. As indicated earlier in my Direct Testimony, EKPC will maintain the
22 use of a 1.35 TIER in calculating the rate of return.

1 **Q. When does EKPC propose to apply the updated average debt cost to its rate**
2 **of return calculation?**

3 A. EKPC plans to use the new average debt cost in its rate of return calculation in the
4 first month following the Commission's Final Order in this proceeding.

5 **Q. Does this conclude your testimony?**

6 A. Yes.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00021

ENVIRONMENTAL SURCHARGE

APPENDIX B

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 2/11/10

REQUEST 1

RESPONSIBLE PARTY: Ann F. Wood

Request 1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing periods under review. 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 six-month review. Include all supporting calculations and documentation for the additional over- or under-recovery.

Response 1. Please see page 2 of this response. For purposes of this review period, the cumulative over/under recovery is applicable to July and August 2009 only. The September over/under recovery was reflected in the November expense month calculation and such "true-up" has been applied consistently going forward; please see lines 12b and 19 on page 2 of this response. The Commission approved the two-month "true-up" adjustment in Case No. 2009-00039.

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

Line	Description	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
1	E(m) = RORB + OE - BAS								
2	Rate Base	\$620,734,121	\$620,187,086	\$622,840,996	\$621,523,821	\$610,506,879	\$611,099,048	\$610,551,761	\$610,551,761
3	Rate Base / 12	\$51,727,843	\$51,682,257	\$51,903,416	\$51,793,652	\$50,875,573	\$50,924,921	\$50,879,313	\$50,845,009
4	Rate of Return	= 6.58%	6.58%	6.58%	6.58%	6.429%	6.429%	6.429%	6.051%
5	Return on Rate Base (RORB)	+ \$3,403,692	\$3,400,693	\$3,415,245	\$3,408,022	\$3,270,791	\$3,273,963	\$3,271,031	\$3,076,631
6	Operating Expenses (OE)	+ \$3,430,181	\$3,404,090	\$3,761,076	\$3,623,905	\$3,716,532	\$3,785,868	\$3,785,769	\$3,432,761
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$6,833,873	\$6,804,783	\$7,176,321	\$7,031,927	\$6,987,323	\$7,059,831	\$7,056,800	\$6,509,392
8a	Prior Periods Adjustments	\$0	\$0	\$0	\$0	\$0	(\$619,454)		
9	Member System Allocation Ratio for the Month (Form 3 0)	98.95%	98.90%	98.91%	98.91%	98.81%	98.75%	98.66%	98.61%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$6,762,117	\$6,729,930	\$7,098,099	\$6,955,279	\$6,904,173	\$6,359,872	\$6,962,239	\$6,418,912
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	(\$2,030,156)	(\$2,030,156)		\$650,316
12a	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$6,762,117	\$6,729,930	\$7,098,099	\$6,955,279	\$4,874,017	\$4,329,716	\$6,962,239	\$7,069,228
12b	2-month true up adjustment	\$0	\$0	\$0	\$0	\$0	\$1,069,580	\$1,348,927	\$600,084
12c	E(m) = Ln 12a + Ln 12 b	\$6,762,117	\$6,729,930	\$7,098,099			\$5,399,296	\$8,311,166	\$7,669,312
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3 0)	\$60,925,326	\$59,859,548	\$59,702,641	\$59,186,318	\$58,451,465	\$57,240,698	\$56,964,397	\$57,234,360
14	CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	11.10%	11.24%	11.89%	11.75%	8.34%	9.43%	14.59%	13.40%
15	BESF	1.21%	1.21%	1.21%	1.21%	1.21%	1.21%	1.21%	0.00%
16	MESF	9.89%	10.03%	10.68%	10.54%	7.13%	8.22%	13.38%	13.40%
17	Authorized Recovery Amount: Line 13 x Line 16	\$6,025,515	\$6,003,913	\$6,376,242	\$6,238,238	\$4,167,589	\$4,706,684	\$7,621,897	\$7,669,312
18	Environmental Surcharge Revenues Billed	\$5,013,720	\$5,296,537	\$5,687,558	\$5,306,662	\$4,889,311	\$3,567,505	\$5,695,619	\$11,233,064
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	n/a	\$728,978	\$316,355	\$1,069,580	\$1,348,927	\$600,084	(\$988,935)	(\$3,611,167)
20	Cumulative (Over)/Under	n/a	\$728,978	\$1,045,332	\$1,045,332	\$1,045,332	\$1,045,332	\$1,045,332	

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00021

ENVIRONMENTAL SURCHARGE

APPENDIX B

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 2/11/10

REQUEST 2

RESPONSIBLE PARTY: Ann F. Wood

Request 2. Prepare summary schedules showing the pass-through revenue requirement for each of the 16-member distribution cooperatives for the months corresponding to the six-month review. Include the two months subsequent to the billing period included in the review periods. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for the six-month 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. For purposes of this review period, the cumulative over/under recovery is applicable to July and August 2009 only. The September over/under recovery was reflected in the December expense month calculation, and such "true-up" has been applied consistently going forward. Please also note that pages 7 and 13 of this response reflect the changes to the pass-through mechanism approved by the Commission in Case No. 2009-00039 for Fleming-Mason and Owen, respectively.

Big Sandy RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded 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)
Jan-09	\$160,253	\$145,531	\$14,722	\$14,722
Feb-09	\$148,148	\$156,678	(\$8,530)	\$6,192
Mar-09	\$134,132	\$117,865	\$16,267	\$22,459
Apr-09	\$105,212	\$129,038	(\$23,826)	(\$1,367)
May-09	\$102,052	\$103,990	(\$1,938)	(\$3,305)
Jun-09	\$109,267	\$123,332	(\$14,065)	(\$17,370)
Jul-09	\$115,377	\$124,073	(\$8,696)	(\$8,696)
Aug-09	\$123,865	\$154,105	(\$30,240)	(\$38,936)
Sep-09	\$110,103	\$147,844	(\$37,741)	
Oct-09	\$107,646	\$72,715	\$34,931	
Nov-09	\$86,471	\$195,994	(\$109,523)	
Dec-09	\$138,515	\$254,966	(\$116,451)	
Jan-10	\$270,382	\$198,551	\$71,831	
Cumulative (Over)/Under Recovery				(\$38,936)

Blue Grass Energy - Calculation of (Over)/Under

	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)
Jan-09	\$697,327	\$571,039	\$126,288	\$126,288
Feb-09	\$660,099	\$600,658	\$59,441	\$185,729
Mar-09	\$566,935	\$625,079	(\$58,144)	\$127,585
Apr-09	\$475,039	\$550,745	(\$75,706)	\$51,879
May-09	\$475,215	\$489,842	(\$14,627)	\$37,252
Jun-09	\$533,895	\$571,401	(\$37,506)	(\$254)
Jul-09	\$552,516	\$587,779	(\$35,263)	(\$35,263)
Aug-09	\$598,860	\$673,385	(\$74,525)	(\$109,788)
Sep-09	\$550,367	\$653,727	(\$103,360)	
Oct-09	\$490,352	\$522,011	(\$31,659)	
Nov-09	\$365,658	\$544,409	(\$178,751)	
Dec-09	\$602,081	\$392,127	\$209,954	
Jan-10	\$1,213,430	\$594,512	\$618,918	

Cumulative (Over)/Under Recovery	(\$109,788)
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Clark Energy Cooperative - Calculation of (Over)/Under

	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)
Jan-09	\$232,038	\$257,966	(\$25,928)	(\$25,928)
Feb-09	\$261,709	\$253,216	\$8,493	(\$17,435)
Mar-09	\$244,190	\$232,665	\$11,525	(\$5,910)
Apr-09	\$213,865	\$189,023	\$24,842	\$18,932
May-09	\$176,378	\$183,670	(\$7,292)	\$11,640
Jun-09	\$168,601	\$194,083	(\$25,482)	(\$13,842)
Jul-09	\$191,885	\$212,884	(\$20,999)	(\$20,999)
Aug-09	\$199,082	\$211,382	(\$12,300)	(\$33,299)
Sep-09	\$216,272	\$226,449	(\$10,177)	
Oct-09	\$192,076	\$191,959	\$117	
Nov-09	\$182,789	\$207,335	(\$24,546)	
Dec-09	\$138,968	\$101,044	\$37,924	
Jan-10	\$231,131	\$169,927	\$61,204	

Cumulative (Over)/Under Recovery	(\$33,299)
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Cumberland Valley Electric - Calculation of (Over)/Under

	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)
Jan-09	\$304,760	\$200,532	\$104,228	\$104,228
Feb-09	\$288,447	\$205,518	\$82,929	\$187,157
Mar-09	\$261,131	\$264,659	(\$3,528)	\$183,629
Apr-09	\$220,322	\$255,248	(\$34,926)	\$148,703
May-09	\$203,287	\$196,252	\$7,035	\$155,738
Jun-09	\$213,435	\$229,655	(\$16,220)	\$139,518
Jul-09	\$224,622	\$227,740	(\$3,118)	(\$3,118)
Aug-09	\$241,404	\$272,844	(\$31,440)	(\$34,558)
Sep-09	\$227,330	\$223,411	\$3,919	
Oct-09	\$221,736	\$228,137	(\$6,401)	
Nov-09	\$167,938	\$254,555	(\$86,617)	
Dec-09	\$259,779	\$289,723	(\$29,944)	
Jan-10	\$522,223	\$370,091	\$152,132	
Cumulative (Over)/Under Recovery				(\$34,558)

Farmers RECC - Calculation of (Over)/Under

	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)
Jan-09	\$233,839	\$258,749	(\$24,910)	(\$24,910)
Feb-09	\$268,434	\$250,246	\$18,188	(\$6,722)
Mar-09	\$250,143	\$221,318	\$28,825	\$22,103
Apr-09	\$219,852	\$207,970	\$11,882	\$33,985
May-09	\$192,951	\$193,681	(\$730)	\$33,255
Jun-09	\$185,563	\$218,879	(\$33,316)	(\$61)
Jul-09	\$218,937	\$257,692	(\$38,755)	(\$38,755)
Aug-09	\$228,748	\$271,775	(\$43,027)	(\$81,782)
Sep-09	\$244,093	\$278,102	(\$34,009)	
Oct-09	\$223,412	\$233,264	(\$9,852)	
Nov-09	\$202,544	\$230,794	(\$28,250)	
Dec-09	\$146,730	\$167,774	(\$21,044)	
Jan-10	\$238,657	\$274,100	(\$35,443)	

Cumulative (Over)/Under Recovery	(\$81,782)
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Fleming-Mason - Calc of (Over)/Under - Sch C + Spec Contracts					Fleming-Mason - Calc of (Over)/Under - All Others					
Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)	Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)	Fleming-Mason Total (Over)/Under
Jan-09	\$534,197	\$477,529	\$56,668	\$56,668						
Feb-09	\$529,396	\$462,389	\$67,007	\$123,675						
Mar-09	\$505,654	\$502,024	\$3,630	\$127,305						
Apr-09	\$472,018	\$489,157	(\$17,139)	\$110,166						
May-09	\$445,946	\$429,696	\$16,250	\$126,416						
Jun-09	\$434,172	\$465,230	(\$31,058)	\$95,358						
Jul-09	\$277,763	\$238,229	\$39,534	\$39,534	Jul-09	\$182,817	\$215,055	(\$32,238)	(\$32,238)	\$7,297
Aug-09	\$270,597	\$243,870	\$26,727	\$66,262	Aug-09	\$199,802	\$246,098	(\$46,296)	(\$78,534)	(\$12,272)
Sep-09	\$288,962	\$243,322	\$45,640		Sep-09	\$183,765	\$191,339	(\$7,574)		
Oct-09	\$286,851	\$248,742	\$38,109		Oct-09	\$177,950	\$232,292	(\$54,342)		
Nov-09	\$191,973	\$191,973	\$0		Nov-09	\$132,873	\$296,742	(\$163,869)		
Dec-09	\$241,351	\$241,362	(\$11)		Dec-09	\$218,828	\$112,561	\$106,267		
Jan-10	\$412,764	n/a	n/a	n/a	Jan-10	\$434,153	n/a	n/a	n/a	n/a
Cumulative (Over)/Under Recovery				\$66,262	Cumulative (Over)/Under Recovery				(\$78,534)	(\$12,272)

Grayson - Calculation of (Over)/Under

	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)
Jan-09	\$161,965	\$152,451	\$9,514	\$9,514
Feb-09	\$152,814	\$135,518	\$17,296	\$26,810
Mar-09	\$133,112	\$116,957	\$16,155	\$42,965
Apr-09	\$108,600	\$96,458	\$12,142	\$55,107
May-09	\$102,347	\$136,270	(\$33,923)	\$21,184
Jun-09	\$112,659	\$130,308	(\$17,649)	\$3,535
Jul-09	\$120,354	\$150,351	(\$29,997)	(\$29,997)
Aug-09	\$129,453	\$129,254	\$199	(\$29,798)
Sep-09	\$117,879	\$133,117	(\$15,238)	
Oct-09	\$116,014	\$133,581	(\$17,567)	
Nov-09	\$87,872	\$95,329	(\$7,457)	
Dec-09	\$138,478	\$148,123	(\$9,645)	
Jan-10	\$266,096	n/a	n/a	
Cumulative (Over)/Under Recovery				(\$29,798)

Inter-County ECC - Calculation of (Over)/Under

	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)
Jan-09	\$245,406	\$276,854	(\$31,448)	(\$31,448)
Feb-09	\$265,836	\$308,639	(\$42,803)	(\$74,251)
Mar-09	\$233,110	\$217,113	\$15,997	(\$58,254)
Apr-09	\$221,188	\$190,454	\$30,734	(\$27,520)
May-09	\$181,221	\$178,790	\$2,431	(\$25,089)
Jun-09	\$166,333	\$185,921	(\$19,588)	(\$44,677)
Jul-09	\$190,048	\$207,047	(\$16,999)	(\$16,999)
Aug-09	\$200,520	\$211,061	(\$10,541)	(\$27,540)
Sep-09	\$212,683	\$212,314	\$369	
Oct-09	\$193,556	\$204,825	(\$11,269)	
Nov-09	\$180,654	\$194,957	(\$14,303)	
Dec-09	\$139,303	\$65,295	\$74,008	
Jan-10	\$240,954	n/a	n/a	
Cumulative (Over)/Under Recovery				(\$27,540)

Jackson Energy Cooperative - Calculation of (Over)/Under

	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)
Jan-09	\$596,512	\$572,173	\$24,339	\$24,339
Feb-09	\$545,587	\$489,094	\$56,493	\$80,832
Mar-09	\$474,610	\$423,959	\$50,651	\$131,483
Apr-09	\$384,874	\$384,932	(\$58)	\$131,425
May-09	\$359,526	\$453,596	(\$94,070)	\$37,355
Jun-09	\$386,688	\$448,099	(\$61,411)	(\$24,056)
Jul-09	\$409,581	\$462,677	(\$53,096)	(\$53,096)
Aug-09	\$442,410	\$468,391	(\$25,981)	(\$79,077)
Sep-09	\$408,129	\$456,147	(\$48,018)	
Oct-09	\$398,573	\$438,432	(\$39,859)	
Nov-09	\$308,320	\$165,541	\$142,779	
Dec-09	\$506,235	\$267,636	\$238,599	
Jan-10	\$1,010,987	n/a	n/a	

Cumulative (Over)/Under Recovery	(\$79,077)
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Licking Valley RECC - Calculation of (Over)/Under

	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)
Jan-09	\$159,886	\$133,777	\$26,109	\$26,109
Feb-09	\$147,504	\$157,149	-\$9,645	\$16,464
Mar-09	\$135,214	\$132,830	\$2,384	\$18,848
Apr-09	\$110,322	\$111,564	-\$1,242	\$17,606
May-09	\$104,359	\$122,682	-\$18,323	-\$717
Jun-09	\$113,592	\$123,987	-\$10,395	-\$11,112
Jul-09	\$117,660	\$142,219	(\$24,559)	(\$24,559)
Aug-09	\$129,679	\$137,563	(\$7,884)	(\$32,443)
Sep-09	\$116,423	\$135,294	(\$18,871)	
Oct-09	\$116,722	\$128,757	(\$12,035)	
Nov-09	\$90,020	\$103,611	(\$13,591)	
Dec-09	\$141,840	\$202,869	(\$61,029)	
Jan-10	\$273,406	n/a	n/a	

Cumulative (Over)/Under Recovery	(\$32,443)
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Nolin RECC - Calculation of (Over)/Under

	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)
Jan-09	\$386,382	\$273,518	\$112,864	\$112,864
Feb-09	\$357,696	\$334,479	\$23,217	\$136,081
Mar-09	\$324,902	\$310,692	\$14,210	\$150,291
Apr-09	\$283,083	\$298,519	(\$15,436)	\$134,855
May-09	\$281,644	\$313,250	(\$31,606)	\$103,249
Jun-09	\$316,819	\$337,229	(\$20,410)	\$82,839
Jul-09	\$326,141	\$333,210	(\$7,069)	(\$7,069)
Aug-09	\$360,499	\$373,659	(\$13,160)	(\$20,229)
Sep-09	\$334,888	\$293,686	\$41,202	
Oct-09	\$293,258	\$317,693	(\$24,435)	
Nov-09	\$212,038	\$392,552	(\$180,514)	
Dec-09	\$346,746	\$592,156	(\$245,410)	
Jan-10	\$708,699	n/a	n/a	

Cumulative (Over)/Under Recovery	(\$20,229)
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Salt River RECC - Calculation of (Over)/Under
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	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)
Jan-09	\$542,202	\$583,059	(\$40,857)	(\$40,857)
Feb-09	\$494,092	\$442,529	\$51,563	\$10,706
Mar-09	\$449,377	\$424,529	\$24,848	\$35,554
Apr-09	\$397,019	\$418,803	(\$21,784)	\$13,770
May-09	\$424,518	\$436,457	(\$11,939)	\$1,831
Jun-09	\$486,319	\$557,647	(\$71,328)	(\$69,497)
Jul-09	\$508,780	\$526,328	(\$17,548)	(\$17,548)
Aug-09	\$547,945	\$591,761	(\$43,816)	(\$61,364)
Sep-09	\$492,731	\$529,406	(\$36,675)	
Oct-09	\$404,173	\$429,764	(\$25,591)	
Nov-09	\$296,526	\$458,538	(\$162,012)	
Dec-09	\$487,252	\$331,886	\$155,366	
<i>Jan-10</i>	\$963,394	<i>n/a</i>	<i>n/a</i>	

Cumulative (Over)/Under Recovery	(\$61,364)
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Shelby Energy Cooperative - Calculation of (Over)/Under

	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)
Jan-09	\$230,637	\$224,738	\$5,899	\$5,899
Feb-09	\$218,933	\$196,132	\$22,801	\$28,700
Mar-09	\$195,634	\$176,421	\$19,213	\$47,913
Apr-09	\$172,454	\$181,436	(\$8,982)	\$38,931
May-09	\$177,311	\$186,689	(\$9,378)	\$29,552
Jun-09	\$193,217	\$211,199	(\$17,982)	\$11,571
Jul-09	\$201,539	\$216,719	(\$15,180)	(\$15,180)
Aug-09	\$216,251	\$227,448	(\$11,197)	(\$26,377)
Sep-09	\$202,361	\$222,728	(\$20,367)	
Oct-09	\$178,539	\$182,228	(\$3,689)	
Nov-09	\$129,499	\$145,275	(\$15,776)	
Dec-09	\$199,712	\$153,605	\$46,107	
Jan-10	\$397,554	n/a	n/a	

Cumulative (Over)/Under Recovery	(\$26,377)
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South Kentucky RECC - Calculation of (Over)/Under

	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)
Jan-09	\$784,179	\$680,225	(\$32,426)	(\$32,426)
Feb-09	\$722,685	\$697,828	\$86,351	\$53,925
Mar-09	\$622,408	\$671,236	\$51,449	\$105,374
Apr-09	\$510,538	\$566,009	\$56,399	\$161,773
May-09	\$480,465	\$536,244	(\$25,706)	\$136,067
Jun-09	\$535,927	\$582,860	(\$102,395)	\$33,672
Jul-09	\$562,242	\$628,293	(\$66,051)	(\$66,051)
Aug-09	\$602,525	\$609,518	(\$6,993)	(\$73,044)
Sep-09	\$549,447	\$663,886	(\$114,439)	
Oct-09	\$531,528	\$553,552	(\$22,024)	
Nov-09	\$393,253	\$598,616	(\$205,363)	
Dec-09	\$659,605	\$363,508	\$296,097	
Jan-10	\$1,370,361	n/a	n/a	

Cumulative (Over)/Under Recovery	(\$73,044)
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Taylor County RECC - Calculation of (Over)/Under

	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)
Jan-09	\$244,598	\$244,253	\$345	\$345
Feb-09	\$293,306	\$274,310	\$18,996	\$19,341
Mar-09	\$275,675	\$312,682	(\$37,007)	(\$17,666)
Apr-09	\$239,796	\$256,312	(\$16,516)	(\$34,182)
May-09	\$206,023	\$279,876	(\$73,853)	(\$108,035)
Jun-09	\$194,380	\$218,154	(\$23,774)	(\$131,809)
Jul-09	\$220,599	\$230,961	(\$10,362)	(\$10,362)
Aug-09	\$237,832	\$241,694	(\$3,862)	(\$14,224)
Sep-09	\$248,273	\$284,068	(\$35,795)	
Oct-09	\$214,487	\$215,770	(\$1,283)	
Nov-09	\$209,583	\$219,656	(\$10,073)	
Dec-09	\$154,583	\$127,424	\$27,159	
Jan-10	\$250,304	\$207,744	\$42,560	
Cumulative (Over)/Under Recovery				(\$14,224)

EAST KENTUCKY POWER COOPERATIVE, INC

**PSC CASE NO. 2010-00021
ENVIRONMENTAL SURCHARGE
APPENDIX B
FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 02/11/10
REQUEST 3**

RESPONSIBLE PARTY: Jeffrey M. Brandt

Request 3. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for each of the expense months covered by each billing period under review. For the sulfur dioxide (“SO₂”) emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

Response 3. EKPC purchased no SO₂ emission allowances during the period under review.

Request 3a. For nitrogen oxide (“NO_x”) emission allowance inventory, explain the reasons for all purchases of allowances reported during these expense months.

Response 3a. EKPC purchased no seasonal NO_x allowances during the period under review. Please see the chart on page 2 of this response for purchase of annual NO_x allowances.

NOx (annual) Emission Allowances

Month	Quantity Acquired	Reason
Jul-09	0	
Aug-09	0	
Sep-09	0	
Oct-09	0	
Nov-09	0	
Dec-09	444	For 2009 compliance or for other anticipated future needs (Received from EPA based on early reduction credit)

Request 3b. Explain how the purchase of allowances in the expense months covered by the billing period complies with EKPC’s emissions allowance strategy plan.

Response 3b. EKPC monitors the number of tons of SO₂ and NO_x emitted from its generating stations. Based on these measured emissions, the projected generation, and allowances allocated to EKPC by EPA, EKPC projects 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, to hold in inventory a sufficient number of allowances to cover anticipated utilization of SO₂ and NO_x allowances. Beginning in 2009, the Clean Air Interstate Rules (“CAIR”) have requirements for seasonal as well as annual NO_x allowances.

The goal of EKPC’s Emissions Allowance Strategy Plan is to be in compliance with regulatory requirements while minimizing the volatility to EKPC’s Member Systems. EKPC regularly reviews compliance options and their costs. EKPC’s strategy for achieving its goal 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 compliance strategy includes the purchase of low-sulfur fuel, the purchase of SO₂ and NO_x emission allowances, and operation of Selective Catalytic Reduction ("SCR") equipment. Please also note that the Spurlock Power Station Unit No. 2 scrubber became commercially operational in January 2009, and the Spurlock Power Station Unit No. 1 scrubber became commercially operational in August 2009.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00021

ENVIRONMENTAL SURCHARGE

APPENDIX B

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 2/11/10

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 each billing period under review. For each of the 20 expense account numbers listed on this schedule, explain the reasons 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 8 of this response.

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period July - December 2009

50144	Fuel Coal Gilbert	June	July	Aug	Sept	Oct	Nov	Dec
	Expense Dollars	\$ 146,734	\$ 155,908	\$ 153,816	\$ 39,994	\$ 106,531	\$ 74,247	\$ 80,141
	Expense Dollars Change	\$	\$ 9,174	\$ (2,092)	\$ (113,822)	\$ 66,537	\$ (32,284)	\$ 5,894
	Percent Change		6.25%	-1.34%	-74.00%	166.37%	-30.30%	7.94%

Monthly expense changes are due to increases or decreases in contractor payments for ash removal. Note there were timing issues in billings from contractors for September--EKPC did not receive the invoice until October. The Gilbert unit was off-line for outages for 5 days in October and 13 days in November.

51241	Mtce of Boiler Plant Spurlock 1	June	July	Aug	Sept	Oct	Nov	Dec
	Expense Dollars	\$ 108,350	\$ 11,662	\$ 10,530	\$ 6,886	\$ 14,682	\$ (1,924)	\$ 67,133
	Expense Dollars Change	\$	\$ (96,688)	\$ (1,132)	\$ (3,644)	\$ 7,796	\$ (16,606)	\$ 69,057
	Percent Change		-89.24%	-9.71%	-34.61%	113.22%	-113.10%	-3589.24%

July expense decreased (\$96.7K) over June. Contractor payments were \$6.3K, or (\$99.5K) lower than June. June's large contractor payment was to provide assistance for inspection and repair unit 1 Precipitator of \$93K. Material charges from the warehouse were up \$1.7K and EKPC labor and benefits increased \$1.1K.

September expenses decreased (\$3.6K) over August. Contractor payments were \$7.3K, or \$4.0K more than prior month with EKPC labor and benefits down (\$7.6K).

October expense increased \$7.8K over September. Vendor payments were \$13.1K, an increase of \$5.8K. The largest vendor payment for October was to repair failed Transformer/Rectifier (part of Unit 1 precipitator). EKPC labor and benefits increased \$2.0K for the month.

November expense decreased (\$16.6K) over October due to not having any vendor payments for November, a (\$13.1K) reduction. The repaired Transformer/Rectifier was returned to the warehouse stock for a (\$10.5K) reduction to expenses. EKPC labor and benefits costs increased \$7.0K.

December expense increased \$69K over November. Contractor payments were \$64.7K, a \$64.7K increase over prior month. There was no return of material to the warehouse in December, which led to a \$10.5K increase from last month. EKPC labor and benefits were lower by (\$6.2K). Contractor payments of \$64.7K incurred was for the following work:

- Inspection and Services on Ammonia Tanks and Skid Area
- Labor & Equipment to Water Wash & Vacuum Unit 1 Boiler
- Labor & Equipment for Unit 1 SCR Clean
- Labor & Equipment to Water Wash & Vacuum Unit 1 Precipitators & Associated Equipment
- Material & Labor to Insulate 1" Liquid Ammonia Line from Tank up through SCR

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period July - December 2009

51242	Mtce of Boiler Plant Spurlock 2	June	July	Aug	Sept	Oct	Nov	Dec
	Expense Dollars	\$ 5,975	\$ 537	\$ 4,847	\$ 3,516	\$ 7,255	\$ 2,538	\$ 5,042
	Expense Dollars Change		\$ (5,438)	\$ 4,310	\$ (1,331)	\$ 3,739	\$ (4,717)	\$ 2,504
	Percent Change		-91.01%	802.61%	-27.46%	106.34%	-65.02%	98.66%

July expense is (\$5.4K) lower than June as a result of no contractor payments in July compared to \$3.4K of contractor payments in June for labor to erect and dismantle scaffolding at various locations on Unit 2 Boiler. Contractor expenses were lower by (\$3.4K), while EKPC labor and benefits decreased (\$2.0K) in July.

August expense increased \$4.3K over July due to an increase in maintenance supplies of \$1.8K and \$2.5K more in EKPC labor and benefits. Contractor payments were zero.

September expense was down (\$1.3K) from August due to lower labor and benefits cost. There was no change in maintenance supplies expense.

October expenses increased \$3.7K over September as a result of \$5.5K of materials issued from the warehouse, a \$4.0 increase over prior month, and a (\$0.3K) reduction in EKPC labor and benefits.

November expenses decreased (\$4.7K), as there were zero warehouse charges for November, a (\$5.8K) reduction, offset by an increase in maintenance supplies expense of \$1.1K. There were no changes in labor and benefit cost.

December expenses were up \$2.5K over the November spend due to a (\$0.5K) decrease in EKPC labor and benefits and no change in maintenance supplies expense, while contractor payments increased \$3.0K (for labor and material to erect and dismantle scaffolding at various locations on unit 2 boiler, turbine, SCR, re-boiler and scrubber.)

51244	Maintenance of Boiler Plant Gilbert	June	July	Aug	Sept	Oct	Nov	Dec
	Expense Dollars	66,005	242,977	76,171	45,040	101,290	113,522	435,338
	Expense Dollars Change		176,972	(166,806)	(31,131)	56,250	12,232	321,816
	Percent Change		268.12%	-68.65%	-40.87%	124.89%	12.08%	283.48%

July expenses increased \$177K over June expenses due to charges from the warehouse and material purchases of \$96.5K, up \$91.8K, while EKPC labor was down (\$25.8K). Contractor payments totaled \$138.9K, a \$111.0K increase, for work listed below performed during the spring outage:

- 10K Water Blaster with Operator & Labor Crew for Water Blasting in Unit 3 (3B) Fluid Bed Ash Cooler (FBAC) Box
- Labor & Equipment to Wash & Vacuum #3 Boiler Pollution Control Equipment to Include Fluid Bed Heat Exchanger (FBHE)'s and FBAC's
- Labor & Equipment to Water Wash & Vacuum Unit 3 Baghouse, Flash Dry Absorber (FDA) & Associated Equipment
- Labor & Equipment to Vacuum (3) Seal Pots, (3) Cyclone Separators and (2) Limestone Mills on Unit 3

August expenses were (\$166.8K) lower than July with contractor payments totaling \$38.2K, a reduction of (\$100.7K), while warehouse material charges were \$22.5K, a reduction of (\$74.0K). These reductions are a result of not incurring the spring outage expenses. EKPC labor and expense increased \$7.9K. The \$38.3 K of contractor expense for August was for work listed below:

- Labor for CMS to Rebuild 8 Journal Assemblies for Unit 3 Limestone Pulverizers at CMS Service Center
- Labor & Equipment to Wash & Vacuum Unit 3 Boiler Pollution Control Equipment to Include FBHE's and FBAC's
- Labor & Equipment to Water Wash & Vacuum Unit 3 Baghouse & Associated Equipment

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period July - December 2009**

September expenses were (\$31.1K) below August with contractor payments totaling \$13.5K, or (\$24.7K) lower, while warehouse material charges were \$8.7K, a reduction of (\$13.8K). EKPC labor and benefits were up \$7.4K for the month. September contractor payments were for labor and equipment for refractory repairs on pollution control equipment.

October expense is \$56.2K more than September with contractor payments totaling \$26.0K, a \$12.5K increase over prior month, with warehouse material charges at \$41.6K, up \$32.9K. EKPC labor and benefits are up \$10.8K. October contractor payments were for the following work:

- Labor & Equipment to Wash & Vacuum Unit 3 Boiler Pollution Control Equipment to Include FBHE's and FBAC's
- Labor & Equipment to Water Wash & Vacuum Unit 3 Baghouse & Associated Equipment

November expense increased \$12.2K compared to October. Contractor payments were \$90.7K, up \$64.7K, with warehouse material charges of \$13.4K, a reduction of (\$28.2K). EKPC labor decreased from prior month (\$24.3K). The \$90.7K contractor expense is the following:

- Labor & Equipment to Wash & Vacuum Unit 3 Boiler Pollution Control Equipment to Include FBHE's and FBAC's
- Labor & Equipment to Water Wash & Vacuum Unit 3 Baghouse & Associated Equipment
- Labor & equipment for refractory repairs to unit #3 pollution control equipment to repack (4) Togo expansion joints, repack (3) cyclone inlet expansion joints, repack (3) cyclone outlet expansion joints , close and repack (7) doors after access
- Materials for refractory repairs

December expenses increased \$321.8K over November with contractor expense totaling \$412.5K, an increase of \$321.8K. Warehouse material charges were \$3.9K, or a reduction of (\$9.5K). EKPC labor and benefits were up \$9.5K in December. December contractor expense were for the following:

- Labor to Clean Boiler Areas (mills, FBAC, FBHE, Cyclone, Seal Pots) and Baghouse FDA Areas
- Scaffold for areas -FBAC, FBHE, Cyclone Area, Mills, Seal Pots
- Labor & Material to Make Repairs to Refractory in Boiler & Related Areas
- Labor, equipment, & consumables for X-Ray Services on Spurlock Unit 3 FBHE Superheat Section Tube Repairs
- Labor & Material to Erect & Dismantle Scaffolding at Various Locations on Unit 3 Baghouse, SNCR, FDA & Associated Equipment
- Labor & Material to Erect & Dismantle Scaffolding at Various Locations on Unit 3 Boiler Pollution Control Equipment

512431	Mfce of Boiler Plant Scrubber 1	June	July	Aug	Sept	Oct	Nov	Dec
	Expense Dollars	\$ -	\$ -	\$ -	\$ -	\$ 37,441	\$ 11,638	\$ 69,139
	Expense Dollars Change		\$ -	\$ -	\$ -	\$ 37,441	\$ (25,803)	\$ 57,501
	Percent Change		0.00%	0.00%	0.00%	0.00%	-68.92%	494.08%

Initial maintenance expenses incurred in October were \$37.4K. Contractor expenses were \$25.2K, material totaled \$5.2K, and EKPC labor and benefits were \$7.0K. The contractor expenses were for the following work:

- Rebuild mechanical seals and replace bearing assembly metric and shaft O-ring

November maintenance expense decreased (\$25.8K). Contractor expense was \$2.5K, a (\$22.7K) reduction, with no material charges for a reduction of (\$5.2K). EKPC labor and benefits increased \$2.1K.

December expense increased \$57.5K. Contractor expense was \$66.6K, an increase of \$64.1K. \$4.6K material was returned to the warehouse from the October issue and resulted in (\$4.6K) less expense. EKPC labor and benefits were lower by (\$2.0K). December contract work was for the following:
Contract Maint. Crew to supply labor, tools & consumables to perform preventive maint on Unit 1 Scrubber and Rebuild Mech Seal

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period July - December 2009

512432	Mtce of Boiler Plant Scrubber 2	June	July	Aug	Sept	Oct	Nov	Dec
	Expense Dollars	\$ 83,413	\$ 112,735	\$ 138,552	\$ 133,025	\$ 367,515	\$ 191,821	\$ 91,385
	Expense Dollars Change		\$ 29,322	\$ 25,817	\$ (5,527)	\$ 234,490	\$ (175,694)	\$ (100,436)
	Percent Change		35.15%	22.90%	-3.99%	176.28%	-47.81%	-52.36%

July expense increased \$29.3K over June. Contractor payments were \$88.0K, an increase of \$56.9K, while unused material was returned to the warehouse generating (\$28.5K) lower expense versus prior month. EKPC labor and benefits expenses were up \$0.9K in July. Contractor expenses for July were:

- Contract Maint. Crew to consist of Four (4) Craft Labor Personnel and One (1) Supervisor to supply supervision, labor, tools & consumables to perform preventative & daily maint. activities on Unit 2 Scrubber
- Labor & Equipment for Vacuum Services to Unit 2 Scrubber

August expense increased \$25.8K. Contractor expenses were \$70.6K, or (\$17.4K) lower than prior month. Warehouse material charges were \$26.3K, a \$30.1K increase due the July material returned to stock. EKPC labor and benefits increased \$13.1K. August contractor expenses were for the following:

- Contract Maint. Crew to supply labor, tools & consumables to perform preventative maint on Unit 2 Scrubber

October expenses increased \$234.5K from September. Contractor payments were \$67.8K, a (\$22.3K) decrease from September. Material charges from the warehouse totaled \$258.4K representing a \$256.7K increase over prior month, with no change for EKPC labor and benefits. Contractor payments were for work listed below:

- Labor & Equipment for Vacuum Services to Unit 2 Scrubber
- Contract Maint. Crew to supply labor, tools & consumables to perform preventative maint on Unit 2 Scrubber
- Install Unit 2 Heat Trace

November expense decreased (\$175.7K) from October. Contractor payments totaled \$138.8K, up \$71.0K. Material charged from the warehouse was \$18.0K, a decrease of (\$240.4K) from October. EKPC labor and benefits were down (\$6.3K). Contractor payments were for the following:

- Contract Maint. Crew to supply labor, tools & consumables to perform preventative maint on Unit 2 Scrubber

December expenses were (\$100.4K) lower than November. Contractor payments totaled \$49.4K, down (\$89.4K), with warehouse material charges at \$17.2 K, or (\$0.8K) lower. EKPC labor and benefits were down (\$9.8K). Contractor expenses were for:

- Rebuild Mech Seal for Weir Recycle Pump 100 GSL, Injector plugs and O-rings for Unit 2 Scrubber recycle pumps
- Materials to Insulate Various Areas & Equipment on Unit 2 Scrubber
- Supervision, Labor & Equipment to Remove & Reinsulate Various Areas & Equipment on Unit 2 Scrubber
- Material & Labor - Field Service to Adjust Impellers on Recycle Pump
- Supervised Installation of Reagent Prep Area Sump Pipe Modifications
- Contract Maint. Crew to consist of Four (4) Craft Labor Personnel and One (1) Supervisor to supply supervision, labor, tools & consumables to perform preventative & daily maint. activities on Unit 2 Scrubber

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period July - December 2009

Air Permit Fees

		June	July	Aug	Sept	Oct	Nov	Dec
50621	Misc Stm Pwr Env - Dale							
	Expense Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,619
	Expense Dollars Change							\$ 292,619
	Percent Change							100.00%
50631	Misc Stm Pwr Env - Cooper							
	Expense Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,874
	Expense Dollars Change							\$ 350,874
	Percent Change							100.00%
50645	Misc Stm Pwr Env - Spurlock							
	Expense Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,177
	Expense Dollars Change							\$ 316,177
	Percent Change							100.00%

Air permit fees paid in December for Dale, Cooper and Spurlock for calendar 2008 emissions.

Operating Expense- Ammonia

		June	July	Aug	Sept	Oct	Nov	Dec
50641	Misc Stm Pwr Exp - Spurlock 1							
	Expense Dollars	\$ 57,063	\$ 48,400	\$ (30,410)	\$ 52,762	\$ 44,743	\$ 108,566	\$ 60,249
	Expense Dollars Change		\$ (8,663)	\$ (78,810)	\$ 83,172	\$ (8,019)	\$ 63,823	\$ (48,317)
	Percent Change		-15.18%	-162.83%	-273.50%	-15.20%	142.64%	-44.50%

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

Operating Expense- Ammonia

		June	July	Aug	Sept	Oct	Nov	Dec
50642	Misc Steam Power Exp - Spurlock 2							
	Expense Dollars	\$ 58,506	\$ 47,159	\$ (30,655)	\$ 51,409	\$ 2,710	\$ 105,783	\$ 58,704
	Expense Dollars Change		\$ (11,347)	\$ (77,814)	\$ 82,064	\$ (48,699)	\$ 103,073	\$ (47,079)
	Percent Change		-19.39%	-165.00%	-267.70%	-94.73%	3803.43%	-44.51%

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

Operating Expense- Ammonia and Limestone

		June	July	Aug	Sept	Oct	Nov	Dec
50644	Misc Steam Power Expense- Gilbert							
	Ammonia Expense	\$ 21,425	\$ 17,374	\$ 1,621	\$ 18,940	\$ 16,145	\$ 38,973	\$ 21,628
	Limestone Expense	\$ 115,267	\$ 275,761	\$ 275,644	\$ 261,890	\$ 221,887	\$ 153,817	\$ 217,768
	Limestone Tons Used	11,969	28,448	28,249	26,707	22,573	15,632	22,047
	Total Expense Dollars	\$ 136,692	\$ 293,135	\$ 277,265	\$ 280,830	\$ 238,032	\$ 192,790	\$ 239,396
	Expense Dollars Change		\$ 156,443	\$ (15,870)	\$ 3,565	\$ (42,798)	\$ (45,242)	\$ 46,606
	Percent Change		114.45%	-5.41%	1.29%	-15.24%	-19.01%	24.17%

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period July - December 2009**

July expense increase of \$156,433 is due to (\$4,051) lower payments for Ammonia receipts and a \$160,494 increase in Limestone usage. The Limestone usage increase is because the unit had a 16 day outage in June.

October expenses decreased (\$42,798) as a result of (\$2,795) decrease in Ammonia payments and (\$40,003) less Limestone usage than September. The lower Limestone usage for October was due to the unit being down for five days.

November expense was (\$45,242) lower than October due to \$22,828 more in payments for Ammonia offset by a (\$68,070) reduction in Limestone usage. The reduced usage of Limestone is a result of the unit being out of service for 13 days in November.

December expense increased \$46,606. Ammonia payments decreased (\$17,345) while Limestone usage increased \$63,951. The change in Limestone usage is a result of a 5 day outage in December versus 13 days in November.

Operating Expense- Limestone and Magnesium

506431	Misc Strm Pwr Exp- Spurlock 1	June	July	Aug	Sept	Oct	Nov	Dec
	Magnesium Expense			\$ -	\$ -	\$ 2,279	\$ 4,498	\$ 6,701
	Limestone Expense			\$ 9,123	\$ 114,036	\$ 32,294	\$ 109,340	\$ 68,237
	Limestone Tons Used			968	11,593	3,268	12,133	7,065
	Expense Dollars	\$ -	\$ -	\$ 9,123	\$ 114,036	\$ 34,573	\$ 113,838	\$ 74,938
	Expense Dollars Change	\$ -	\$ -	\$ 9,123	\$ 104,913	\$ (79,463)	\$ 79,265	\$ (38,900)
	Percent Change		0.00%	100.00%	1149.98%	-69.68%	229.27%	-34.17%

The \$9,123 August expense is the initial limestone usage for unit 1 scrubber which went on line.

September expense increased \$104,913 for limestone usage.

October expense decreased (\$79,463) as a result of (\$81,742) less limestone usage offset by the initial payment for magnesium of \$2,279.

November expense increased \$79,265 due to \$77,046 more limestone usage with \$2,219 increase for magnesium receipts.

December expenses were down (\$38,900) because of (\$41,103) for lower limestone usage and \$2,203 increase for magnesium receipt payments.

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period July - December 2009

Operating Expense-Limestone and Magnesium

506432	Misc Stm Pwr Exp- Spurlock 2	June	July	Aug	Sept	Oct	Nov	Dec
	Magnesium Expense	\$ 29,901	\$ -	\$ 58,714	\$ 17,706	\$ 15,136	\$ 7,339	\$ 10,933
	Limestone Expense	\$ 205,790	\$ 195,161	\$ 194,088	\$ -	\$ 181,146	\$ 69,906	\$ 138,542
	Limestone Tons Used	21,901	20,373	20,125	-	18,849	6,251	14,344
	Expense Dollars	\$ 235,691	\$ 195,161	\$ 252,802	\$ 17,706	\$ 196,282	\$ 77,245	\$ 149,475
	Expense Dollars Change		\$ (40,530)	\$ 57,641	\$ (235,096)	\$ 178,576	\$ (119,037)	\$ 72,230
	Percent Change		-17.20%	29.54%	-93.00%	1008.56%	-60.65%	93.51%

July expense decreased (\$40,530) due to (\$10,629) lower usage of limestone with a (\$29,901) decrease in magnesium receipt payments.

August expense increased \$57,641, limestone usage was down (\$1,073) while payment for magnesium receipts increased \$58,714.

September expense decreased (\$235,096) due to for the entire month. Limestone usage decreased (\$194,088) and magnesium decreased (\$41,008).

October expense increased \$178,576 as the unit was offline for 8 days versus the entire month in September. Limestone usage increased \$181,146 and magnesium payments decreased (\$2,570).

November expenses were (\$119,037) lower than October due to the unit being off line 14 days versus 8 days. Limestone usage was down (\$111,240) with payments for magnesium down (\$7,797).

December expense increased \$72,230 as limestone usage was up \$68,636 and magnesium payments up \$3,594.

Operating Expense- Ammonia and Limestone

506445	Misc Stm Pwr Exp- Spurlock 4	June	July	Aug	Sept	Oct	Nov	Dec
	Ammonia Expense	\$ 5,185	\$ 11,169	\$ 398	\$ 12,176	\$ 10,134	\$ -	\$ 13,904
	Limestone Expense	\$ 265,124	\$ 166,953	\$ 220,936	\$ 248,066	\$ 103,497	\$ 186,218	\$ 264,719
	Limestone Tons Used	27,537	17,244	22,630	25,297	10,533	18,908	26,809
	Expense Dollars	\$ 270,309	\$ 178,122	\$ 221,334	\$ 260,242	\$ 113,631	\$ 186,218	\$ 278,623
	Expense Dollars Change		\$ (92,187)	\$ 43,212	\$ 38,908	\$ (146,611)	\$ 72,587	\$ 92,405
	Percent Change		-34.10%	24.26%	17.58%	-56.34%	63.88%	49.62%

July expense decreased (\$92,187) due to the unit being off line 7 days with limestone usage down (\$98,171) and magnesium receipt payments up by \$5,984.

August expense increased \$43,212 with limestone usage up \$53,983 and magnesium receipt payments lower (\$10,771). The unit was down 6 days.

September expense increased \$38,908. Limestone usage increased \$27,130 while magnesium payments increased as well \$11,778.

October expenses decreased (\$146,611) because of 18 days outage resulting in (\$144,569) less limestone usage and (\$2,042) lower magnesium pmts.

November exp increased \$72,587 since the unit was down 4 days vs 18 the prior month. Limestone usage was up \$82,721 and magnesium down (\$10,134)

December expense increased \$92,405 with no off line days. Limestone usage increased \$78,501 with increased magnesium of \$13,904.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00021

ENVIRONMENTAL SURCHARGE

APPENDIX B

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 2/11/10

REQUEST 5

RESPONSIBLE PARTY: Frank J. Oliva

Request 5. Provide the percentage of EKPC's debt issuances directly related to projects in the approved compliance plan that have a variable interest rate as of the November 2009 expense month.

Response 5. The percentage is 0%. The debt issuances directly related to projects in the approved compliance plan are at fixed interest rates.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00021

ENVIRONMENTAL SURCHARGE

APPENDIX B

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 2/11/10

REQUEST 6

RESPONSIBLE PARTY: Frank J. Oliva

Request 6. The Settlement Agreement in Case No. 2004-00321 provides that the EKPC's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the six-month surcharge review. Provide the following information as November 30, 2009.

a. The debt issuances directly related to projects in the approved compliance plan and subsequent amendment 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 and subsequent amendment.

c. EKPC's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.35 TIER. Include all supporting calculations showing how the weighted average debt cost was determined.

Response 6. a-c. Please see the schedule on page 2 of this response.

Weighted Average Cost of Debt

Compliance Project	Loan Source (1)	NBV 11/30/2009 (2)	Composite Rate (3)	Weights (4)=(2)*(3)	Rate of Return (5) = (4)*1.35
1 Gilbert (Environmental Portion)	Z-8	\$60,724,532	4.71%	0.484%	
2 Spurlock 1 - Precipitator	Y-8	\$19,000,071	4.92%	0.158%	
3 Spurlock 1 - SCR	Y-8	\$63,370,267	4.92%	0.528%	
4 Spurlock 2 - SCR	Y-8	\$31,464,875	4.92%	0.262%	
5 Spurlock #4 (Environmental Portion)	AD-8	\$83,395,445	4.50%	0.635%	
6 Spurlock #1 Scrubber	AG-8	\$144,247,500	4.33%	1.056%	
7 Spurlock #2 Scrubber	AG-8	\$188,756,031	4.44%	1.417%	
		<u>\$590,958,721</u>		<u>4.540%</u>	<u>6.129%</u>

PSC Request 6
Page 2 of 2

Y-8 30-year	Note Number (1)	Current Liability 11/30/2009 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4) / Total (2) (5)
HO720		22,566,262	4.460%	1,006,455	
HO725		22,686,167	4.819%	1,093,246	
HO730		22,546,963	4.950%	1,116,075	
HO750		22,774,003	5.091%	1,159,424	
HO755		22,792,399	5.149%	1,173,581	
HO760		22,765,718	5.065%	1,153,084	
HO765		22,748,437	5.011%	1,139,924	
HO770		24,615,791	5.149%	1,267,467	
HO885		6,043,963	4.890%	295,550	
HO960		10,607,793	4.338%	460,166	
HO1005		4,121,959	4.306%	177,492	
		<u>204,269,455</u>		<u>10,042,464</u>	<u>4.92%</u>

Z-8 30-year	Note Number (1)	Current Liability 11/30/2009 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4) / Total (2) (5)
HO810		47,332,090	4.744%	2,245,434	
HO815		47,370,835	4.825%	2,285,643	
HO820		47,427,864	4.946%	2,345,782	
HO825		23,645,226	4.658%	1,101,395	
HO830		23,605,551	4.497%	1,061,542	
HO835		23,656,636	4.705%	1,113,045	
HO840		23,563,936	4.332%	1,020,790	
HO845		17,907,039	4.324%	774,300	
HO855		28,317,969	4.468%	1,265,247	
HO860		28,318,569	4.470%	1,265,840	
HO870		28,406,458	4.769%	1,354,704	
HO890		14,375,035	5.345%	768,346	
HO895		9,582,416	5.333%	511,030	
HO915		22,205,130	4.776%	1,060,517	
HO920		22,447,713	4.812%	1,080,184	
HO1025		3,583,317	3.801%	136,202	
		<u>411,745,784</u>		<u>19,390,600</u>	<u>4.71%</u>

AD-8 30-year	Note Number (1)	Current Liability 11/30/2009 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4) / Total (2) (5)
FO925		49,655,965	4.821%	2,393,914	
FO930		24,825,108	4.736%	1,175,717	
FO935		49,645,633	4.669%	2,317,955	
FO940		24,812,801	4.384%	1,087,793	
FO945		49,644,186	4.648%	2,307,462	
FO955		49,641,210	4.605%	2,285,978	
FO965		7,940,234	4.396%	349,053	
FO975		19,849,406	4.355%	864,442	
FO980		19,849,781	4.368%	867,038	
FO985		24,817,880	4.527%	1,123,505	
FO990		24,825,720	4.754%	1,180,215	
FO995		24,821,229	4.623%	1,147,485	
FO1000		7,839,863	4.298%	336,957	
FO1010		24,811,469	4.347%	1,078,555	
FO1015		24,813,554	4.405%	1,093,037	
FO1020		7,326,280	2.846%	208,506	
FO1030		24,747,030	3.651%	903,514	
FO1065		14,541,898	4.252%	618,322	
		<u>474,409,247</u>		<u>21,339,447</u>	<u>4.50%</u>

AG-8 30-year	Note Number (1)	Current Liability 11/30/2009 (2)	Interest Rate (3)	Yearly Interest (4)	Composite Rate Total (4) / Total (2) (5)
F1035 Spurlock #2 Scrubber		35,000,000	3.988%	1,395,800	
F1040 Spurlock #2 Scrubber		25,000,000	4.374%	1,093,500	
F1045 Spurlock #2 Scrubber		25,000,000	4.391%	1,097,750	
F1050 Spurlock #2 Scrubber		25,000,000	4.925%	1,231,250	
F1055 Spurlock #2 Scrubber		40,000,000	4.605%	1,842,000	
F1060 Spurlock #2 Scrubber		25,000,000	4.600%	1,150,000	
F1070 Spurlock #2 Scrubber		11,354,000	4.262%	483,907	
F1130 Spurlock #2 Scrubber		6,000,000	3.990%	239,400	
		<u>192,354,000</u>		<u>8,533,607</u>	<u>4.44%</u>
F1070 Spurlock #1 Scrubber		13,646,000	4.262%	581,593	
F1075 Spurlock #1 Scrubber		25,000,000	4.100%	1,025,000	
F1085 Spurlock #1 Scrubber		25,000,000	4.464%	1,116,000	
F1100 Spurlock #1 Scrubber		25,000,000	4.569%	1,142,250	
F1095 Spurlock #1 Scrubber		25,000,000	4.390%	1,097,500	
F1105 Spurlock #1 Scrubber		7,260,000	4.142%	300,709	
F1115 Spurlock #1 Scrubber		20,000,000	4.175%	835,000	
		<u>140,906,000</u>		<u>6,098,052</u>	<u>4.33%</u>