

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

OWEN ELECTRIC COOPERATIVE, INC. PASS- )  
THROUGH OF EAST KENTUCKY POWER ) CASE NO. 2010-00179  
COOPERATIVE, INC. WHOLESALE RATE )  
ADJUSTMENT )

COMMISSION STAFF'S THIRD INFORMATION REQUEST  
TO OWEN ELECTRIC COOPERATIVE, INC.

Pursuant to 807 KAR 5:001, Owen Electric Cooperative, Inc. ("Owen") is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Owen shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Owen fails or refuses to furnish all or part of the requested information, Owen shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Exhibit 3 of Owen's application, page 6 of 7, and the application of East Kentucky Power Cooperative, Inc. ("EKPC") Case No. 2010-00167,<sup>1</sup> Volume 5, Tab 58, page 11 of 13. Tab 58 shows that under current rates, EKPC's total revenue for power supplied to Gallatin Steel ("Gallatin") is \$48,534,624. Owen Exhibit 3 shows that its current retail revenue from Gallatin is \$48,882,777, for a margin, or mark-up, of almost \$350,000. Tab 58 shows that under proposed rates, EKPC's total revenue from power supplied to Gallatin would be \$51,656,241. Owen Exhibit 3 shows its proposed retail revenue from Gallatin to be \$51,462,598, or nearly \$200,000 less than the wholesale amount that will be charged by EKPC. As proposed, it appears that the flow-through of the EKPC increase on a proportional basis will result in Owen "losing" money on its service to Gallatin. Confirm whether this is correct. If yes, explain why this result is reasonable.

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<sup>1</sup> Case No. 2010-00167, Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates (filed June 8, 2010).

2. Refer to Owen's response to Item 1, page 1 of 3, of Commission Staff's Second Information Request. Owen states that it filed its application pursuant to the authority of KRS 278.455 and 807 KAR 5:007 and does not believe that billing its special contract customer at the EKPC special contract rate is consistent with the statute and regulation.

a. Explain whether Owen is aware that KRS 278.455(3) states that "[a]ny rate increase or decrease as provided for in subsections (1) and (2) of this section shall not apply to special contracts under which the rates are subject to change or adjustment only as stipulated in the contract."

(1) If yes, explain why Owen believes the increase to Gallatin should be determined on a proportional basis rather than being based on EKPC's special contract rate.

(2) If no, state whether Owen now believes that the proposed rates for Gallatin should reflect the special contract rate proposed by EKPC.

b. When revising its application in Case No. 2008-00421<sup>2</sup> to pass through the most recent EKPC wholesale increase based on "the proportional method," Owen's revisions resulted in the pass-through of the full amount of the EKPC increase to Gallatin. Explain how, with its current application, Owen determined that the approach it used when it revised its application in Case No. 2008-00421 was no longer appropriate.

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<sup>2</sup> Case No. 2008-00421, Application of Owen Electric Cooperative Corporation for an Order Authorizing an Increase in Its Retail Electric Rates Equal to the Increase in Its Wholesale Power Costs (Ky. PSC Mar. 31, 2009).

c. Based on retail rates for Gallatin which reflect the special contract wholesale rate in EKPC's application, provide revised versions of all exhibits in Owen's application that will be affected by this change in the rates for Gallatin. Include in the response an electronic version of revised Exhibit 3 of Owen's application.

3. Provide a description of the billing process for Gallatin, Owen's one special contract customer, and a sample bill. Identify the party which generates the bill and explain whether the amount determined to be owed by Gallatin based on EKPC's tariff is always the amount billed to Gallatin. If the amount can differ, explain why.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED: SEP 20 2010

cc: Parties of Record

Honorable James M Crawford  
Attorney At Law  
Crawford & Baxter, P.S.C. Attorneys at Law  
523 Highland Avenue  
P. O. Box 353  
Carrollton, KY 41008

Honorable Michael L Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OH 45202

Mark Stallons  
President & CEO  
Owen Electric Cooperative, Inc.  
8205 Highway 127 North  
P. O. Box 400  
Owenton, KY 40359