

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES FOR )  
WHOLESALE ELECTRIC POWER )  
TO MEMBER COOPERATIVES OF ) CASE NO. 8648  
EAST KENTUCKY POWER )

ORDER

IT IS ORDERED that East Kentucky Power Cooperative, Inc., shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, by December 7, 1982. Each copy of the response should be placed in a bound volume with each item tabbed. If a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1a, page 1 of 3. Careful attention should be given to copied material to insure that it is legible. Include with each response the name of the witness who will be responsible for responding to questions related to the information provided. Where information requested herein has been submitted elsewhere in the record, reference may be made to the specific location of said information in responding to this request. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case will be dismissed.

Information Request No. 2

1. Provide a schedule for each of the 18 member co-operatives served by East Kentucky showing the number of retail customers served at the beginning and end of the test year and the average number of customers served during the test year, all broken down according to rate classes.

2a. Provide the derivation of the adjusted level of surplus and economy sales of 117,000 MWH including all assumptions made in deriving this projected level of sales.

b. Provide a listing of surplus and economy sales since the end of the test year on a monthly basis through October 1982. Show sales volume and revenue generated.

3a. Provide a detailed analysis comparing the cost of operating Spurlock Unit No. 2 with scrubbers, burning low-cost coal with the current cost of operating Spurlock No. 2 without the scrubbers, burning compliance coal.

b. Explain whether or not it would be possible to defer the commercialization of the Spurlock No. 2 scrubbers and describe the possible results or repercussions of such action.

4. Explain in detail how the adjustment for turbine overhaul expense was calculated. Show the calculation of the incremental cost for each generating unit and show how this compares to the total overhaul cost per unit shown in Case No. 8400.

5. Provide the test year amounts for right-of-way

maintenance expense and pole treatment expense. Provide all components of these costs showing the volume of work performed and the unit costs for all types of work.

6. Provide the derivation of the proposed adjustment of \$400,000 for energy management. Include all assumptions made in deriving this level of expense.

7a. Provide all references and supporting documentation from REA which set out the co-op's accounting treatment for interest earnings on pollution control funds held by trustee as shown in Combs Exhibit A.

b.. Provide a detailed description of the proposed change in REA Bulletin 181-3 concerning the accounting treatment of interest costs and earnings associated with the issuance of municipal securities to construct pollution control facilities. Provide the current status of the proposal and indicate when East Kentucky expects to implement this change.

8a. Provide a funds-flow schedule of the construction work in progress account. This should be broken down by debt issues and should show the year-end balance of \$230,355,812, the reduction of \$90,941,399, and the adjusted balance of \$139,414,213.

b. Provide a reconciliation of the adjusted level of CWIP with the adjusted amount of \$12,378,123 for interest charged to construction.

9a. Provide all necessary workpapers and calculations

to support the adjusted level of interest charged to construction indicated in the response to the telephone request from staff. This level would be \$21,237,429 (\$12,378,123 per pro forma income statement + \$8,859,306 per page 2 of response).

b. Explain how it was determined that the full amount of \$8,859,306 would be recorded as interest charged to construction.

10a. Indicate whether REA has approved the proposed depreciation rate of 3.3 percent for the Spurlock No. 2 pollution control facilities and provide documentation of this approval.

b. Provide the basis of the 8 percent depreciation rate for the energy control center. Indicate whether this is a composite rate for several components or one rate for the entire facility.

11. Provide a reconciliation of the amounts of \$10,011,375 and \$14,367,481, respectively, for salaries and wages expensed and total salaries and wages shown on Item 9C, page 2 of the response to the Commission's first request with the amounts of \$10,972,436 and \$14,451,586 shown in the calculation of the wage adjustment in Adkins Exhibit 7.

12. Explain in detail how the optimum level for the coal inventory is determined and explain, in light of the fluctuating nature of this item, why the level reflected at June 30, 1982, should be included in the rate base rather than an average amount.

13. Provide the derivation of the total wages of \$1,255,140 for Spurlock No. 2 scrubber employees as it compares to base wages of \$1,100,318.

14. For the \$76,500,000 of the Spurlock pollution control bonds tied directly to the prime rate, provide the rate of interest at the end of the month for each month from February 1982 through October 1982.

15. Provide the corrected amount for MWH sales to Fox Creek RECC during the test year (See Item 30, Page 1 of 2, of the response to the Commission's previous request) and the correct total for MWH sales to all 18 cooperatives.

16. Referring to Item 9a of the response to the Commission's first information request provide the following:

- (a) A detailed analysis of the increase in Account No. 428, Amortization of Debt Discount including a detailed explanation of the levels of expense incurred during the months of December 1981 through April 1982.
- (b) A detailed analysis of the increase in Account No. 500, Operation Supervision and Engineering. This should include a breakdown between materials and labor charges for the test year and the 12-months preceding the test year with a detailed explanation for the level of expense incurred during the month of December 1981.

- (c) A detailed analysis of the increase in Account No. 505, Electric Expense. This should include a breakdown between materials and labor charges for the test year and the 12 months preceding the test year with detailed explanations for the levels of expenses incurred during the months of July and November 1981 and February and June 1982.
- (d) A detailed analysis of the increase in Account No. 506, Miscellaneous Steam Power Expenses. This should include a breakdown between materials and labor charges for the test year and the 12 months preceding the test year with detailed explanations for the levels of expense incurred during the months of November and December 1981.
- (e) A detailed analysis of the increase in Account No. 511, Maintenance of Structures. This should include a breakdown between materials and labor charges for the test year and the 12 months preceding the test year with detailed explanations for the levels of expense incurred in the months of October and November 1981 and May 1982.
- (f) A detailed analysis of the increase in Account No. 512, Maintenance of Boiler Plant. This should include a breakdown between materials and labor

charges for the test year and the 12 months preceding the test year with detailed explanations for the levels of expense incurred in the months of August through December 1981 and March 1982.

- (g) A detailed analysis of the increase in Account No. 560, Operation Supervisor and Engineering. This should include a breakdown between materials and labor charges for the test year and the 12 months preceding the test year with a detailed explanation for the level of expense incurred during the month of December 1981.
- (h) A detailed analysis of the increase in Account No. 571, Maintenance of Overhead Lines. This should include a breakdown between materials and labor charges for the test year and the 12 months preceding the test year with detailed explanations for the levels of expense incurred during the months of August and December 1981 and March 1982.

17. Describe the furnace explosion at Dale Unit No. 2 on August 9, 1981. Explain the cause of the explosion, describe the work done as a result of the outage, and show the expenses incurred for this work and the accounts charged.

18. Describe the precipitator maintenance on Dale Unit No. 3 during August and September of 1981. Show the expense incurred for this work and the accounts charged.

19. Describe the scheduled maintenance outages at Spurlock Unit 1 and 2 during October 1981. Show the amount of expense incurred for this work and the accounts charged.

20. Describe the seasonal maintenance outage at Cooper Unit No. 1 during October 1981. Show the amount of expense incurred for this work and the accounts charged.

21. Describe the seasonal maintenance outage at Cooper Unit No. 2 during November 1981. Show the amount of expense incurred for this work and the accounts charged.

22. Describe the maintenance outage at Cooper Unit No. 2 during February 1982. Show the amount of expense incurred for this work and the accounts charged.

23. Describe the scheduled outage for the first year inspection at Spurlock Unit No. 2 during March and April 1982. Indicate the amount of expense incurred by the utility for this work and the accounts charged.

24. Describe the seasonal maintenance outage for Cooper Unit No. 1 during May 1982. Indicate the amount of expense incurred by the utility for this work and the accounts charged.

25. Describe the maintenance outage at Spurlock Unit No. 2 during May and June 1982 for chimney liner repairs. Indicate the amount of expense incurred for this work and the accounts charged.



26. Describe the maintenance outage at Dale Units 1 and 2 during May and June 1982 for overhaul and inspection. Indicate the amount of expense incurred for this work and the accounts charged.

Done at Frankfort, Kentucky, this 29th day of November, 1982.

PUBLIC SERVICE COMMISSION

  
By the Commission

ATTEST:

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Secretary