

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY, AND A CERTIFICATE OF ) CASE NO. 98-544  
ENVIRONMENTAL COMPATABILITY, FOR )  
THE CONSTRUCTION OF A COMBUSTION )  
TURBINE GENERATING UNIT AND RELATED )  
TRANSMISSION FACILITIES, IN CLARK AND )  
MADISON COUNTIES, KENTUCKY )

O R D E R

IT IS ORDERED that East Kentucky Power Cooperative, Inc. ("East Kentucky") shall file the original and 10 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than December 18, 1998.

1. Refer to Exhibit I(a). The Board of Directors' resolution authorizes East Kentucky to seek approvals from the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC").

a. What approvals does East Kentucky need to secure from RUS and CFC?

b. The application states that financing for the proposed construction would be through RUS. Did East Kentucky consider securing financing also from CFC? Explain the response.

c. Describe the status of the financing request with RUS. If East Kentucky has not applied for the financing as of the date of this Order, indicate when its application will be submitted to RUS.

2. Refer to Exhibit II. When updating the 1997 Integrated Resource Plan ("IRP"), did East Kentucky limit its analysis of supply-side resources only to those options originally considered in the 1997 IRP, or were other options explored as part of the update? Explain the response.

3. Refer to RFP Table 1, RFP Table 2 and RFP Table 3, on pages 3, 4, and 5 of Exhibit II.

a. Provide all supporting calculations of how the total fixed costs of \$3,126,000 and \$1,563,000 for Bid No. PR 19-EKCT were derived.

b. Provide all supporting data and calculations of how the Expected Energy Cost of \$40.00 per MWH for Bid No. PR 19-EKCT was derived.

c. Provide all supporting data and calculations of how the Annual Average Energy Cost of \$31.56 per MWH (Table 1), \$41.50 per MWH (Table 2), and \$70.06 per KWH (Table 3) for Bid No. PR19-EKCT were derived.

4. Provide all supporting data and calculations to support the Total Cost breakdown in Exhibit V for the year 2002. More specifically, how are the values for Fuel-CT4, Var. and Fixed O&M-CT4, Fixed Capital-CT4, Fixed Capital-CT4 Transmission, and CT4 Transmission O&M derived.

5. Exhibit II, page 13, states that a map of East Kentucky's transmission system is provided at the end of the report, but no map was included. Provide the referenced map.

6. Exhibit II, page 16, states that, "Alternative 2 can support only about 75 MW of generation before a new outlet is required. Therefore, Alternative 2 would not be able to adequately support the fifth CT projected in EKPC's 1997 IRP Plan." Alternative 2 will require the reconductoring of the existing Dale-Fawkes 138 KV line.

a. When was the existing line installed?

b. Assuming that Alternative 1 was constructed, when would the existing Dale-Fawkes 138 KV line need to be reconducted?

c. Has East Kentucky considered any alternatives other than those provided in this case?

(1) If yes, describe each additional alternative and explain why it was rejected.

(2) If no, explain why no additional alternatives were considered.

7. Refer to Exhibit II, pages 14 and 15. In both of the transmission facilities alternatives listed, East Kentucky has assumed that Kentucky Utilities Company ("KU") will increase its nameplate capacity of a transformer at the Lake Reba Tap substation.

a. Has KU indicated to East Kentucky a willingness to invest in such a transformer upgrade? Describe the status of discussions held to date with KU concerning this work.

b. If available, what would be the estimated cost to KU to increase the transformer capacity?

c. Would East Kentucky be responsible for any of the costs to increase the transformer capacity? Explain the response.

8. Concerning the new 11.5 mile transmission line between the J.K. Smith combustion turbines and KU's Lake Reba Tap substation:

a. Provide a listing of all permits and approvals, including rights-of-way, which East Kentucky will need to secure in connection with the proposed transmission line. Indicate the status of each item as of the date of this Order.

b. Provide the estimated time to construct this new line, and compare that with the estimated time to construct the second transmission alternative considered by East Kentucky.

c. In its Application for a Certificate of Environmental Compatibility, East Kentucky did not disclose this proposed new transmission line when discussing transmission facilities. Explain why such a disclosure was not made.

9. Describe East Kentucky's plans concerning any future participation in the Midwest Independent System Operator ("ISO") or any other regional transmission organization.

10. Refer to Exhibit V. Explain how the annual interest rate of 6.5 percent was determined.

11. In Exhibit VI, pages 4 and 5, Mr. Brown states that East Kentucky will discontinue its diversity power exchange agreement with CINergy on March 31, 2000. However, in Exhibit II, the Update to the 1997 IRP, page 6 indicates that there is only one year remaining on this agreement.

a. On what date will the agreement with CINergy expire?

b. Does East Kentucky intend to terminate this agreement prematurely?

12. In Exhibit VIII, page 3, Mr. Atchison states that East Kentucky and KU are currently working together to study the best transmission proposal for the needed generation outlet capability related to the J.K. Smith site. Mr. Atchison further states East Kentucky expects the joint study to select the new 11.5 mile transmission line alternative.

a. As of the date of this Order, what is the status of the study group's

work?

b. When is a final decision expected from the study group?

c. If the study group's work was not finalized by the date this

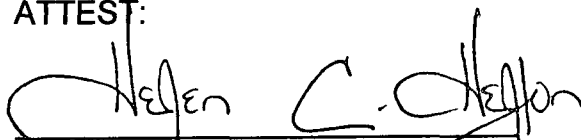
application was filed, explain in detail why a certificate for the transmission line is being sought along with the combustion turbine.

Done at Frankfort, Kentucky, this 4th day of December, 1998.

PUBLIC SERVICE COMMISSION

  
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For the Commission

ATTEST:

  
\_\_\_\_\_  
Executive Director