

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR APPROVAL	)	CASE NO.
OF A DEPRECIATION STUDY	)	2006-00236

INITIAL DATA REQUEST OF COMMISSION STAFF  
TO EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to 807 KAR 5:001, Commission Staff requests that East Kentucky Power Cooperative, Inc. ("EKPC") file the original and 7 copies of the following information with the Commission no later than 20 days from the date of this request, with a copy to all parties of record. Each copy of the information 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 its legibility. 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.

1. Refer to the Direct Testimony of Ann F. Wood ("Wood Testimony"), page
2.
  - a. Provide a copy of the request for proposals ("RFP") as issued for the depreciation study.

b. Identify the four firms sent the RFP and the two firms that responded.

c. Provide the total cost to EKPC of the Gannett Fleming, Inc. ("Gannett") depreciation study.

2. Refer to the Wood Testimony, page 3.

a. Has EKPC submitted a request to the Rural Utilities Service ("RUS") seeking approval of the new depreciation rates?

b. If yes to part (a), provide a copy of the request and indicate the status of EKPC's request with the RUS. If RUS has approved the depreciation rates, include a copy of the RUS approval letter.

c. If no to part (a), indicate when EKPC intends to submit a request for approval to RUS.

3. Refer to the Wood Testimony, page 4. Ms. Wood states that upon approval by the Commission, EKPC plans to make a "catch up" adjustment to the depreciation expense recovered through the environmental surcharge, reflecting the change in depreciation expense from January 2006 forward.

a. Explain in detail why EKPC believes it should be permitted to retroactively apply the new depreciation rates in its environmental surcharge.

b. Was EKPC aware that in Case Nos. 2001-00140<sup>1</sup> and 2001-00141,<sup>2</sup> Kentucky Utilities Company and Louisville Gas and Electric Company were

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<sup>1</sup> Case No. 2001-00140, Application of Kentucky Utilities Company for an Order Approving Revised Depreciation Rates, final Order dated December 3, 2001.

<sup>2</sup> Case No. 2001-00141, Application of Louisville Gas and Electric Company for an Order Approving Revised Depreciation Rates, final Order dated December 3, 2001.

permitted to use the newly approved depreciation rates for accounting and rate-making purposes for all of calendar year 2001, but the new depreciation rates were only applied prospectively in the environmental surcharge calculations?

c. Describe in detail any circumstances or conditions that exist at EKPC that would support the retroactive, rather than prospective, application of the new depreciation rates in the environmental surcharge.

4. Refer to the Wood Testimony, Wood Exhibit 1, page II-14. Provide the workpapers, calculations, analyses, and other documentation that support the net salvage percentages shown for the five accounts listed on page II-14.

5. Refer to the Wood Testimony, Wood Exhibit 1, page II-17. Provide the workpapers, calculations, analyses, and other documentation that support the amortization periods shown for the six accounts listed on page II-17.

6. Refer to the Wood Testimony, Wood Exhibit 1, pages III-4 through III-7.

a. For each Iowa Survivor Curve listed in column 3, provide graphs depicting the estimated smooth survivor curve and original survivor curve(s), when applicable, related to each specific utility plant account group. If the original survivor curve is plotted, provide the corresponding original life table for that utility plant account group. If this type of analysis was not performed by Gannett, explain in detail why not.

b. Explain in detail why the majority of the utility plant accounts have a "Net Salvage Percent" of zero, as shown in column 4.

c. Provide a "Summary of Book Salvage" analysis for each utility plant account shown on pages III-4 through III-7. If this analysis was not performed by Gannett, explain in detail why not.

7. Provide a schedule comparing the data shown in columns 8 through 10 on pages III-4 through III-7 with the actual financial information as of December 31, 2005, the current depreciation rates, and the current estimated composite remaining life for the accounts listed.

8. Refer to the Wood Testimony, Wood Exhibit 1, page III-4.

a. Explain in detail why any additions to the Dale Generating Station after December 31, 2005 should be depreciated at rates in excess of 7.0 percent.

b. If EKPC installs production plant assets at the Dale Generating Station, Account Nos. 311.00 through 316.00, would this tend to extend the life of the Dale Generating Station beyond 2019? Explain the response.

9. Refer to the Wood Testimony, Wood Exhibit 1, pages III-5 and III-6. Describe the Survivor Curve identified as "Square" in column 3.

10. Refer to the Wood Testimony, Wood Exhibit 1, page III-6. Explain why amounts for columns 9 and 10 were not shown for the line titled "Total Miscellaneous Power Plant Equipment."

11. Refer to the Wood Testimony, Wood Exhibit 1, pages III-32 through III-49.

a. Explain in detail why the analysis titled "Calculated Remaining Life Depreciation Accrual Related to Original Cost as of December 31, 2005" shown on these pages incorporated a net salvage percentage of negative 5.0 percent while the corresponding plant accounts shown on page III-4 show a net salvage percentage of zero.

b. Resubmit the analysis contained on pages III-32 through III-49 reflecting a net salvage percentage of zero.

12. Refer to the Wood Testimony, Wood Exhibit 1, pages III-72 through III-74.
- a. Explain in detail why the composite remaining life and annual accrual rate percentage shown on page III-74 does not match the composite information shown in columns 9 and 10 on page III-6 for Account No. 390.00, Structures and Improvements.
- b. Explain in detail why the analysis shown on pages III-72 through III-74 does not show the derivation of the column 9 and 10 information provided on page III-6 for the line items "Large" and "Small" under Account No. 390.00.
13. Resubmit pages III-72 through III-74 showing the determination of the composite remaining life and annual accrual rate percentage information for the "Large" and "Small" categories under Account No. 390.00.



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DATED July 27, 2006

cc: All Parties