

**Frost  
Brown Todd** LLC  
ATTORNEYS

RECEIVED

FEB 06 2009

PUBLIC SERVICE  
COMMISSION

KENTUCKY · OHIO · INDIANA · TENNESSEE · WEST VIRGINIA

Mark David Goss  
(859) 244-3232  
MGOSS@FBTLAW.COM

February 6, 2009

Via Hand-Delivery

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

Re: Case No. 2008-00409

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 Staff's Third Data Request, dated January 23, 2009, and the Supplemental Data Request of the Attorney General ("AG"), dated January 23, 2009. An original and ten redacted copies of EKPC's Responses to the Second Data Request of Kentucky Industrial Utility Customers, Inc. ("KIUC"), dated January 23, 2009, are also enclosed.

You will also please find an original and ten copies of EKPC's Petition for Confidential Treatment of Information regarding designated responses to KIUC data requests, along with a copy of the designated confidential pages.

Please return a file stamped copy of all of the above to me in the enclosed self-addressed, stamped envelope.

Sincerely yours,



Mark David Goss

Enclosures

cc: Parties of Record







COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES ) CASE NO.  
OF EAST KENTUCKY POWER ) 2008-00409  
COOPERATIVE, INC. )

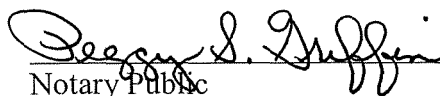
CERTIFICATE

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Craig A. Johnson, 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 Third Data Request in the above-referenced case dated January 23, 2009, 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 February, 2009.

  
Notary Public

My Commission expires:

December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

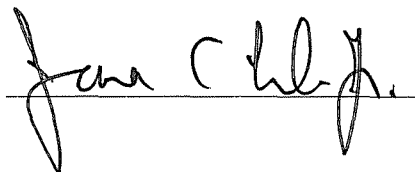
IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES ) CASE NO.  
OF EAST KENTUCKY POWER ) 2008-00409  
COOPERATIVE, INC. )

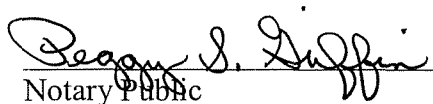
CERTIFICATE

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

James C. Lamb, Jr., 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 Third Data Request in the above-referenced case dated January 23, 2009, 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 February, 2009.

  
Notary Public

My Commission expires:

December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

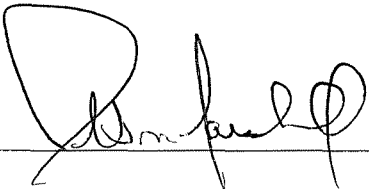
IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES	)	CASE NO.
OF EAST KENTUCKY POWER	)	2008-00409
COOPERATIVE, INC.	)	

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Robert M. Marshall, 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 Third Data Request in the above-referenced case dated January 23, 2009, 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 3rd day of February, 2009.

Claudia V. Embury  
 Notary Public

My Commission expires:

March 23, 2011

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES	)	CASE NO.
OF EAST KENTUCKY POWER	)	2008-00409
COOPERATIVE, INC.	)	

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 Third Data Request in the above-referenced case dated January 23, 2009, 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.

Frank J. Oliva

Subscribed and sworn before me on this 3<sup>rd</sup> day of February, 2009.

Reagan S. Guffin  
 Notary Public

My Commission expires: December 8, 2009



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

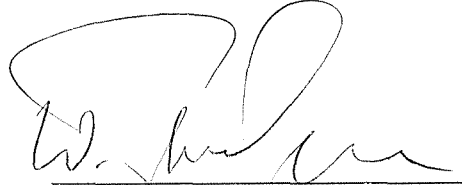
IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES ) CASE NO.  
OF EAST KENTUCKY POWER ) 2008-00409  
COOPERATIVE, INC. )


CERTIFICATE

STATE OF KENTUCKY )  
                                  OLDHAM )  
COUNTY OF JEFFERSON )

William Steven Seelye, 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 Third Data Request in the above-referenced case dated January 23, 2009, 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 3rd day of February, 2009.

  
Notary Public

My Commission expires:

12-02-10

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES ) CASE NO.  
OF EAST KENTUCKY POWER ) 2008-00409  
COOPERATIVE, INC. )

CERTIFICATE

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff Third Data Request in the above-referenced case dated January 23, 2009, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F. Wood

Subscribed and sworn before me on this 4th day of February, 2009.

Deann S. Griffin  
Notary Public

My Commission expires:

December 8, 2009

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>GENERAL ADJUSTMENT OF ELECTRIC RATES</b>	)	<b>CASE NO.</b>
<b>OF EAST KENTUCKY POWER</b>	)	<b>2008-00409</b>
<b>COOPERATIVE, INC.</b>	)	

**RESPONSES TO COMMISSION STAFF'S THIRD DATA REQUEST  
TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED JANUARY 23, 2009**



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 1**

**RESPONSIBLE PERSON:** Frank J. Oliva

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 1.** Refer to the response to Item 1.c. of the Commission Staff's second data request ("Staff's second request").

**Request 1a.** Provide a detailed narrative description of the \$650,000 increase, from the base period to the forecasted period, in regular time labor.

**Response 1a.** The \$650,000 increase in regular time labor from the base period to the forecasted period can be attributed to personnel changes as follows:

The Corporate Services area has 3 new positions budgeted in the forecast period that were not included in the base period; 1 position was added during the base period and has been included in the budget amounts of the forecast period. This area also has 4 vacant positions which are included in the budget amounts.

The Power Supply area had 1 vacant position included in the budget amounts.

The Finance area had 1 position unbudgeted for the months of September-December, 2008 which is included in the base period. This position is included in the budget amounts of the forecast period.

**Request 1b.** Provide a detailed narrative description of the \$523,000 increase, from the base period to the forecasted period, in maintenance and service agreements.

**Response 1b.** Of the \$523,000 increase from the base period to the forecasted period in maintenance and service agreements, \$500,000 is for the new financial software.

**Request 1c.** The last item in the response is “[e]mployee education including training on new financial software - \$518,000.” Identify the nature of the employee education aside from the training on the new financial software and provide the amount thereof. Provide, also, the amount related to training on the new financial software and explain whether or not this will be a one-time expense.

**Response 1c.** Of the \$518,000 increase in employee education, \$137,000 is for all expenses (course registration, travel, meals, and lodging) related to conferences, seminars, and technical training on operating specific equipment. The remaining increase of \$381,000 is training on the new financial software and is a one-time expense related to initial user training.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 2**

**RESPONSIBLE PERSON:** William Steven Seelye

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 2.** Refer to the response to Item 4 of Staff's second request in which East Kentucky states that it is seeking a ruling on its Phase Two Rates in this proceeding.

**Request 2a.** Given that it proposes for its Phase Two Rates to be effective one year after its Phase One Rates take effect, explain whether East Kentucky requires a ruling on the Phase Two Rates at the same time as a ruling on the Phase One Rates.

**Response 2a.** EKPC respectfully requests that the Commission issue a ruling regarding the Phase Two rates at the same time as the ruling on the Phase One Rates. The Phase One and Phase Two rates are designed to generate the same overall revenue requirement and are thus revenue neutral.

**Request 2b.** East Kentucky also indicates that it plans for the Phase Two Rates "pass-through" filings of its member systems to be filed pursuant to the 30-day notice requirement contained in KRS 278.180. Assuming, for the purpose of this request, that its Phase One Rates are effective June 1, 2009, at the end of the suspension period, and its Phase Two Rates are, therefore, scheduled to become effective June 1, 2010, explain whether this means that East Kentucky intends for its members to file their Phase Two applications 30 days prior to June 1, 2010.



**Response 2b.** Yes.

**Request 2c.** If the answer to part b. of this request is affirmative, explain whether East Kentucky has considered the potential complications if the Commission determines that it cannot adequately review 16 Phase Two “pass-through” filings in 30 days and decides that they must be suspended.

**Response 2c.** A number of EKPC's members have indicated that they plan to file general rate case applications to implement changes in their retail rates to go into effect concurrently with EKPC's proposed Phase 2 rates. Indeed, EKPC has encouraged its member systems to follow this path for implementation of the Phase 2 rates. Any such rate case filings would be subject to the normal 5- or 6-month maximum suspension period.

Other member systems, however, may choose to file flow-through rates pursuant to KRS 278.180. Because KRS 278.180 requires that the flow-through must be effectuated on a proportional basis, the review necessary for the flow-through filings should be less extensive than a rate case filing. Nevertheless, EKPC recognizes that a 30-day notice may not provide sufficient time for the Commission to review the flow-through rates. Therefore, EKPC would not have any objection, and, indeed, would encourage those member systems which plan to file for flow-through rates to do so no later than 90 days prior to the effective date of the rates. This would provide the Commission approximately three months to review the proportional flow-through rates.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09  
REQUEST 3**

**RESPONSIBLE PERSON: David G. Eames**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 3.** Refer to the response to Item 5 of the Staff's second request. Clarify whether the gist of the response is that, although the new combustion turbines ("CTs") are scheduled to become operational October 1, 2009, when eight months of the forecasted test year remain, the forecasted test year actually contains nine months of depreciation expense for the two CTs.

**Response 3.** When the budgeting process began, the CT's were scheduled to become operational on September 1, 2009. Depreciation expense for nine months was forecasted based on this operational date. However, late in the budgeting process, the operational date was revised to October 1, 2009, but depreciation expense was not changed. Therefore, the forecasted test year depreciation on this project is overstated by one month.

Since the submission of responses to the Commission Staff's Second Data Request, the commercial operation date of the CT's has changed. Please see Response 15(a)(7), and KIUC Response 4.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 4**

**RESPONSIBLE PERSON:** David G. Eames/William Steven Seelye

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 4.** Refer to the response to Item 13.b. of the Staff's second request and to Eames Exhibit 1 to the Testimony of David G. Eames. The \$67.9 million increase in revenues proposed by East Kentucky is based on the recovery "[o]f all interest costs through current rates."

**Request 4a.** Explain why East Kentucky proposes current recovery of all interest costs as opposed to continuing to capitalize interest during construction as it has done historically.

**Response 4a.** Beginning with this general rate case, EKPC is proposing to include Construction Work in Progress (CWIP) in rate base and to discontinue accruing Allowance for Funds Used During Construction (AFUDC) on current construction projects. Recovering interest expenses through rates on a current basis, rather than accruing AFUDC, should help strengthen EKPC's financial condition and should help prevent a further deterioration in its members' equity percentage.

It has been the longstanding regulatory practice in Kentucky to allow utilities to include CWIP in rate base rather than accrue AFUDC. Specifically, the Commission has traditionally allowed Louisville Gas and Electric Company (LG&E), Kentucky Utilities

Company (KU) and other utilities to recover current interest expenses on CWIP balances through rates. The Commission's regulatory practice of allowing CWIP in rate base was affirmed on appeal in a Franklin Circuit Court ruling in Case Nos. 84-CI-0936 and 84-CI-1451 dated November 11, 1987.

There is little question that the Commission's longstanding practice of allowing CWIP in rate base is one of the reasons that utilities in Kentucky currently have some of the lowest rates in the country. Allowing utilities to recover current interest and other capital charges through rates prevents the buildup of capital costs along with compounded interest charges that must be subsequently borne by ratepayers. Furthermore, recovering current interest charges on CWIP balances through rates is consistent with the ratemaking principle of gradualism and helps prevent the rate shock effect that is often seen with AFUDC ratemaking.

**Request 4b.** Provide a revised version of Eames Exhibit 1 which reflects the continued capitalization of interest during construction for the forecasted test period. Include any necessary narrative explanation, supporting documents, spreadsheets, calculations, etc.

**Response 4b.** Please see pages 3 and 4 of this response for the inclusion of AFUDC. Please note that the totals on line 39 for June 2009 through May 2010 have been corrected for a formula error. This correction does not impact EKPC's revenue requirement calculation.

EAST KENTUCKY POWER COOPERATIVE

Budgeted Statement of Operations

Forecasted Test Year June 2009 - May 2010

	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	Totals
STATEMENT OF OPERATIONS													
Electric Energy Revenues													
1 Power Sales-Member Coops - Basic Rate	51,785,981	58,174,842	57,165,523	50,166,265	45,672,574	52,826,789	64,293,059	68,630,721	59,352,634	56,992,109	46,358,215	47,937,042	659,355,754
2 Power Sales-Member Coops - Fuel Clause	4,839,308	5,695,708	9,418,926	7,092,765	4,579,464	4,936,575	12,775,630	12,408,150	11,360,270	11,385,749	6,637,509	5,791,586	97,617,660
3 Power Sales-Member Coops - Env Surcharge	7,767,296	8,888,698	9,507,524	8,197,366	7,038,178	7,838,500	10,742,159	11,429,314	9,559,858	9,230,840	7,236,952	7,288,484	104,725,169
4 Power Sales-Member Coops - Steam	861,269	860,969	933,981	905,265	964,278	912,316	1,147,638	1,136,189	1,082,146	1,083,028	965,690	947,268	11,800,037
5 Power Sales - Off System	1,332,340	1,119,946	1,159,704	1,311,731	1,001,815	253,615	272,436	398,354	439,280	1,096,284	866,814	734,687	9,987,006
6 Wheeling Revenue	201,540	197,760	223,545	198,933	173,994	176,604	188,281	279,490	214,328	178,513	173,754	182,381	2,389,123
7 Other Operating Revenue - Income	30,467	30,467	30,467	30,467	30,767	30,767	30,767	39,307	39,307	39,307	39,307	27,646	399,043
8 Total Operating Revenue & Patronage Capital	66,818,201	74,968,390	78,439,670	67,902,792	59,461,070	66,975,166	89,449,370	94,321,525	82,743,823	80,005,830	62,278,241	62,909,994	886,273,772
9													
10 Operation Expenses													
11 Production Costs Excluding Fuel - Dale	477,104	469,997	469,184	463,716	479,841	464,416	640,107	488,372	510,420	495,218	483,466	486,527	5,928,368
12 Production Costs Excluding Fuel - Cooper	557,426	552,584	561,302	539,761	511,439	499,980	804,347	581,184	517,271	539,935	524,800	527,535	6,717,566
13 Production Costs Excluding Fuel - Spurluck	2,158,225	2,183,518	2,332,563	2,247,311	2,052,964	2,266,813	2,966,644	2,241,025	2,313,730	2,460,945	2,212,164	2,412,475	27,867,977
14 Production Costs Excluding Fuel - Gilbert & Unit #4	1,374,399	1,396,093	1,401,168	1,199,684	1,231,260	1,373,908	1,829,238	1,611,141	1,544,243	1,650,955	1,582,465	1,289,805	17,484,359
15 Production Costs Excluding Fuel - Smith	311,289	326,539	322,352	313,687	326,984	305,960	384,450	365,610	367,110	376,117	411,167	364,290	4,175,555
16 Production Costs Excluding Fuel - Dist. Generation	153	153	153	153	153	153	154	143	143	143	143	143	1,787
17 Production Costs Excluding Fuel - Landfill Gases	50,083	49,886	50,284	49,706	50,341	50,347	86,825	52,070	56,974	59,352	57,000	58,190	671,058
18 Production Costs Excluding Fuel - Allowances	801,662	984,403	960,270	723,776	511,628	768,152	838,169	230,884	199,796	185,781	117,482	298,867	6,620,870
19 Fuel-Dale	2,288,615	3,295,610	3,109,849	2,033,868	2,164,900	3,418,382	3,345,152	4,145,336	3,543,148	3,014,705	1,761,213	2,252,758	34,373,536
20 Fuel-Cooper	4,411,534	5,446,015	5,317,069	3,840,413	3,194,767	5,541,300	6,007,884	7,248,205	6,257,236	5,678,807	3,202,800	5,272,808	61,418,838
21 Fuel-Spurluck	14,145,642	14,903,387	14,925,454	13,936,695	15,091,507	11,329,378	16,102,554	17,475,018	15,660,028	16,864,338	15,932,923	14,955,227	181,322,151
22 Fuel - Gilbert & Unit #4	8,372,066	8,490,319	8,686,413	8,177,557	5,841,637	7,147,048	8,789,917	9,025,075	7,977,677	8,825,489	6,955,397	6,359,150	94,647,945
23 Fuel-Smith	1,770,513	5,375,556	3,909,124	2,018,749	1,380,452	5,529,129	6,045,764	5,427,273	4,226,393	2,369,864	1,647,992	1,427,582	41,128,391
24 Fuel-Distributive Generation	534	534	534	534	534	534	794	266	534	534	534	534	6,400
25 Fuel-Landfill Gas	40,548	7,817	(456,001)	40,687	4,885	(10,275)	42,188	9,428	(5,061)	41,793	8,475	(11,754)	(287,270)
26 Fuel Handling	1,189,333	1,175,217	1,170,849	1,166,233	1,034,919	1,169,731	1,233,858	1,244,890	1,286,210	1,284,707	1,277,848	1,091,699	14,327,494
29 Other Power Supply	4,691,895	6,182,885	6,037,943	4,568,392	4,460,144	8,322,164	8,404,411	10,316,391	7,896,440	5,019,813	4,519,617	4,283,122	74,703,217
30 Other Power Supply--ACES Fees	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	2,484,000
31 Transmission Wheeling	1,405,070	1,346,746	1,377,196	1,305,222	1,214,810	1,296,902	1,319,317	2,198,733	1,548,283	875,710	929,816	815,145	15,632,950
32 Transmission Expense	934,015	950,027	933,555	931,043	1,248,363	935,152	1,041,326	1,192,816	1,029,009	1,062,322	1,032,744	1,061,082	12,351,454
33 Distribution Expense	80,153	99,467	79,095	78,540	79,871	79,132	92,111	92,502	84,294	80,351	86,164	89,946	1,021,626
34 Customer Accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
35 Customer Service and Information	137,026	134,417	136,972	138,785	138,738	137,263	173,049	171,473	147,411	157,978	143,017	148,461	1,764,590
36 Sales	833	833	833	833	833	833	1,253	417	833	833	833	833	10,000
37 Administrative and General	2,133,529	3,042,756	1,782,730	2,071,089	1,858,633	2,092,466	1,867,540	3,357,943	2,249,476	2,546,210	1,844,206	1,828,751	26,675,329
38 Total Operation Expenses	47,538,647	56,621,759	53,315,891	46,055,434	43,086,403	52,925,868	62,244,054	67,683,195	57,618,598	53,798,900	44,939,266	45,220,176	631,048,191

1	Production - Date	731,612	420,074	331,994	307,082	362,163	236,866	284,756	409,515	290,934	778,659	6,987,890
2	Production - Cooper	715,809	1,056,730	3,061,490	1,460,136	903,078	465,387	610,957	619,026	613,670	618,257	11,555,726
3	Production - Spurlock	1,369,329	1,550,929	1,614,960	1,447,080	1,477,484	1,305,840	1,390,642	1,484,017	1,921,692	1,379,292	18,072,193
4	Production - Gilbert & Unit #4	487,920	461,523	536,883	974,948	436,051	394,237	621,662	596,867	399,926	1,819,538	7,675,335
5	Production - Smith	69,605	69,741	603,010	70,112	88,383	50,719	65,734	395,777	436,761	116,734	2,105,772
6	Production - Dist. Generation	3,912	3,920	3,966	3,913	4,016	3,940	3,921	3,923	3,922	3,921	47,177
7	Production - Landfill Gases	85,749	104,339	387,640	259,303	396,405	89,140	306,105	181,937	120,126	105,605	2,230,238
8	Transmission Expense	486,784	396,264	400,679	395,546	522,563	274,312	391,158	393,311	391,510	393,658	4,839,045
9	Distribution Expense	81,855	82,000	84,805	81,862	102,816	64,565	81,665	81,961	80,946	81,665	987,836
10	General Plant	103,942	159,232	77,590	79,242	77,888	91,937	136,098	88,620	141,369	76,098	1,245,791
11	Total Maintenance Expenses	5,673,293	4,122,461	7,103,564	5,077,870	4,428,597	2,976,933	3,892,698	4,254,954	4,400,856	5,373,427	55,747,003
12												
13												
14												
15												
16												
17	Depreciation/Amortization	5,723,016	5,723,363	6,063,468	6,109,495	6,450,578	6,318,749	6,320,249	6,335,160	6,335,491	6,345,947	73,558,311
18	Taxes	0	0	0	0	0	0	0	800	0	0	800
19	Interest on Long-Term Debt	10,667,749	11,140,546	11,139,513	11,027,355	11,288,671	11,420,418	11,096,753	11,562,532	11,921,671	12,059,814	135,783,887
20	Interest During Construction	0	0	0	0	0	0	0	0	0	0	0
21	Other Interest Expense	3,288	3,397	3,288	3,397	3,397	3,397	3,068	3,397	3,288	3,397	39,999
22	Other Deductions	224,378	224,386	223,747	223,728	259,251	190,156	223,980	223,876	223,674	(101,100)	2,363,706
23	Total Fixed Costs	16,618,431	17,091,629	17,627,623	17,504,547	18,001,897	17,932,720	17,644,050	18,125,765	18,484,124	18,308,058	211,746,703
24												
25												
26	Total Cost of Electric Service	69,830,371	77,835,849	74,608,984	67,612,550	84,674,548	88,592,848	79,155,346	76,179,619	67,824,246	68,901,661	898,541,897
27												
28	Operating Margins	(3,012,170)	(2,867,459)	(8,356,520)	(8,533,119)	4,775,422	5,728,677	3,588,477	3,826,211	(5,546,005)	(5,992,567)	(12,268,125)
29												
30												
31	Non-Operating Items											
32	Interest Income	336,637	348,197	347,842	344,532	347,623	320,752	311,008	320,467	317,133	320,179	4,007,189
33	Allowance for Funds used for Construction	0	0	0	0	0	0	730,607	857,969	878,290	957,245	3,424,111
34	Other Non-Operating Income	(2,150)	(2,100)	(2,194)	(2,116)	(2,586)	(2,856)	(2,470)	(2,626)	(2,222)	(2,270)	(27,912)
35	Other Capital Credits/Patronage Dividends	4,166	4,166	4,166	4,166	4,174	4,166	4,166	4,166	4,166	4,166	250,000
36	Total Non-Operating Items	338,653	350,263	349,814	346,582	349,211	322,062	1,043,311	1,179,976	1,197,367	1,279,320	7,653,388
37												
38												
39	Net Patronage Capital & Margins(Deficits)	(2,673,517)	(2,517,196)	(8,006,706)	(8,186,537)	5,124,633	6,050,739	4,631,788	5,006,187	(4,348,638)	(4,713,247)	(4,614,737)
40												
41	TIER											0.966
42												
43	DSC											0.6423

0.966  
0.6423





**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 5**

**RESPONSIBLE PERSON:** Gary T. Crawford

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 5.** Refer to the response to Item 18 of the Staff's second request and to Exhibits GTC-A, B, and C to the Testimony of Gary T. Crawford ("Crawford Testimony"). The response indicates that the cost estimates included in the forecasted test year for Spurlock 4 and Smith 9 and 10 are those included in East Kentucky's 2009-2011 budget rather than the more current estimated costs discussed in the Crawford Testimony.

**Request 5a.** Explain why East Kentucky made the decision to include the budget estimates in its forecasted test year rather than the more current estimates.

**Response 5a.** The 2009 budget estimates are the official cost estimates for the referenced projects. While management and staff update the estimates periodically throughout the budget year, these updates do not reflect an official revision to the budget and are therefore, considered to be management tools used to monitor overall cost performance as compared to the official budget.

**Request 5b.** Pages 10-11 of the Crawford Testimony indicate that there is a cost estimate for Smith 1 more current than the estimate in the 2009 budget. However, the

testimony also states that this more current estimate is not expected to change the estimated expenditures on Smith 1 during the forecasted test year from what was included in the 2009 budget. Provide a detailed explanation for why a decrease in the total estimated cost of the unit, from \$804 million to \$766.7 million, is not expected to impact the level of expenditures on the unit during the forecasted test year.

**Response 5b.** The lower costs in the more recent estimate are not expected to occur in the early months of project construction. The more current Smith 1 estimate is based on the same construction start dates (January 2010) as the former estimate. Therefore, the project construction costs (CWIP) in the forecasted test year (from January through May 2010) are anticipated to be the same for both estimates.

**Request 5c.** The estimated cost of \$164 million for Smith 1 as of the end of the forecasted test year was based on construction beginning in January 2010, as stated on page 10 of the Crawford Testimony. It has been approximately three months since the filing of East Kentucky's application. Explain whether East Kentucky currently expects to begin construction on Smith 1 in January 2010. If the expected date has changed to any extent, explain why.

**Response 5c.** Current plans for starting construction of Smith 1 have not changed since the filing of East Kentucky's application and continue to be dependent on timely receipt of financing and environmental approvals. These are expected by late 2009.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2008-00409**  
**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**  
**REQUEST 6**

**RESPONSIBLE PERSON:** James C. Lamb, Jr.

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 6.** Refer to the response to Item 19 of the Staff's second request, specifically, page 1 of 4 of the attachment thereto, which appears to show that, on average, for each of the last nine years included in East Kentucky's 1994 forecast (2000 - 2008), actual winter peak demand exceeded the forecast peak demand by roughly 13 percent. It also shows that the next three forecasts, 1998, 2002, and 2004, included significantly higher peak demands than the 1994 forecast but that lower peak demands have been included in the 2006 and 2008 forecasts, compared to the three prior forecasts.

**Request 6a.** Recognizing that 2000 - 2008 represents the last nine years of a 14-year period covered by East Kentucky's 1994 forecast, what general factors would account for the differences between actual and forecast peak demands for that period.

**Response 6a.** There are 3 general factors that account for the difference between 2000-2008 actual versus 2000-2008 as projected in 1994. The factors are (1) residential sales, (2) large retail load growth, and (3) load factor. Each factor is addressed below.

**Residential Sales**

The following table reports total residential sales and average residential use per

customer for the period 2000 through 2007. Note that the 1994 forecast increasingly underforecasts actual occurrence.

Year	Residential Sales (MWh)			Residential Use Per Customer (kWh / Month)		
	Actual	1994 Forecast	Actual Minus Forecast	Actual	1994 Forecast	Actual Minus Forecast
2000	5,626,500	5,190,812	435,688	1,140	1,087	53
2001	5,797,895	5,313,759	484,136	1,148	1,090	58
2002	6,166,723	5,441,449	725,274	1,193	1,094	99
2003	6,205,364	5,588,728	616,636	1,172	1,101	71
2004	6,337,737	5,726,719	611,018	1,170	1,107	63
2005	6,751,547	5,850,290	901,257	1,228	1,109	119
2006	6,548,160	5,946,001	602,159	1,173	1,106	67
2007	6,998,554	6,127,562	870,992	1,237	1,119	118

There are several reasons for this – first, heat pumps have grown by a much higher rate than was projected. Second, non HVAC usage has grown sharply starting in the mid nineties, driven primarily by home computing and home electronics. Finally, home heating via wood dropped off sharply – it declined much more rapidly than the 1994 forecast had projected.

#### Large Retail Load Growth

The following table reports how large C&I load growth has been higher than the 1994 projection. Kentucky has had historical success in attracting electric intensive manufacturing facilities, and EKPC member systems have seen a number of such facilities locate in their service areas. It should be noted that as of 2007, EKPC members

served 121 retail customers in this group – such a relatively small number means that a single new customer can influence the numbers below.

Year	Large C&I Sales (MWh)			Large C&I Use Per Customer (MWh / Year)		
	Actual	1994 Forecast	Actual Minus Forecast	Actual	1994 Forecast	Actual Minus Forecast
2000	1,503,523	1,317,292	186,231	14,574	14,164	410
2001	1,666,141	1,345,372	320,769	14,943	14,162	781
2002	1,798,352	1,374,157	424,195	16,201	14,167	2,034
2003	1,874,104	1,395,625	478,479	14,135	14,241	-106
2004	1,989,780	1,417,676	572,104	14,622	14,036	586
2005	2,020,875	1,440,327	580,548	14,688	14,121	567
2006	2,078,245	1,463,594	614,651	15,509	14,073	1,436
2007	2,137,525	1,500,519	637,006	17,665	14,024	3,641

Load Factor

Note the earlier point about heat pumps. Their penetration into EKPC member system service areas has been at a high rate. While heat pumps are an efficient heating and cooling appliance, at cold temperatures their efficiency decreases sharply. As a result of such a rapid penetration of heat pumps, today’s EKPC system load factor is lower than was projected in 1994. EKPC winter peak demands have likewise been higher than projected in 1994, as reported in the PSC second data request, question 19.

**Request 6b.** Being short on capacity, as it has been in recent years, for how many years does East Kentucky need accurate forecasting results in order to properly plan on meeting its customers' future needs? Explain the response.

**Response 6b.** This request presupposes that EKPC's existing state of being short capacity is related to its load forecast. That is not the case. EKPC's capacity shortage is due to 2 factors, neither of which is load related. Those factors are (1) the contract for power supply that EKPC signed with Kentucky Pioneer Energy, and (2) a planning philosophy developed around 2002 whereby EKPC decided to utilize the wholesale market for firm power supply. Both factors are detailed below.

*Kentucky Pioneer Energy (KPE)*

In 1999 EKPC signed a power supply agreement whereby KPE would provide 540 MW of capacity and energy. This arrangement ultimately was unwound, but during the time that EKPC included it as a power supply resource, the size of the purchase prohibited any additional power supply resources to be developed. Once it became apparent that EKPC was not going to see any power supply from KPE, the company began to push ahead with additional power supply plans, very much in a catch-up mode.

*EKPC Planning Philosophy*

Please see Section 9.2 of EKPC's 2003 Integrated Resource Plan for a description of this philosophy. To summarize, around 2002 EKPC decided to no longer plan capacity for winter peak plus reserves. Rather, capacity planning was constrained to the average of the EKPC winter and summer peak.

EKPC's plan was to explicitly utilize the wholesale power market for winter capacity. This plan was developed at a time when winter market prices were relatively inexpensive.



EKPC has subsequently abandoned this philosophy and has returned to capacity planning based on its winter peak plus reserves.

In summary, EKPC's current lack of capacity is not due to its forecast of long-term sales and peaks. Rather, it is due to a contract for power supply that subsequently fell through, and an EKPC planning philosophy developed around 2002 that emphasized market purchases in the winter season.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 7**

**RESPONSIBLE PERSON:** Craig A. Johnson

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 7.** Refer to Item 27 of the response to the Staff's second request. In addition to the overhaul scheduled for Cooper 1 in the fall of 2009, clarify whether any portion of the cost of the overhauls of Dale 1 and 2 in the spring of 2009 will be incurred during the forecasted test year. If yes, provide the amounts.

**Response 7.** Yes, Dale Unit 1's turbine overhaul is scheduled during a unit outage beginning on April 20, 2009, and lasting until June 12, 2009. Dale Unit 2's overhaul is scheduled during a unit outage beginning on April 27, 2009, and lasting until June 19, 2009. EKPC is expecting charges of \$1,350,000 in June of the forecasted test year.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 8**

**RESPONSIBLE PERSON:** William Steven Seelye

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 8.** Refer to the response to Item 29 of the Staff's second request. Specify which items in the Steam Allocation Attachment trace to Seelye Exhibit 6 and identify their specific locations in the Exhibit.

**Response 8.** The specifically-assigned steam plant of \$17,374,007 shown at the bottom of the response to Staff Request 29 is included in Functional Vector F001 shown on pages 27 and 28 of Seelye Exhibit 6. F001 is used to functionally assign production plant in the cost of service study.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09  
REQUEST 9**

**RESPONSIBLE PERSON: William Steven Seelye**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 9.** Refer to the response to Item 34 of the Staff's second request which states that a combustion turbine would likely qualify for low-cost financing from Rural Utilities Service at a rate that "[i]s currently less than 4 percent." Using this information, provide a revised Seelye Exhibit 8.

**Response 9.** Please see attached.

Seelye Exhibit 8

**East Kentucky Power Cooperative, Inc.**  
Avoided Cost Estimate of Interruptible Power

Estimated Installed Cost of a CT	\$ 550	per kW
Estimated Cost of Capital	4.00%	
Depreciation	4.00%	
ASL for CT	25	Years
Annual Capacity Cost	\$35.21	per kW
Annual Fixed O&M Expenses	6.5	per kW
Total Annual Cost	\$51.71	per kW
Monthly Cost	\$4.30	per kW





**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 10**

**RESPONSIBLE PERSON: Gary T. Crawford**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 10.** Refer to the response to Item 39 of the Staff's second request, which states that the \$45.6 million budgeted for a wind farm in 2010 represents a placeholder for development of a 25 MW wind farm, if and when it can be justified.

**Request 10a.** Identify what portion, if any, of the \$45.6 million is included in the forecasted test year.

**Response 10a.** The construction cost of the wind farm included in the forecasted test year totals \$18,991,675.

**Request 10b.** Identify the schedules, exhibits, etc. that can be used to verify if, and in what amount, a portion of the \$45.6 million is included in the forecasted test year.

**Response 10b.** Please see the response to KIUC's Second Data Request 21.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 11**

**RESPONSIBLE PERSON:** Frank J. Oliva

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 11.** Refer to the response to Item 40 of the Staff's second request.

**Request 11a.** The discussion of the maintenance cost for Spurlock 2 being over budget for 2008 states that this was "[p]rimarily due to maintenance projects associated with the 10-year overhaul" of the unit. Explain whether this means that the \$8.5 million budgeted (shown in the response to Item 27 of Staffs second request) for the overhaul did not include some of the maintenance projects associated with the overhaul or if it means that the projects were included but that some, or all, of them turned out to be more costly than the amounts budgeted for them.

**Response 11a.** The \$8.5 million included all of the projects associated with the 10-year overhaul of the turbine/generator and work associated with the boiler and pollution control equipment. The overhaul of the turbine/generator was over budget. The work associated with a boiler maintenance project involving a dissimilar metal weld replacement was also over budget. The amount of scaffolding necessary to support the maintenance projects was under estimated.

**Request 11b.** The discussion of the Smith 3 overhaul being over budget for 2008 focuses on the timing of the overhaul verses the receipt of invoices from contractors that

performed the work of the overhaul and how that impacted when costs were recorded. Aside from the timing issue, the response indicates that the overhaul was \$5.5 million over budget at completion. Explain why the actual cost was so much greater than the budgeted amount.

**Response 11b.** The amount estimated for the Smith CT 3 overhaul was obtained from historical cost for performing similar work on the other combustion turbines. Smith CT 3 had numerous unexpected problems that could not have been foreseen prior to the outage. The major items included a cracked turbine casing, replacement of the third stage vanes, replacement of the compressor vane carrier, and a generator ground fault repair.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 12**

**RESPONSIBLE PERSON:** Ann F. Wood

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 12.** Refer to the response to Item 41 of the Staff's second request. The forecasted test year will include the installation of Smith Units 9 and 10 and, based on the information in East Kentucky's application, five months of construction on Smith 1.

**Request 12a.** Provide the supporting workpapers, spreadsheets, etc. which show how the 89.4 percent of payroll charged to expense and the 10.6 percent of payroll capitalized in the forecasted test period were derived. Include appropriate narrative descriptions of the calculations as needed.

**Response 12a.** Please note that 10.2 percent of payroll is capitalized and 89.8 percent of payroll is expensed in the forecasted test year. Please see the enclosed CD for the supporting calculations.

**Request 12b.** Provide, for each of the calendar years 2004 through 2008, annual payroll showing the amount and percentages charged to expense and the amount and percentages capitalized.

**Response 12b.** Please see page 2 of this response.

	Year 2008	Year 2007	Year 2006	Year 2005	Year 2004
Regular Time Labor-Capitalized	6,096,551.92	4,988,091.16	4,206,139.64	3,962,603.18	3,289,526.06
Overtime Labor-Capitalized	1,143,703.39	622,505.66	505,440.91	707,959.40	887,967.16
TOTAL Labor-Capitalized	7,240,255.31 14.6%	5,610,596.82 11.4%	4,711,580.55 10.0%	4,670,562.58 10.2%	4,177,493.22 9.3%
Regular Time Labor-Expensed	37,315,285.84	38,419,537.63	38,224,795.57	36,790,031.73	36,279,622.17
Overtime Labor-Expensed	5,204,430.31	5,078,258.11	3,954,835.86	4,247,283.32	4,244,144.98
TOTAL Labor-Expensed	42,519,716.15 85.4%	43,497,795.74 88.6%	42,179,631.43 90.0%	41,037,315.05 89.8%	40,523,767.15 90.7%
TOTAL Labor	49,759,971.46	49,108,392.56	46,891,211.98	45,707,877.63	44,701,260.37





**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 13**

**RESPONSIBLE PERSON: Ann F. Wood**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 13.** Refer to the response to Item 42 of the Staff's second request. Provide, for each of the calendar years 2004 through 2008, East Kentucky's Other Operating Revenue - Income.

**Request 13.** Please see Application Volume 5, Tab 54, Page 2 of 4, for calendar years 2004 through 2007. Other operating Revenue-Income for 2008 totals \$2,589,338.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 14**

**RESPONSIBLE PERSON: Ricky L. Drury**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 14.** Refer to the response to Item 47 of the Staffs second request. The request asked that East Kentucky provide the budgeted cost to be incurred in the forecasted test year for projects with in-service dates that fall within or after the forecasted test year. It is unclear whether this response addresses that request. Although the pages of the response contain a heading that appears consistent with the request, the response includes (1) projects with in-service dates prior to the forecasted test period and (2) columns with headings that refer to amounts budgeted for either calendar year 2009 or 2010, but no column with amounts specifically budgeted for the forecasted test period. Provide the information as originally requested or, in the alternative, an explanation of how this response complies with the original request.

**Response 14.** Please see pages 2 through 9.



Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2009 WITH IN-SERVICE DATES**  
(TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost for Proposed Test Year with a Service Date that falls within forecasted Test Year

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED FOR 2009 (PORTION OF YEAR 6/1/2009 - 12/31/2009)	COMMENTS
Alcan #2 Sub Upgrade	\$850,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Balltown Tap Line Upgrade	\$80,000	5/1/2010	\$40,000	
Barren Co. Terminal Facilities	\$273,000	5/1/2009	\$273,000	
Bekaert #3 Sub & Tap	\$1,551,000	6/1/2009	\$1,551,000	
Bonanza 69-13.2 kV Distr. Sub & Tap	\$2,244,000	12/1/2009	\$677,978	
Bonds Mill Jct. - Clay Lick Jct. Reconductor	\$773,979	5/1/2009	\$0	When 2009 Budget was prepared in 6/2008, this project was scheduled to be completed by the end of 2008. Budgeted in 2008.
Bonnieville 138-69kV Upgrade	\$1,250,000	5/1/2009	\$209,160	When 2009 Budget was prepared in 6/2008, this project was scheduled for 5/2010.
Bonnieville Terminal Upgrade	Cost Not Avail.	6/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Brooks Sub Upgrade	\$719,000	4/2/2009	\$700,500	
Burkesville - Snow Jct. Reconductor	\$1,510,500	5/1/2009	\$0	This project was scheduled for 5/1/2010 when the 2009 Budget was prepared.
Cedar Grove Ind. Park #2 Sub & Tap	\$1,350,000	6/1/2009	\$1,350,000	
Central Hardin 138-69 kV 150 MVA Sub & Tap	\$3,573,000	12/1/2009	\$3,451,767	

Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2009 WITH IN-SERVICE DATES**  
(TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost for Proposed Test Year with a Service Date that falls within forecasted Test Year

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED FOR 2009 (PORTION OF YEAR 6/1/2009 - 12/31/2009)	COMMENTS
Clay Lick - Van Arsdell Reconductor	\$836,042	4/1/2009	\$0	When 2009 Budget was prepared in 6/2008, this project was scheduled to be completed by the end of 2008. Budgeted in 2008.
Coburg Jct. - Garlin Tap Line Upgrade	\$140,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
EK Munfordville Tap- KU Munfordville Tap Reconductor	\$341,000	5/1/2009	\$132,507	
EON 345 kV Line Connections to West Garrard	\$3,026,000	12/1/2009	\$3,026,000	
EON Brown North 345kV Terminal Facilities	\$2,000,000	12/1/2009	\$2,000,000	
EON Incr. Terminal Fac. Rating @ Distribution Sub.	Cost Not Avail.	12/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
EON Pineville 345 kV Terminal Facilities	\$2,000,000	12/1/2009	\$2,000,000	
Fall Rock - Tynes 12 miles 69 kV	\$2,694,000	4/1/2009	\$0	When 2009 Budget was prepared in 6/2008, this project was scheduled to be completed by the end of 2008.
Fawkes 138 kV Breaker S62- 859 Reconfiguration	\$50,000	5/1/2009	\$50,000	
Fredricksburg Jct. - N. Springfield Line Upgrade	\$165,000	5/1/2010	\$2,912	
Gilbert #3 & Spurlock #4 Spares 345-20kV, 405 MVA Transformers	\$4,100,000	10/1/2009	\$0	Budgeted in 2008.
Glendale - Hodgenville Line Upgrade	\$185,000	6/1/2009	\$185,000	
Gregory Road Distr. Sub & Tap	\$598,000	12/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.

Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2009 WITH IN-SERVICE DATES**  
(TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost for Proposed Test Year with a Service Date that falls within forecasted Test Year

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED FOR 2009 (PORTION - 12/31/2009)	COMMENTS
Headquarters - Millersburg Line Upgrade	\$102,000	6/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Headquarters 69kV Cap. Bank 6.12 MVAR	\$203,000	12/1/2009	\$203,000	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Helechawa - Magoffin Co. Line Upgrade	\$402,000	6/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Horse Cave Tap - EK Mumfordsville Tap Reconductor	\$1,310,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Hunt Farm Jct. - Perryville Line Upgrade	\$103,000	6/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
J. K. Smith - W. Garrard 345 kV Trans. Line	\$41,750,000	12/1/2009	\$25,393,114	
J.K. Smith - Install 2nd 345 - 138 kV Transformer	\$4,400,000	3/1/2009	\$4,399,956	
Jabez 161-25 kV Distr. Sub & Tap	\$1,608,000	12/1/2009	\$1,527,000	
Keith #2 Distr. Sub & Tap	\$172,000	10/1/2009	\$172,000	
Liberty KU Tap - Peyton's Store Line Upgrade	\$243,000	5/1/2010	\$4,288	
McCreary County 161kV Box Add.	\$0	6/1/2009	\$0	This project is to be reimbursed by TVA.
Millersburg Jct. - Sideview Line Upgrade	\$258,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Moransburg Distr. Sub & Tap	\$1,387,000	2/1/2010	\$691,500	
North London - Tyner Rebuild	\$6,539,000	12/1/2009	\$5,064,000	This project was scheduled for 12/1/2008 in the 2008 Budget.
Purchase a 345-138kV, 450 spare Transformer	\$4,000,000	3/1/2009	\$0	Transformer has been purchased, but not delivered. Budgeted in 2008.



Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2009 WITH IN-SERVICE DATES**  
(TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost for Proposed Test Year with a Service Date that falls within forecasted Test Year

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED FOR 2009 (PORTION - 12/31/2009)	COMMENTS
Resize Bill Wells Cap. Bank	\$1,500	5/1/2009	\$0	These projects are in operational budgets.
Resize Booneville Cap. Bank	\$44,800	5/1/2009	\$0	These projects are in operational budgets.
Resize 3 M Cap. Bank	\$1,500	7/2/2009	\$0	These projects are in operational budgets.
Resize Albany Cap Bank	\$1,500	7/2/2009	\$0	These projects are in operational budgets.
Resize Cynthia Cap. Bank	\$1,500	7/2/2009	\$0	These projects are in operational budgets.
Resize Frenchburg Cap. Bank	\$1,900	5/1/2009	\$0	These projects are in operational budgets.
Resize Greebriar Cap. Bank	\$1,500	7/2/2009	\$0	These projects are in operational budgets.
Resize H.T. Adams Cap. Bank	\$1,500	7/2/2009	\$0	These projects are in operational budgets.
Resize Index Cap. Bank	\$1,500	5/1/2009	\$0	These projects are in operational budgets.
Resize Sinai Cap. Bank	\$1,900	5/1/2009	\$0	These projects are in operational budgets.
Richwood 138-12.5 kV Distr. Sub & Tap	\$1,661,000	12/1/2009	\$1,607,500	
Smith CT 345 Sw. St. #2 Transformer & #9 & #10 Line Connections	\$119,000	5/1/2009	\$0	
Smithersville Tap Line Upgrade	\$20,000	5/1/2010	\$10,000	
Spurlock - Kenton Line Upgrade	\$132,000	6/1/2009	\$132,000	
Stanley Parker 138kV Breaker Add.	\$310,000	12/1/2009	\$0	Scheduled for 12/1/08 and was budgeted in 2008.

Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2009 WITH IN-SERVICE DATES**  
 (TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost for Proposed Test Year with a Service Date that falls within forecasted Test Year

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED FOR 2009 (PORTION OF YEAR 6/1/2009 - 12/31/2009)	COMMENTS
Temple Hill - Patton Road Line Upgrade	\$44,000	6/1/2009	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan.
Temple Hill 69kV Cap. Bank 20.41 MVAR	\$266,000	5/1/2009	\$266,000	
Tyner - McKee Rebuild	\$3,535,000	5/1/2010	\$185,000	
West Garrard 345 kV Switching Substation	\$6,500,000	12/1/2009	\$5,896,000	
<b>Totals</b>	<b>\$105,432,621</b>		<b>\$61,201,182</b>	

Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2010 WITH IN-SERVICE DATES**  
(TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost to be incurred in the Proposed Forecasted Test Year with an In-Service Date that is after the end of the Forecasted Test Year.

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED (TEST YEAR PORTION THRU 5/31/2010)	COMMENTS
Alcan #2 Sub Upgrade	\$850,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Baker Lane - Holloway Jct. Reconductor	\$218,000	5/1/2011	\$5,338	
Balltown Tap Line Upgrade	\$80,000	5/1/2010	\$361,645	
Belleview 69-12.5 kV 11.2/14 MVA Sta. & Tap (6.9 Miles)	\$3,701,000	12/1/2011	\$1,116,065	
Big Creek - Goose Rock Trans. Line 69kV	\$3,735,000	1/2/2011	\$2,678,555	
Bonnieville 138-69 kV Breaker Upgrade	\$96,000	12/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Bronston Tap Line Upgrade	\$82,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Coburg Jct. - Garlin Tap Line Upgrade	\$140,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Dale #3 GSU Transf. Repl.	\$1,200,000	11/1/2010	\$600,000	
EKPC Office - Treethaven Tap Line Upgrade	\$5,952	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Fredricksburg Jct. - N. Springfield Line Upgrade	\$165,000	5/1/2010	\$5,823	
Hebron 138-69 kV Sub & Trans. Line	\$3,473,000	12/1/2011	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Helchawa Breaker Add. & Line Connections	Cost Not Avail.	5/1/2011	\$0	Project on Hold
Horse Cave Tap - EK Munfordville Reconductor	\$1,310,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Hunt 3 Breaker 69 kV Switching Sta.	\$1,076,629	12/1/2011	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Index Jct. 69 kV Sw. Station	\$1,076,629	12/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
J.K. Smith 69-13.8 kV 11.2/14 MVA Sta. & Tap	\$640,000	6/1/2010	\$435,231	
Keith Sub to EON's Owenton Sub.	\$1,062,600	12/1/2011	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Liberty KU Tap - Peyton's Store Line Upgrade	\$243,000	5/1/2010	\$8,575	
Millersburg Jct. - Sideview Line Upgrade	\$258,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Milton - Bedford Line Upgrade	\$174,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Moransburg Distr. Sub & Tap	\$1,387,000	2/1/2010	\$0	Originally scheduled for 2009, when the 2009 Budget was prepared in June, 2008.
Murphysville Cap. Bank 28.06 MVAR	\$280,000	12/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan

Attachment #3

EAST KENTUCKY POWER COOPERATIVE

**BUDGETED COST FOR 2010 WITH IN-SERVICE DATES**  
(TEST YEAR 6/1/2009 THRU 5/31/2010)

Budgeted Cost to be incurred in the Proposed Forecasted Test Year with an In-Service Date that is after the end of the Forecasted Test Year.

PROJECT NAME	TOTAL COST OF PROJECT	IN-SERVICE DATE	CAPITAL BUDGET EXPENDITURES PLANNED (TEST YEAR PORTION THRU 5/31/2010)	COMMENTS
N. Springfield - S. Springfield Jct. Line Upgrade	\$198,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Radcliff Jct. - Radcliff Line Upgrade	\$16,600	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Russell Springs Tap Line Upgrade	\$27,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Smithersville Tap Line Upgrade	\$20,000	5/1/2010	\$20,000	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Tharp Tap Line Upgrade	\$2,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Theima Sw. Sta. Breaker Addition	\$2,798,000	12/1/2010	\$471,657	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Treehaven Tap - Van Meter Line Upgrade	\$46,000	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Turkey Foot Jct. Sw. Station & Line Connections	\$1,492,000	5/2/2011	\$191,931	
Tyner - McKee Rebuild	\$3,535,000	5/1/2010	\$2,161,356	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Vine Grove - Radcliff Jct. Line Upgrade	\$43,800	5/1/2010	\$0	When the 2009 Budget was prepared in June, 2008, this project was not in the Work Plan
Webster Road Distr Sub & Tap (Kenton Co. Sub. & Line)	\$4,354,000	5/1/2011	\$838,900	
<b>TOTALS</b>	<b>\$33,786,210</b>		<b>\$8,895,076</b>	



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 15**

**RESPONSIBLE PERSON: Gary T. Crawford/Craig A. Johnson**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 15.** The response to Item 48 of the Staff's second request explains that East Kentucky's forecasted test year does not include a slippage factor because, by the end of the forecasted test year, it will have completed construction on three major projects - Spurlock 4 and scrubbers on Spurlock 1 and Spurlock 2. The response goes on to state that East Kentucky expects to complete all of its currently scheduled construction projects without any slippage.

**Request 15a.** Refer to the three-year construction work plan provided in response to Item 46 of the Staff's second request.

**Request 15a(1).** Page 7 of the document discusses the installation of emission control equipment, including SCRs, scrubbers, and a new stack for Cooper 1 and 2, at a cost of \$484 million over the period 2009-2012. Describe how far along with this construction project East Kentucky expects to be by the end of the forecasted test year and how much of the \$484 million will have been expended by that point in time.

**Response 15a(1).** Work activity on the Cooper Retrofit Project prior to the end of the test year is limited to design, procurement, and engineering work only. There is no on-site construction planned during the test year. A detailed cash flow for the project has not

yet been developed. Therefore, costs for engineering and progress payments for long lead time items are the only costs to be incurred by May 31, 2010 (the end of the test year). A very rough preliminary estimate of the cash flow indicates that as much as \$57 million could be spent.

**Request 15a(2).** Page 8 of the document, which discusses the Spurlock 2 scrubber project, identifies the expected “on-line” date as November of 2008. Provide the date on which the scrubber went into commercial operation.

**Response 15a(2).** The Spurlock Unit 2 scrubber was placed in commercial operation on January 1, 2009. Commercial operation of the scrubber was extended due to startup and testing delays experienced after the equipment first became available for testing on October 12, 2008.

**Request 15a(3).** Page 10 of the document discusses the rebuild of the Spurlock 2 cooling tower, at an estimated cost of \$5,058,430, with the work, apparently, scheduled to be performed entirely during 2008. Provide the completion date of this project and the actual total cost.

**Response 15a(3).** The Spurlock 2 cooling tower rebuild was completed on June 7, 2008, at a cost of \$5,440,576.73.

**Request 15a(4).** Page 12 of the document discusses the Spurlock 1 scrubber which is scheduled to be completed in 2009 at an estimated cost of \$172.9 million. Provide the specific “on-line” date for this scrubber.

**Response 15a(4).** Testing on the Spurlock 1 scrubber will begin on May 24, 2009, upon the return to service of Unit 1 after its spring scheduled maintenance outage. EKPC expects the commercial operation date to be on or about August 1, 2009. This date assumes a period of startup and testing similar to that experienced on the Unit No. 2 scrubber.

**Request 15a(5).** Pages 13 through 20 of the document discuss various projects at the Spurlock Station, with a combined estimated cost of slightly more than \$20 million, with all the work apparently scheduled to be performed entirely during 2008. Provide the completion date and actual total costs of each of these projects.

**Response 15a(5).**

<u>Description</u>	<u>Status</u>	<u>Reason</u>
Page 13 – Unit No. 1 Feedwater Heaters No. 6 & No. 7	Not Completed	Outage moved to spring 2009
Page 14 – Units No. 1, 2, & 3 Operator Control Stations	Not Completed	See (1) on the following page
Page 15 – Install Unit No. 1 NOx Analyzer	Not Completed	See (2) on the following page
Page 16 – Install Unit No. 2 NOx Analyzer	Not Completed	See (3) on the following page
Page 17 – New Layer SCR Catalyst – Unit No. 2	\$1,878,523 Completed May 2008	
Page 18 – Replace Unit No. 3 Limestone Mill Transport Line	\$4,385,124 Completed Nov. 2008	
Page 19 – Emergency Back-Up Power	Estimated Oct. 2009	Project delayed due to major construction at site
Page 20 – Bed and Fly Ash Silos – Unit No. 4	Estimated April 2010	Equipment delay



- (1) The upgrades have been completed on Unit No. 2 and Unit No. 3. The upgrade to Unit No. 1 will be completed during the scheduled spring outage. An upgrade to the Historian System does not require a unit outage and will be completed before May 30, 2009 – Charges through December have been \$268,455.
- (2) EKPC did not install the NOx analyzer; instead, EKPC installed an Ammonia Slip System at a cost of \$341,932. This was completed in July 2008.
- (3) EKPC did not install the NOx analyzer; instead, EKPC installed an Ammonia Slip System at a cost of \$341,932. This was completed in July 2008.

**Request 15a(6).** Page 21 of the document discusses various modifications to the Spurlock 1 boiler, with all the work, apparently, to be performed in 2009. Provide the planned “start” and “completion” dates for this project.

**Response 15a(6).** The boiler work to Spurlock Unit 1 shall be performed during the spring outage which is scheduled to start on April 13, 2009 and to end on May 22, 2009.

**Request 15a(7).** Page 23 of the document, which is dated December 2007, discusses the new CTs, Smith Units 9 and 10. The section headed “Justification” identifies the commercial date for the units as June 2009. The response to Item 5 of the Staff’s second request indicates that, at the time the 2009 budget was prepared, the date had changed to September 2009, and that, at some later point in time, the date had changed to October 2009. Explain why, within less than 12 months, the date changed twice for a total period of four months.

**Response 15a(7).** The changes in the commercial operation dates for Smith CTs 9 and 10 were caused by a number of factors:

1. The original planned start of construction date was delayed due to a delay in the receipt of the air permit for the project. The originally planned date was June 2008. The actual date was September 3, 2008.

2. The project further has experienced a delay in the design, delivery, and installation of piling materials. Foundation work originally planned for June 2008 was not actually begun until October 2008. Piling materials were not delivered to the site until December 2008.

3. Manufacturing and delivery of the combustion turbines were impacted by hurricane Ike in the fall of 2008, thus delivery schedules were delayed from December 2008. Currently, the combustion turbines are scheduled to arrive in early February and mid-March 2009.

Presently, the project is scheduled for testing in October 2009 with commercial operation on December 1, 2009.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 16**

**RESPONSIBLE PERSON: Robert M. Marshall**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 16.** Refer to the response to Item 51. parts b. and c. of Staff's second request.

**Request 16a.** Clarify whether or not, based on October being the month in which merit pay raises are granted, any part of the planned 3 percent increases for 2010 is included in the forecasted test year.

**Response 16a.** The 3% wage increase is expected to be approved by the Board in October 2009, with an effective date of November 2009. Therefore, as indicated in part b of this response, \$828,070 is the portion of the 3% wage increase included in November 2009 to May 2010 of the forecasted test year.

**Request 16b.** Part c. of the response states that \$828,070 of budgeted increases are included in the forecasted test year but states that this amount is not specifically identified in East Kentucky's application. Provide the workpapers, spreadsheets, etc., which show the derivation of this amount, along with any necessary narrative description of said derivation.

**Response 16b.** Please see pages 3 through 7 for worksheets supporting the \$828,070. The calculation is as follows:

Regular/Full Time Employees	
November & December 2009	\$235,339*
January – May 2010	\$588,350
(\$117,670* per month times 5 months)	
Part Time/Temporary Employees	
November & December 2009	<u>\$ 4,381*</u>
Total	\$828,070

\* From Page 7 of 7















**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2008-00409**

**THIRD DATA REQUEST RESPONSE**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 1/23/09**

**REQUEST 17**

**RESPONSIBLE PERSON:** Ann F. Wood

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 17.** Refer to the response to Item 53 of the Staff's second request. The request asked for the amount included in Account 930 in the forecasted test year and the portion of that amount that would be classified as "miscellaneous." Clarify whether the \$2,633,859 cited in the response to be "categorized as miscellaneous" is the total amount included in Account 930, or just the portion classified as "miscellaneous." If it is the latter, provide the total amount included in the account.

**Response 17.** In responding to Commission Staff Second Data Request 53, EKPC provided only the amount classified as miscellaneous. Page 2 of this response reflects a full categorization of amounts in Account 930. Please note that the miscellaneous amount of \$2,654,474 is slightly different than the \$2,633,859 originally reported in the response to Commission Staff Second Data Request 53.

Analysis of Account No. 930 – Miscellaneous General Expenses  
 For the 12-month Period Ended May 31, 2010

Line No.	Item (a)	Amount (b)
1	Industry Association Dues	1,670,495
2	Stockholder & Debt Service Expenses	
3	Institutional Advertising	521,500
4	Conservation, Safety Advertising	10,000
5	Rate Department Load Studies	
6	Director's Fees and Expenses	403,940
7	Dues and Subscriptions	
8	Miscellaneous	<u>2,654,474</u>
9	Total	<u>5,260,409</u>
10	Amount Assigned to Kentucky Jurisdictional	5,260,409

93010	783,290
93020	403,940
93021	1,670,495
93022	1,156,877
93023	649,268
93025	596,539

5,260,409