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June 8, 2010

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Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Re: Case No. 2010-00167

Dear Mr. Derouen:

East Kentucky Power Cooperative, Inc. ("EKPC") hereby responds to the Commission's letter of June 2, 2010 providing notice of Filing Deficiencies regarding the Application in the above-referenced case, by submitting an original and ten copies of the following revised information.

1. 807 KAR 5:001: Section 10(9)(a)—Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.

This information is attached in the updated Testimony of Anthony S. Campbell which more specifically addresses the requirements of 807 KAR 5:001: Section 10(9)(a).

If you have any questions about this information, feel free to contact me. Please correspond at your earliest convenience when the Commission has determined that this revised exhibit has cured the deficiencies noted in its June 2, 2010 letter.

Very truly yours,

Mark David Goss (by Roger R. Cowden)

Mark David Goss
Counsel for East Kentucky Power Cooperative, Inc.

Cc: Dennis G. Howard II, Esq.
Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES)	PSC CASE NO.
OF EAST KENTUCKY POWER)	2010-00167
COOPERATIVE, INC.)	

TESTIMONY OF
ANTHONY S. CAMPBELL
PRESIDENT AND CHIEF EXECUTIVE OFFICER
EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: June 8, 2010

1 **Q. Please state your name, business address and occupation.**

2 A. My name is Anthony S. Campbell and my business address is East Kentucky Power
3 Cooperative, Inc. (EKPC), 4775 Lexington Road, Winchester, Kentucky 40391. I am
4 President and Chief Executive Officer.

5 **Q. How long have you been employed by East Kentucky Power Cooperative, Inc.
6 (“EKPC”)?**

7 A. I have been employed by EKPC since June 2009.

8 **Q. Please state your education and professional experience.**

9 A. I received a Bachelor of Science degree in electrical engineering from the University
10 of Southern Illinois at Carbondale and a Masters of Business Administration from the
11 University of Illinois at Champaign. Prior to joining EKPC, I served as CEO of
12 Citizens Electric Corporation, a transmission and distribution company located in
13 southeast Missouri.

14 **Q. Please provide a brief description of your duties at EKPC.**

15 A. The Board of Directors has given me, as CEO, the responsibility for managing the
16 Cooperative’s business on a day-to-day basis. I develop and recommend to the Board
17 EKPC’s objectives and policies, short- and long-range plans, and annual budgets and
18 work plans. I administer the Board’s approved wage and salary plan, authorize
19 prudent investments, administer the budget, implement policies, plans and programs
20 established by the Board, ensure an appropriate organizational structure, negotiate
21 contracts, and submit periodic and special reports to the Board on operations,
22 financial issues, budgets, power supply, rates, construction, and other areas. This is

1 just a sampling of the responsibilities established for the president and CEO in EKPC
2 Board policy.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to present an overview of EKPC’s Application for an
5 increase in base rates, a discussion of the need for the rate increase, and an
6 introduction of the witnesses.

7 **Q. Are you supporting certain information required by Commission Regulations 807
8 KAR 5:001, Section 10?**

9 A. Yes. I am sponsoring the following schedules for the corresponding Filing Requirements:

Filing Requirement	Description	Volume	Tab #
Section 10(1)(b)(1)	A statement of the reason the adjustment is required.	Vol. 1	Tab 1
Section 10(9)(e)	Attestation by utility’s chief officer in charge of Kentucky operations providing: 1) that forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; 2) that forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any difference; and 3) that productivity and efficiency gains are included in the forecast.	Vol. 3	Tab 27

10 **Q. Are you sponsoring any exhibits?**

11 A. Yes. I am sponsoring Campbell Exhibit 1, which is the resolution from the EKPC
12 Board of Directors (“Board”) approving the application for a rate increase.

13 **Q. What increase is EKPC seeking and why is EKPC requesting an increase in base**

1 **rates at this time?**

2 A. EKPC is requesting an increase in base rates that will result in approximately \$49.4
3 million in additional annual revenues, which is an increase to base rates of 5.27%.
4 The background information contained in the management audit action plan prepared
5 by the Liberty Consulting Group (“Liberty”) states: “EKPC management should
6 immediately evaluate and establish optimal equity level target and credit rating goals.
7 Equity levels should be increased to 20 percent or more to establish the more
8 adequate equity levels maintained by most other G&T companies that provide
9 increased protection and attractiveness to capital markets and meet its loan
10 covenants.” Absent this requested rate increase, EKPC’s interest and debt coverage
11 ratios will be inadequate to meet the requirements needed to attract private lenders in
12 the capital markets and meet its loan covenants. In addition, EKPC’s equity is far
13 below the level needed to attract such capital funding. The direct testimony of Mr.
14 Eames will address these items in greater detail. EKPC is in the process of
15 developing a long-term equity management plan. This rate increase request is a
16 necessary step toward EKPC building equity, which will improve EKPC’s ability to
17 attract capital in the future.

18 **Q. What effective date is EKPC proposing to implement the rate increase proposed**
19 **in this Application?**

20 A. EKPC’s proposed effective date is July 1, 2010.

21 **Q. What was EKPC’s process in developing the revenue and expenses used in the**
22 **forecasted test year?**

1 A. EKPC carefully scrutinized the revenue and expense levels contained in this 2011
2 forecasted test year. The CEO and the Vice President, Finance reviewed and
3 implemented several budget cuts before arriving at the forecasted test year income
4 statement presented to the EKPC Board for their review in approving this rate
5 increase. Although this review was not part of a formal “new” cost containment
6 program, this process ensured that all productivity and efficiency gains had been
7 considered before finalizing the forecasted test year income statement.

8 **Q. You have attested that productivity and efficiency gains are included in the**
9 **forecast [807 KAR 5:001, Section 10(9)(e), Tab 27]. Can you address this**
10 **further?**

11 A. EKPC continues to monitor its costs and has continued the cost containment efforts
12 initiated in recent years. In addition, EKPC has formed a Heat Rate Committee
13 comprised of plant engineering and senior production plant personnel. This
14 committee is charged with evaluating new technologies and process improvements
15 that could have a positive effect on plant heat rate. Production engineers test and
16 monitor each unit’s heat rate to ensure that the generating units are operating in the
17 most productive and efficient means possible. EKPC recently added two new LMS
18 100s combustion turbines. To the best of our knowledge, this technology is the most
19 efficient simple cycle combustion turbine peaking unit in operation today. Further,
20 EKPC continues to market its direct load control program; this program has been
21 expanded to include commercial accounts.

22 **Q. When was EKPC’s last base rate increase?**

1 A. The Commission approved EKPC's last base rate increase, which was a result of a
2 settlement agreement, on March 31, 2009. The Order allowed EKPC an annual
3 revenue increase of \$59.5 million effective April 1, 2009 (Case No. 2008-00409.)

4 **Q. Please list EKPC's witnesses who will provide detailed testimony supporting the**
5 **proposed increase in base rates.**

6 A. (1) Mr. Frank Oliva, Manager of Finance and Risk at EKPC, will describe the overall
7 financial condition of EKPC, the need for additional equity, and the basis of the
8 requested increase in base rates. He will also provide an overview of EKPC's
9 budgeting process and provide a detailed explanation of the methodology and
10 assumptions used to forecast items other than projections of major construction
11 projects and projections of capital and operations and maintenance expenses for the
12 power production and power delivery functions.

13 (2) Mr. Dan Walker, President of Walker and Associates, will recommend TIER and
14 equity levels that will enable EKPC to maintain its financial integrity.

15 (3) Mr. John Twitchell, Senior Vice-President, Power Delivery and Construction, at
16 EKPC, will describe EKPC's budgeting process for major construction and will
17 explain the methodology and assumptions used to prepare the load forecast.

18 (4) Mr. Craig Johnson, Senior Vice-President of Production at EKPC, will explain the
19 methodology and assumptions used to prepare EKPC's generation operations and
20 maintenance expenses and capital expenditures forecasts. He will compare EKPC's
21 O&M costs to industry averages and discuss EKPC's forced outage rates.

22 (5) Mr. Ricky Drury, Manager of Engineering at EKPC, will explain the methodology

1 and assumptions used to prepare EKPC's power delivery operations and maintenance
2 expenses and capital expenditures forecasts.

3 (6) Mr. Dennis Eicher, President of D.R. Eicher Consulting, Inc., will discuss the
4 cost-of-service study and the methodology used to develop this study.

5 (7) Mr. Isaac Scott, Manager of Pricing at EKPC, will discuss EKPC's current rate
6 design and its impact on the wholesale tariff in this Application, address how the base
7 rate increase will be passed through to EKPC's Member Systems, and will explain
8 planned rate design changes.

9 (8) Ms. Ann Wood, Manager of Regulatory Services at EKPC, will explain the
10 revenue requirement calculation and will sponsor a number of regulatory filing
11 requirements for this Application.

12 **Q. Will EKPC's base rate increase be passed through by the Member Systems?**

13 A. As discussed by Mr. Scott in his testimony, the increase will be passed through to
14 EKPC's sixteen Member Systems pursuant to KRS 278.455(2) when the rates go into
15 effect.

16 **Q. Does this conclude your testimony?**

17 A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR A) CASE NO. 2010-00167
GENERAL ADJUSTMENT OF ITS)
WHOLESALE ELECTRIC RATES)

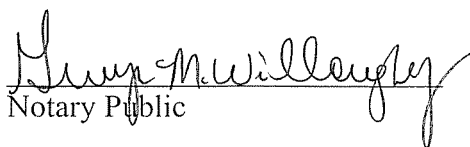
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STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Anthony S. Campbell, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



Subscribed and sworn before me on this 8th day of June, 2010.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

**FROM THE MINUTE BOOK OF PROCEEDINGS
OF THE BOARD OF DIRECTORS OF
EAST KENTUCKY POWER COOPERATIVE, INC.**

At a regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. held at the Headquarters Building, 4775 Lexington Road, located in Winchester, Kentucky, on Tuesday, April 13, 2010, at 10:45a.m., EDT, the following business was transacted:

Approval to File a Rate Application

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") continues to closely monitor its financial condition; and

Whereas, The Rural Utilities Service ("RUS") has placed a moratorium on lending for fossil fuel generation projects, causing EKPC to pursue other financing alternatives; and

Whereas, Other financing alternatives contain more stringent debt covenant requirements; and

Whereas, the Kentucky Public Service Commission ("Commission") has urged EKPC to request rate increases in a more timely basis; and

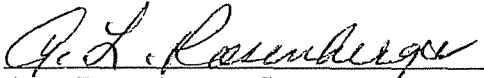
Whereas, EKPC intends to file the rate adjustment application with the Commission using a fully forecasted test period of calendar year 2011 and seeks to increase annual revenues by no more than \$50 million, or a 5.33 percent wholesale increase (approximately 3.95% increase at retail); and

Whereas, EKPC plans to file notice with the Commission on April 26, 2010, then file its application on May 27, 2010, and will seek actual implementation of the proposed rates, subject to refund, for service rendered on or after January 1, 2011; now, therefore, be it

Resolved, That the EKPC Board of Directors ("Board") hereby grants approval to file a rate increase application for an annual increase not to exceed \$50 million, or 5.33 percent, to be effective for service rendered on or after July 1, 2010, which would support an actual implementation date, subject to refund, of January 1, 2011, after the statutory suspension period; and that the Board authorizes EKPC to seek RUS and National Rural Utilities Cooperative Finance Corporation approval for this application.

The foregoing is a true and exact copy of a resolution passed at a meeting called pursuant to proper notice at which a quorum was present and which now appears in the Minute Book of Proceedings of the Board of Directors of the Cooperative, and said resolution has not been rescinded or modified.

Witness my hand and seal this 13th day of April 2010.


A. L. Rosenberger, Secretary

Corporate Seal