

**Frost
Brown Todd** LLC
ATTORNEYS

KENTUCKY · OHIO · INDIANA · TENNESSEE · WEST VIRGINIA

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

July 22, 2010

RECEIVED

JUL 22 2010

**PUBLIC SERVICE
COMMISSION**


Mr. Jeffrey Derouen
Executive Director
Public Service Commission
P. O. Box 615
211 Sower Boulevard
Frankfort. KY 40602

Re: PSC Case No. 2010-00167

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 Second Data Request, dated July 8, 2010. Also enclosed are an original and ten copies of EKPC's Responses to the First Set of Data Requests of Gallatin Steel and the Attorney General's Initial Data Requests, both dated July 8, 2010.

Very truly yours,



Mark David Goss
Counsel

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

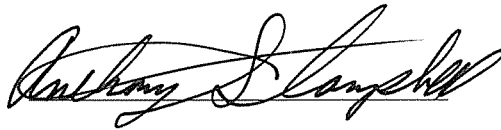
IN THE MATTER OF:

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

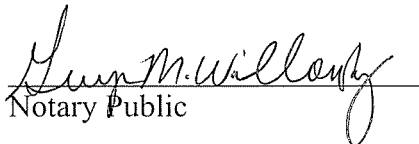
CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Anthony S. Campbell, 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 Second Data Request in the above-referenced case dated July 8, 2010, 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 16th day of July, 2010.


 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

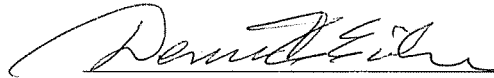
IN THE MATTER OF:

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

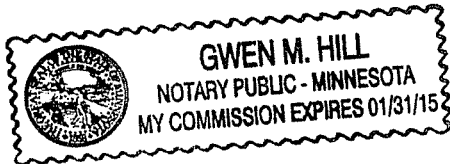
CERTIFICATE

STATE OF MINNESOTA)
)
COUNTY OF ISANTI)

Dennis R. Eicher, 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 Second Data Request in the above-referenced case dated July 8, 2010, 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 17 day of July, 2010.


Notary Public

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

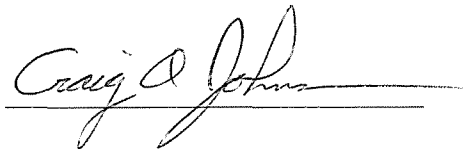
IN THE MATTER OF:

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

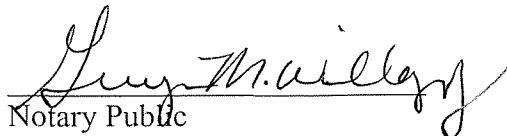
CERTIFICATE

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 Second Data Request in the above-referenced case dated July 8, 2010, 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 19th day of July, 2010.



 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

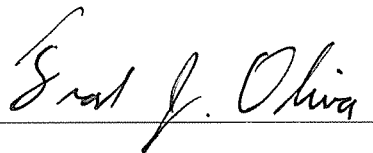
IN THE MATTER OF:

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

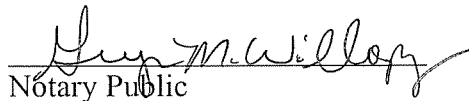
CERTIFICATE

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 Second Data Request in the above-referenced case dated July 8, 2010, 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 16th day of July, 2010.



 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

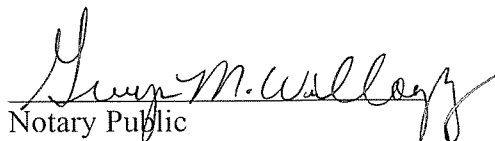
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Isaac S. Scott, 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 Second Data Request in the above-referenced case dated July 8, 2010, 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 15th day of July, 2010.



Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

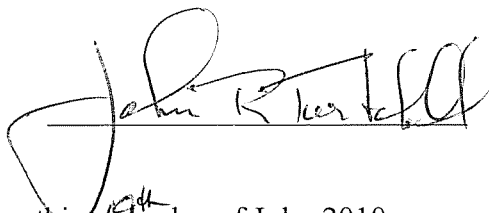
IN THE MATTER OF:

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

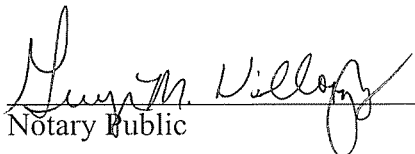
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

John R. Twitchell, 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 Second Data Request in the above-referenced case dated July 8, 2010, 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 19th day of July, 2010.



Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

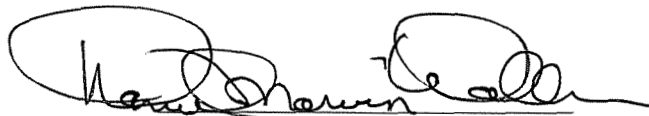
IN THE MATTER OF:

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

CERTIFICATE

STATE OF VIRGINIA)
)
CITY OF RICHMOND)

Daniel M. Walker, 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 Second Data Request in the above-referenced case dated July 8, 2010, 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 day of July, 2010.

Notary Public

County/City of Hennico
Commonwealth/State of Virginia
The foregoing instrument was acknowledged before
me this 20 day of July, 2010 by
Daniel M. Walker
(name of person seeking acknowledgement)
[Signature]
Notary Public
My Commission Expires August 31, 2014



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC RATES) CASE NO.
OF EAST KENTUCKY POWER) 2010-00167
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 Second Data Request in the above-referenced case dated July 8, 2010, 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 21st day of July, 2010.

Geoff M. Willey
Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

RESPONSES TO COMMISSION STAFF'S SECOND DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED JULY 8, 2010

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 1

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to Tab 7 in Volume 1 of EKPC's application, the Special Contracts section. For the Large Special Contract rate, confirm that EKPC intended to show the proposed on-peak energy rate as \$.049754.

Response 1. Yes. EKPC intended to show the proposed on-peak energy rate as \$.049754. Please see page 2 of this response for corrected submission.

**Summary of Proposed Charges Under Electric Special Contracts
(Not Part of EKPC Tariffs)**

Large Special Contract	Demand Charge:		
	Firm Demand	\$6.63	\$7.00 per kW per month
	10-Min Interruptible Demand	\$5.60	per kW per month
	90-Min Interruptible Demand	\$4.20	per kW per month
	Energy Charge		
	On-Peak	\$0.047128	\$.049754 per kWh
	Off-Peak	\$0.043844	\$.046287 per kWh
Steam Service	Demand Charge		
	Per MMBTU	\$547.87	\$578.76
	Energy Charge		
	Per MMBTU	\$4.931	\$5.206

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 2

RESPONSIBLE PERSON: Frank J. Oliva/Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to the information at Tab 19 in Volume 1 of EKPC's application which shows the data for the forecasted test period as adjustments to the base period.

Request 2a. Provide a detailed description along with workpapers, spreadsheets or other support for the forecasted level of off-system sales revenues of \$4,077,083.

Response 2a. A detail of off-system sales revenue is provided on page 5 of this response.

Request 2b. Production Costs Excluding Fuel are shown increasing by \$7.9 million, or 12.5 percent, from the base period to the forecasted period. Explain in detail why this cost category is expected to increase by this magnitude.

Response 2b. There were several Spurlock Station operational items which are sensitive to electrical generation that were below budgeted amounts in the base period. The generation for Spurlock Station was 15% below the budgeted amount in 2009. This decrease in generation made the quantity for lab supplies, limestone, anhydrous ammonia, and magnesium hydroxide lower in the base period than in the forecasted period. In addition,

the cost for air permit fees and benefit allocations for Spurlock were below budget during the base period. EKPC does not anticipate this decline in Spurlock generation for the forecasted test year.

Request 2c. Fuel expenses are shown increasing from \$337.9 million to \$445.9 million, an increase of 31.9 percent, from the base period to the forecasted period. Explain in detail why this cost category is expected to increase by this magnitude.

Response 2c. The largest increases in fuel expenses are discussed below.

Fuel for the Spurlock Station Units 1 and 2 scrubbers increased \$55.8 million from the base period to the forecasted test period. Additional burn of 352,424.0 tons of coal in the test period accounted for \$18.9 million of the increase, with increased volume in-service hours of 1,565.6. The coal cost per ton in the test period is \$66.41, up \$12.90 from the base period of \$53.51; this equates to a \$36.1 million increase. The fuel oil usage is up slightly in the test period.

Fuel for the combustion turbines at the J.K. Smith Station increased \$32.5M from the base period to the forecasted test period. The gas usage in the forecasted period is up 3,063,239 MMBTU for an \$18.4 million increase in volume over the base period due to increased utilization and impact of the addition of units #9 & #10. The cost per MMBTU in the test period is \$7.63, up \$1.61 or \$11.7 million over the \$6.02 base period rate. The oil usage is also up approximately \$2.3 million.

Request 2d. Transmission costs are shown increasing from \$31.4 million to \$34.6 million, an increase of 10.1 percent, from the base period to the forecasted period. Explain in detail why this cost category is expected to increase by this magnitude.

Response 2d. Transmission wheeling increased \$0.3 million; labor, taxes, and insurance charged to transmission operations increased \$1.0 million; medical insurance and retirement benefits allocated to transmission operations increased \$1.3 million.

Request 2e. Distribution costs are shown increasing from \$1.1 million to nearly \$1.5 million, or 34.2 percent, from the base period to the forecasted period. Explain in detail why this category of cost is expected to increase by this magnitude.

Response 2e. Labor, taxes, and insurance charged to distribution operations increased \$0.2 million; medical insurance and retirement benefits allocated to distribution operations increased \$0.1 million.

Request 2f. Sales costs are shown increasing from \$2.46 million to \$3.36 million, or 36.5 percent, from the base period to the forecast period. Explain in detail why this category of cost is expected to increase by this magnitude.

Response 2f. The cost category for this increase is actually the line labeled “Customer Service and Information.” The majority of this increase is related to the Demand Side Management program.

Request 2g. Provide schedules showing the derivation of depreciation expense levels for both the base period and forecasted period. These should include all plant balances at the necessary account or sub-account levels, along with the specific depreciation rates applied to each account or sub-account.

Response 2g. The table below summarizes the “probable retire dates” and “calculated annual accrual rates” provided in the depreciation study summary filed in Application Volume 5, Tab 41.

Production plant	Years 2019–2049
Transmission and distribution plant	0.71%–3.42%
General plant	2.00%–20.00%

Depreciation for production plant is based on the estimated useful life of the plants (“probable retire dates”). Because the useful life date is used for production plant, it is not possible to provide a plant balance multiplied by a rate to arrive at base year/forecasted test year depreciation expense. Page 6 of this response provides a calculation of average annual rates for transmission and distribution plant; these average rates fall within the rate range listed above. Because of the varying nature of general plant, an asset balances multiplied by a rate does not yield a calculated depreciation expense.

Request 2h. Provide a schedule of all long-term debt and the relevant interest rates which shows the derivation of interest on long-term debt for the forecasted period.

Response 2h. Page 7 of this response provides EKPC’s outstanding long-term debt as of June 30, 2010, in addition to anticipated loan advances and interest rates for the forecasted test year.

EAST KENTUCKY POWER COOPERATIVE
2011 BUDGET
OUTSIDE SALES

	<u>Source</u>	<u>Kwh</u>	<u>Rate</u>	<u>Revenue</u>
January	Other Sales	10,111,000	0.041200	\$ 416,573.00
February	Other Sales	17,899,000	0.039880	\$ 713,812.00
March	Other Sales	4,584,000	0.037770	\$ 173,138.00
April	Other Sales	9,711,000	0.036220	\$ 351,732.00
May	Other Sales	5,644,000	0.036100	\$ 203,748.00
June	Other Sales	2,811,000	0.037060	\$ 104,176.00
July	Other Sales	5,529,000	0.037860	\$ 209,328.00
August	Other Sales	20,404,000	0.036870	\$ 752,295.00
September	Other Sales	9,364,000	0.035360	\$ 331,111.00
October	Other Sales	6,312,000	0.037600	\$ 237,331.00
November	Other Sales	6,790,000	0.037160	\$ 252,316.00
December	Other Sales	8,125,000	0.040900	\$ 332,313.00
		107,284,000		\$ 4,077,873.00

**East Kentucky Power Cooperative
SCHEDULE OF LONG-TERM DEBT
6/30/2010**

	<u>Amount</u>	<u>Anticipated Composite Rate-%</u>
RUS - EKPC	\$34,203,378	5.03
CFC # 9001	2,984,008	5.50
CFC # 9033	3,867,750	5.50
CFC # 9034	4,860,840	5.50
CFC # 9038	3,801,000	5.50
CFC Unsecured Credit Facility (Avg. Balance for 2011)	275,000,000	5.50
<u>FFB Debt</u>		
L-8	49,072,195	7.60
M-9	21,718,295	6.32
N-8	53,667,333	7.01
P-12	923,974	8.81
R-12	12,715,602	6.30
S-8	77,020,798	6.20
T-62	11,932,167	5.25
U-8	5,036,965	6.07
V-8	43,077,683	5.29
W-8	73,762,928	5.07
X-8	72,477,459	4.61
Y-8	200,581,133	4.92
Z-8	406,576,040	4.71
AA-8	13,472,155	4.13
AB-8	50,368,061	5.05
AC-8	55,434,310	4.44
AD-8	468,919,795	4.50
AE-8	169,249,000	4.16
AG-8	385,910,000	4.36
AH-8	10,433,000	4.38
Anticipated New FFB Advances	340,182,000	5.00 - 5.50
National Cooperative Services Corporation	4,500,000	7.70
Clean Renewable Energy Bonds	7,267,259	0.40
<u>Pollution Control and Solid Waste Disposal Bonds</u>		
Cooper	7,700,000	3.50
Smith	7,625,000	3.50
Spurlock	58,200,000	3.50
Smith CFB Private Placement (Anticipated)	175,000,000	7.50

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 3

RESPONSIBLE PERSON: Anthony S. Campbell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to page 4 of the updated Testimony of Anthony S. Campbell, filed June 8, 2010, specifically, the discussion of productivity and efficiency gains.

Request 3a. Provide the date the Heat Rate Committee was formed.

Response 3a. The Heat Rate Committee was formed on October 15, 2008.

Request 3b. Provide a summary of any improvements in efficiency that have been documented since the Heat Rate Committee began.

Response 3b. There have been no documented improvements in efficiency.

Request 3c. In Case No. 2008-00409, then president and chief executive officer Robert M. Marshall identified, among other things, (1) a reduction in the defined benefit plan level, (2) increases in employee medical plan contributions, and (3) improvements in competitive bidding processes, as cost savings initiatives EKPC had implemented. Provide the current status of these initiatives and quantify the savings realized for a recent 12-month period as a result of these initiatives.

Response 3c. Effective January 1, 2008, the defined benefit plan benefit was reduced from a 2.0 benefit with a COLA adjustment to a 1.8 benefit without a COLA adjustment. This reduction in the defined benefit plan reduced pension costs for future years. For example, the actual 2009 rate for the 1.8 non-COLA benefit was 18.72% of base wages. The rate that would have been billed for 2009 based on a 2.0 COLA benefit would have been 22.81% of base wages. The response to Request 36 in the Attorney General's Initial Data Request provides the 2009 Defined Benefit cost of \$7,384,077. If the defined benefit had remained at a 2.0 COLA benefit, the 2009 costs would have been approximately \$8,993,805, a savings of \$1,609,728.

Effective January 1, 2007, employee medical contributions were increased from 5% of base monthly contributions to 10% of base monthly contributions for employee only coverage and from 7.5% to 15% for dependent coverage. Employee medical contributions for 2009 totaled \$900,910. For the calendar year of 2009, this doubling of employee contributions saved EKPC approximately \$450,455.

Enhanced supply chain practices, which includes enforcement and improvements in the competitive bidding process, yielded savings and cost avoidances of approximately \$11.9 million in 2009. To date in 2010, savings and avoidances approximate \$3.1 million.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00167
SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10
REQUEST 4

RESPONSIBLE PERSON: Frank J. Oliva/Craig A. Johnson
COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Refer to page 5 of the Testimony of Frank J. Oliva (“Oliva Testimony”). Starting at line 1, Mr. Oliva states that “EKPC continues to face the on-going risk of substantial unrecoverable costs due to forced outages.”

Request 4a. Describe the conditions at EKPC that put it at risk for “substantial” unrecoverable costs due to forced outages.

Response 4a. The dispatch cost of EKPC’s existing coal-fired fleet is substantially lower than the purchased power market during certain times of the year. A long forced outage of one of EKPC’s bigger coal-fired units could mean millions of dollars in replacement power costs. Replacement power costs from forced outages cannot be passed through the FAC.

Request 4b. Reconcile Mr. Oliva’s statement concerning substantial unrecoverable costs due to forced outages with the Testimony of Craig A. Johnson (“Johnson Testimony”) at page 7, which states that EKPC’s coal-fired generating forced outage rate is lower than the national average.

Response 4b. The forced outage rate is lower than the national average but the possibility of a long forced outage still exists. While the EKPC fleet is very well maintained, there still exists the potential of a major forced outage resulting from any number of reasons. For example, the Cooper Unit 1 generator developed a ground in the stator in 2009 which took approximately 3 months to repair. While the reliability of our two CFBs is improving, a tube leak in either the Gilbert or Unit 4 could take up to several weeks to repair.

Because it is a generation and transmission cooperative, EKPC does not have stockholders to rely upon to bear the risk of an unplanned forced outage of a significant duration like a typical investor-owned utility would. Therefore, EKPC constantly remains vigilant and acutely aware of the very negative financial impacts of a forced outage.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 5

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to page 6 of the Oliva Testimony, lines 17-21. Confirm that the anticipated private placement financing related to Smith Unit 1 is financing for which EKPC will need to receive Commission approval prior to its issuance.

Response 5. Yes. The anticipated private placement financing related to Smith Unit 1 is financing for which EKPC will need to receive Commission approval prior to its issuance.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10
REQUEST 6**

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. Refer to page 8, lines 5-10, of the Oliva Testimony.

Request 6a. Explain whether the annual increases in interest expense and financing fees of \$1.5 million referenced on lines 7-8 are meant to reflect differences between the existing 2005 credit facility and the proposed credit facility included in the original application in Case No. 2010-00166 or something other than those differences.

Response 6a. The annual increases in interest expense and financing fees of \$1.5 million referenced on lines 7-8 of the Oliva Testimony are meant to reflect differences between the anticipated pricing provided in the original application in Case No. 2010-00166 and the revised terms contained in the amended portion of the application filed June 4, 2010.

Request 6b. Explain whether the \$2.4 million annual cost increase referenced on lines 8-10 is intended to reflect the differences between the terms of the proposed credit facility included in the original application in Case No. 2010-00166 and the revised terms contained in the amended portion of the application filed June 4, 2010.

Response 6b. The maximum annual increases in interest expense and financing fees of \$2.4 million referenced on lines 7-8 of the Oliva Testimony are meant to reflect differences between the anticipated pricing provided in the original application in Case No. 2010-00166 and the revised terms contained in the amended portion of the application filed June 4, 2010.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00167
SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10
REQUEST 7

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Provide an electronic version of Oliva Exhibit 1.

Response 7. Please see Oliva Exhibit 1 in electronic format on the enclosed CD.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00167
SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10
REQUEST 8

RESPONSIBLE PERSON: Daniel M. Walker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Refer to the Testimony of Daniel M. Walker (“Walker Testimony”) at pages 4-7. For each of the five categories that ratings agencies use to evaluate cooperative utilities, provide a direct comparison of EKPC’s credit profile with those of the cooperatives in the reference group.

Response 8. Each of the rating agencies has its own method to rate cooperatives. Neither S&P nor Fitch publishes a line-by-line analysis on how each evaluates individual credits. However, based on my experience and knowledge of the rating process, I can provide a general assessment of East Kentucky’s credit profile compared to the reference group as a whole.

Financial Performance- 40%

East Kentucky compared to Reference Group: “Negative “

Reasoning: East Kentucky’s financial performance significantly lags that of the Reference Group in all areas. Usually measured in a credit analysis are: TIER, DSC, equity ratio, funds from operations to debt and interest. Until East Kentucky can consistently earn sufficient margins to improve its financial performance, it will not compare favorably with its peers.

Rate Flexibility- 20%

East Kentucky compared to Reference Group: “Negative”

Reasoning: There are a number of factors that could have an impact on a cooperative’s ability to recover costs, including the ability to automatically recover incurred costs such as purchased power, new construction, and environmental assessment. The larger the cost relative to operations and the lag in cost recovery, the greater the risk. Most coops in the reference group have a greater ability to recover costs than East Kentucky.

Member Profile- 10%

East Kentucky compared to Reference Group: “Neutral”

Reasoning: East Kentucky’s members’ profiles are very similar to the members of the Reference Group.

Long –Term Wholesale Power Contracts/Regulatory Status- 20%

East Kentucky compared to Reference Group: “Negative”

Reasoning: The long-term contract and regulatory status of a cooperative dictate the ability of a cooperative to earn sufficient revenues to cover costs in a timely manner. Since the contracts among G&T cooperatives are very similar in regard to rates, the presence of regulation is usually the variable. The majority of coops rated by the rating agencies have their rates set solely by their board of directors. When rate regulation is added to the cost recovery process, the rating agencies often view regulation as a risk factor, since it may have a negative impact on both the timing and level of cost recovery.

G&T Size: 10%

East Kentucky compared to Reference Group: “Positive”

Reasoning: East Kentucky is larger than the average G&T in the Reference Group. The rating agencies, as well as many lenders, believe that size helps a cooperative offset disruptions in operations and helps in its recovery.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND DATA REQUEST RESPONSE

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REQUEST 9

RESPONSIBLE PERSON: Daniel M. Walker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. Refer to page 10, lines 1-2, of the Walker Testimony. Mr. Walker states that “if rated today by the three major rating agencies, East Kentucky most likely would not achieve an investment grade rating.” In Case No. 2009-00476, in its response to Item 9 of the Commission Staffs Second Data Request, EKPC indicated that it currently carried an NAIC-2 rating from the National Association of Insurance Commissioners (“NAIC”) and that an NAIC-2 rating was considered to be equivalent to an investment grade rating. Explain whether this response contradicts Mr. Walker’s Testimony or if circumstances have changed such that EKPC no longer carries an NAIC-2 rating.

Response 9. There is no contradiction in Mr. Walker’s Testimony and the response provided by East Kentucky in Case No. 2009-00476. The difference is one of timing and changes in circumstances. The NAIC-2 rating was a spot indication of East Kentucky’s credit profile obtained on behalf of one of East Kentucky’s lenders in its previous credit facility. The rating no longer applies to East Kentucky’s current credit profile because that credit facility was paid off on July 14, 2010. As stated on page 10 of Mr. Walker’s Testimony, East Kentucky’s credit profile has deteriorated to the point that, if requested today, East Kentucky would not likely obtain an NAIC-2 rating.

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REQUEST 10

RESPONSIBLE PERSON: Daniel M. Walker/Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 10. Refer to Exhibit DMW-3 of the application, which indicates EKPC had a 6.8-percent equity ratio, apparently as of year-end 2009. Page 5, line 10, of the Oliva Testimony indicates that EKPC's 2009 equity ratio was 7.3 percent.

- a. Explain the discrepancy or difference in the ratios.
- b. Explain how the equity ratio for EKPC is calculated.

Response 10a. The equity percentage shown in Exhibit DMW-3 is EKPC's 2008 equity percentage. Page 5, line 10, of Mr. Oliva's testimony reflects EKPC's 2009 equity percentage. Please also see the response to 10b.

Response 10b. EKPC's equity ratio is calculated by dividing total equity by total assets. The equity ratio calculation for 2008 and 2009 is provided below.

	<u>2008*</u>	<u>2009*</u>
Total Members' Equities	\$ 190,370,083	\$ 219,131,229
Total Assets	\$ 2,813,754,074	\$ 2,976,284,675
Equity Ratio	6.77%	7.36%

*Source: RUS Form 12 for year-end indicated

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REQUEST 11

RESPONSIBLE PERSON: John R. Twitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 11. Refer to the Testimony of John R. Twitchell, page 4, lines 14-15 and Exhibit JRT-1. The testimony indicates that load forecasts are prepared every two years. The exhibit is a load forecast work plan prepared by EKPC's Resource Planning Department in November 2009.

Request 11a. Explain whether the sales levels included in the 2011 calendar year forecasted test period are based on a load forecast prepared specifically in conjunction with this rate application.

Response 11a. The sales levels prepared for the 2011 test period are not based on a forecast prepared specifically in conjunction with this rate application.

Request 11b. If the response to part a. of this request is no, identify when the load forecast upon which the test-year sales levels are based was prepared and the period covered by the forecast.

Response 11b. EKPC used a modified version of the 2008 load forecast in preparing the test-year sales levels. The 2008 load forecast was prepared during the first two quarters of 2008 and approved by the EKPC Board of Directors ("Board") and RUS in August 2008. EKPC made certain updates/modifications to the 2008 load forecast during the first quarter of 2010.

EKPC has recently completed its 2010 load forecast; the 2010 load forecast will be presented to the EKPC Board for approval in August 2010. It should be noted that the 2010 load forecast reflects a significant reduction in demand and energy for the test-year compared to the 2008 load forecast. The table below reflects these reductions.

2011 Forecast Test Year Impacts					
		2010 Load Forecast	2008 Modified Load Forecast	Variance	
Demand (kw)					
	Rate E	23,277,693	24,476,960	-1,199,267	-4.9%
	Rates B, C, G	3,009,062	3,034,388	-25,326	-0.8%
	Large Special Contract	1,920,000	1,920,000	0	0.0%
Energy (MWh)					
	Rate E	9,710,233	10,900,307	-1,190,074	-10.9%
	Rates B, C, G	1,714,049	1,723,048	-8,999	-0.5%
	Large Special Contract	981,031	968,960	12,071	1.2%

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REQUEST 12

RESPONSIBLE PERSON: Craig A. Johnson

COMPANY: East Kentucky Power Cooperative, Inc.

Request 12. Refer to pages 5-6 of the Johnson Testimony, beginning at line 22 on page 5 and continuing to line 19 on page 6. Provide the schedule of planned outages for steam turbine/generator overhauls for the period 2011 through 2013.

Response 12. EKPC has one turbine/generator overhaul scheduled for Cooper Power Station Unit 2 in the early spring of 2012.

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REQUEST 13

RESPONSIBLE PERSON: Craig A. Johnson

COMPANY: East Kentucky Power Cooperative, Inc.

Request 13. Refer to page 7 of the Johnson Testimony, lines 11 - 18. Provide the exact amount of EKPC's 2009 costs per megawatt hour excluding allocated costs.

Response 13. The O&M cost (excluding allocated costs) for EKPC's coal fired units in 2009 was \$33.22 per MWh.

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REQUEST 14

RESPONSIBLE PERSON: Craig A. Johnson

COMPANY: East Kentucky Power Cooperative, Inc.

Request 14. Refer to page 8 of the Johnson Testimony, lines 6-15. The information provided covers the years 2004 through 2008. Provide the averages for EKPC for the years 2005 through 2009.

Response 14. Please see the table below.

Unit	EKPC Average FOR 2005-2009
Dale 1	2.8%
Dale 2	2.1%
Dale 3	2.5%
Dale 4	3.9%
Cooper 1	7.8%, (includes 27.6% in 09 due to a forced outage resulting from a ground in the generator stator)
Cooper 2	1.9%
Spurlock 1	0.3%
Spurlock 2	0.7%
Gilbert	8.3%
Spurlock 4	6.2% (a partial year-unit became commercially operational on April 1, 2009)

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REQUEST 15**

RESPONSIBLE PERSON: Dennis R. Eicher

COMPANY: East Kentucky Power Cooperative, Inc.

Request 15. Refer to page 5, lines 22-24, of the Testimony of Dennis R. Eicher, which indicate EKPC is following the general approach used in preparing the cost-of-service (“COS”) analysis in its last rate case. Identify any instances in which the COS methodology used in this proceeding differs from that used in EKPC’s last rate case. For all such differences, explain why the methodology has changed.

Response 15. The general approach used both in this proceeding and EKPC’s last rate case was the 100% capacity method. However, Mr. Eicher cannot confirm whether or not each specific assumption made in this proceeding mirrors assumptions used in EKPC’s last rate case.

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REQUEST 16

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 16. Refer to page 10, lines 19-23, of the Testimony of Ann F. Wood (“Wood Testimony”). Confirm that the start date of EKPC’s proposed base period should be September 1, 2009 rather than September 1, 2010.

Response 16. EKPC confirms that the start date of its proposed base period should be September 1, 2009 rather than September 1, 2010.

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REQUEST 17

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 17. Provide an electronic version of Wood Exhibit 1.

Response 17. Please see Wood Exhibit 1 in electronic format on the enclosed CD.

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REQUEST 18

RESPONSIBLE PERSON: Frank J. Oliva/Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 18. Refer to Wood Exhibit 1, Schedules 1.02 and 1.16.

Request 18a. Explain whether \$39.8 million is EKPC's budgeted amount of purchased power expense for calendar year 2011.

Response 18a. EKPC's budgeted amount of purchased power for calendar year 2011 is \$39.8 million.

Request 18b. Explain whether Schedule 1.02 reflects that EKPC's 2011 budget includes \$10.0 million in forced outage costs to be recovered through base rates.

Response 18b. Schedule 1.02 reflects that the 2011 budget includes \$10 million in forced outage costs to be recovered through base rates. These costs represent forced outage replacement purchased power costs, which are not recoverable through the fuel adjustment clause mechanism.

Request 18c. Provide a detailed description of the terms of the coverage EKPC will have under the outage insurance for which it has budgeted \$900,000.

Response 18c. Primary terms of the outage insurance policy covering EKPC are as follows:

Term: July 1, 2010 – June 30, 2011

Perils Insured Against: Losses incurred due to Unplanned Events

Event Duration Limit: 90 consecutive calendar days

Purchased Power Index (PPI): MISO Cinergy Hub Day-Ahead Market

PPI Limit: \$100/MWh

Insured Price (IP): \$30/MWh

Term \$ Deductible: \$1,000,000

Aggregate Capacity Deductible: 100 MW

Schedule: On-Peak Hours Only, 7x16, Monday-Sunday, HE 0800-2300 EPT

Policy Limit: \$20,000,000

Settlement Calculation: Average of the PPI (up to the PPI Limit) less the IP, multiplied by the lost capacity excess of the Capacity Deductible, up to the Capacity Limit, for all applicable hours (Schedule) of the day, up to the maximum of the Event Duration Limit or the Expiration Date, whichever comes first.

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REQUEST 19

RESPONSIBLE PERSON: Frank J. Oliva/Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 19. Refer to Wood Exhibit 1, Schedule 1.02, and Oliva Exhibit 1. Identify the account in which the purchased power expense of \$39.8 million is included in Oliva Exhibit 1. If the \$39.8 million does not make up the entirety of the account shown in Oliva Exhibit 1, provide the details of what makes up the remainder of the account.

Response 19. Purchased power expense is included in “Other Power Supply” (Line 29) in Oliva Exhibit 1. A breakdown of Other Power Supply is shown below.

Account			
55500	Purchased Power		
	Energy Purchases	\$	39,812,073
	Amortization of Regulatory Asset (Case No. 2008-00436)	*	3,185,760
	Total Purchased Power		\$ 42,997,833
Account			
55600	System Control and Load Dispatching		4,866,819
Account			
55700	Long-Term Power Supply Expense		6,998,809
Account			
55701	Other Expense Load Forecasting		536,530
	Total Other Power Supply		<u>\$ 55,399,991</u>

*Pro-Forma Adjustment to Test Year (Wood Exhibit 1, Schedule 1.19)

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**COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10
REQUEST 20**

RESPONSIBLE PERSON: Ann. F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 20. Refer to Wood Exhibit 1, Schedule 1.10, which shows the proposed \$16,000 adjustment to remove directors' severance costs. Provide a detailed listing of all directors' compensation, reimbursements, etc. included in the forecasted test year.

Response 20. Please see page 2 of this response.

Directors Fees and Expenses for Test Year

Month	Directors Fees	Directors Severence	Lunches for Board Meetings	Month Total
Jan-11	28,721	1,333	533	30,587
Feb-11	28,721	1,333	1,067	31,121
Mar-11	28,721	1,333	1,067	31,121
Apr-11	28,721	1,333	1,067	31,121
May-11	28,721	1,333	1,067	31,121
Jun-11	28,721	1,333	1,067	31,121
Jul-11	28,721	1,333	1,067	31,121
Aug-11	28,721	1,333	1,067	31,121
Sep-11	28,721	1,333	1,067	31,121
Oct-11	28,721	1,333	1,067	31,121
Nov-11	28,721	1,333	1,067	31,121
Dec-11	28,719	1,337	1,597	31,653
	<u>344,650</u>	<u>16,000</u>	<u>12,800</u>	<u>373,450</u>

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REQUEST 21

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 21. Refer to page 19, lines 8-10, of the Wood Testimony and Wood Exhibit 1, Schedule 1.20.

Request 21a. Explain whether the cited portion of the testimony is intended to convey that KRS 278.255 prescribes a specific amortization period for management audit expenses.

Response 21a. The intent of page 19, lines 8-10, of the Wood Testimony and Wood Exhibit 1, Schedule 1.20, was not to convey that KRS 278.255 prescribes a specific amortization period for management audit expenses. Rather, the reference to the statute was to recognize that management audit costs are includible for ratemaking purposes. The last sentence of KRS 278.255, Section (3), states: "The commission shall include the cost of conducting any audits required in this section in the cost of service of the utility for ratemaking purposes."

Request 21b. Provide workpapers and the supporting invoices upon which the legal consultants' cost of \$570,000 included in management audit expenses is based.

Response 21b. The legal expenses to date relating to the management audit are \$464,955. The supporting invoices are provided on the attached CD. Note that these expenses represent amounts incurred up to the April 22, 2010 report release date.

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REQUEST 22

RESPONSIBLE PERSON: Ann F. Wood
COMPANY: East Kentucky Power Cooperative, Inc.

Request 22. Refer to Wood Exhibit 1, Schedule 1.21, which shows the make-up of the estimated \$625,000 rate case expenses for this case. Provide, using the same categories, a schedule of EKPC's actual rate case expenses incurred in connection with Case No. 2008-00409.

Response 22. A schedule of actual rate case expenses incurred in connection with Case No. 2008-00409 is shown in the table below.

Schedule of Rate Case Expenses In in 2008-00409

Category	Amount
(1) Accounting	\$ -
(2) Engineering	-
(3) Legal	86,424.87
(4) Consultants	174,753.50
(5) Other	35,242.59
Total Rate Case Costs	<u>\$ 296,420.96</u>

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REQUEST 23

RESPONSIBLE PERSON: John R. Twitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 23. Refer to Tab 24 in Volume 3 of EKPC's application. Describe the nature of the following items identified as major projects:

Request 23a. New CT site;

Response 23a. A description of the New CT Project is provided below.

New CT site

Project: New combustion turbine project (200 MW)

Scope of work: License, site and engineer a new CT project.

Reason required: To provide additional peaking generation.

Estimated dates: Begin – January 2010

End – May 2015

The scope of this project is changing based on the revised load forecast. A study is still planned for late 2010/early 2011 to identify potential locations to site 3 X 100 MW of simple cycle combustion turbines and/or 1 X 270 MW of combined cycle combustion turbine generation. The scope of the study includes identification of any background environmental monitoring needed to support a future permit application. The timing of other project development, engineering and permitting work will be driven by the revised load forecast.

Request 23b. 404 Mitigation;

Response 23b. The Smith 1 CFB project requires a 404 permit from the U.S. Corp of Engineers for impacts to the Waters of the U.S. EKPC proposes to build a large reservoir-- two beneficial re-use areas for ash and an ash landfill. A requirement of the 404 permit is to mitigate the impacts to the Waters of the US in those areas of development. This amount of expenditure is budgeted to meet and fulfill the obligations of this permit.

Request 23c. 1 & 2 Mercury Mitigation.

Response 23c. This project is necessary to comply with the U.S. EPA Utility Boiler New Source Performance Standard (NSPS) and Maximum Achievable Control Technology (MACT) that shall be promulgated in 2011.

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REQUEST 24

RESPONSIBLE PERSON: Frank J. Oliva/Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 24. Refer to Tab 26 in Volume 3 of EKPC's application.

Request 24a. Provide pages 2-5 electronically.

Response 24a. An electronic version of pages 2-5 (Application Volume 3, Tab 26) is included on the attached CD.

Request 24b. Provide EKPC's actual 2009 statement of operations at the same level of detail as the budgeted statement of operations on page 2.

Response 24b. The actual 2009 statement of operations is included on page 2 of this response.

EAST KENTUCKY PC... COOPERATIVE, INC.
STATEMENT OF OPERATIONS

	Restated Jan-09	Restated Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	12 month period ended 12/31/09
Electric Energy Revenues													
Power Sales--Member Cooperatives	86,754,361	71,689,652	64,310,144	54,590,809	50,356,446	57,512,612	57,991,480	61,588,741	53,963,931	50,364,390	52,667,102	74,071,226	735,860,894
Power Sales--Off-System	205,282	360,378	912,803	222,260	2,829,352	1,403,904	930,153	551,667	199,951	1,106,545	476,784	645,455	9,844,534
Total Electric Energy Revenue	86,959,643	72,050,030	65,222,947	54,813,069	53,185,798	58,916,516	58,921,633	62,140,408	54,163,882	51,470,935	53,143,886	74,716,681	745,705,428
Other Operating Revenue--Income	(2,397,310)	435,841	(226,128)	2,648,571	4,522,729	4,442,802	1,104,126	1,152,838	800,756	3,673,161	4,270,070	6,956,269	27,383,724
Total Operating Revenue & Patronage Capital	84,562,333	72,485,871	64,996,818	57,461,640	57,708,527	63,359,318	60,025,759	63,293,247	54,964,638	55,144,096	57,413,956	81,672,949	773,089,151
Operation Expenses													
Production Costs Excluding Fuel	4,199,627	4,483,853	4,610,735	4,303,018	4,836,358	4,997,681	4,930,853	4,855,875	4,940,920	5,145,835	4,970,234	6,133,590	58,408,578
Fuel	31,555,233	22,305,947	24,324,789	20,075,978	21,866,431	25,182,366	24,432,390	26,781,737	20,133,175	21,998,582	23,477,477	32,706,048	294,840,153
Other Power Supply	23,193,769	13,227,777	10,527,858	4,364,996	5,772,774	6,274,681	6,153,218	5,342,404	7,536,734	6,867,291	5,759,583	10,394,194	105,415,279
Transmission	2,054,654	1,239,018	2,270,250	2,329,345	1,519,064	1,608,455	2,053,412	2,893,437	1,998,564	2,412,341	2,721,299	2,419,327	25,519,165
Distribution	51,446	40,878	67,256	43,339	76,697	63,148	80,528	73,861	47,438	79,341	90,311	37,523	751,766
Customer Service & Information	145,719	35,532	178,389	190,275	207,643	108,590	91,225	132,174	208,925	230,848	264,202	202,128	1,995,650
Sales	847	422	-	42	-	-	-	-	927	1,012	1,617	1,234	6,101
Administration & General	2,381,539	2,154,909	2,723,069	1,674,800	2,210,732	3,389,557	2,758,499	2,147,294	2,108,280	1,981,076	2,065,550	3,059,440	28,654,744
Total Operation Expenses	63,582,834	43,488,335	44,702,345	32,981,794	36,489,698	41,624,478	40,500,125	42,226,781	36,974,963	38,716,326	39,350,272	54,953,485	515,591,438
Maintenance Expenses													
Production	1,315,271	2,357,703	2,113,473	4,130,893	3,910,954	4,020,983	3,829,604	3,716,942	4,709,395	5,639,781	4,774,973	7,816,212	48,336,183
Transmission	198,165	256,276	220,599	287,157	183,269	330,846	257,725	320,923	474,454	730,105	223,063	842,338	4,324,921
Distribution	85,289	60,219	84,192	31,910	109,878	54,350	124,030	101,915	72,665	61,783	53,983	84,302	924,519
General Plant	40,752	60,605	78,589	47,840	64,705	117,962	55,265	93,581	87,401	87,543	72,248	127,612	934,103
Total Maintenance Expenses	1,639,477	2,734,804	2,496,854	4,497,800	4,268,807	4,524,141	4,266,624	4,233,362	5,343,915	6,519,211	5,124,268	8,870,464	54,519,725
Operating Expenses													
Depreciation/Amortization	3,912,615	4,200,636	3,999,089	5,090,480	5,188,446	5,166,532	5,141,588	5,560,395	5,528,159	5,502,079	5,585,888	5,672,767	60,548,674
Taxes	-	-	800,000	-	-	-	-	-	-	-	-	-	800
Interest on Long-Term Debt	9,899,310	8,957,757	9,820,742	9,095,187	9,261,660	9,110,577	9,459,362	9,545,508	9,292,139	9,746,905	9,542,355	9,588,261	113,319,764
Other Interest Expense	0	380	315	3,997	1,881	3,104	6,165	2,717	3,169	4,300	6,817	2,935	35,781
Other Deductions	(5,892)	118,474	143,090	65,260	108,581	2,138,975	741,398	809,816	(127,140)	(206,606)	(631,458)	4,053,022	7,207,522
Total Operating Expenses	13,806,033	13,277,247	13,964,036	14,254,925	14,560,568	16,419,188	15,348,514	15,918,436	14,696,327	15,046,678	14,503,603	19,316,985	181,112,540
Total Cost of Electric Service	79,028,344	59,500,386	61,163,235	51,734,519	55,319,073	62,567,807	60,115,264	62,378,579	57,015,205	60,282,215	58,978,143	83,140,934	751,223,703
Operating Margins (Deficit)	5,533,989	12,985,485	3,833,583	5,727,121	2,389,454	791,511	(89,505)	914,668	(2,050,567)	(5,138,119)	(1,564,187)	(1,467,985)	21,865,448
Non-Operating Items													
Interest Income	285,400	267,038	375,734	246,220	244,654	345,546	217,661	212,671	319,181	380,022	363,365	357,644	3,615,136
Allowance for Funds Used	-	-	-	-	-	-	-	-	-	-	-	-	-
During Construction	1,681,697	1,676,680	1,525,496	(83,479)	(5,363)	14,665	12,849	(27,065)	11,371	(5,024)	(4,167)	967	4,883,872
Other Non-Operating Income	14,822	14,339	(3,786)	(83,479)	(5,363)	14,665	12,849	(27,065)	11,371	(5,024)	(4,167)	967	(59,870)
Other Capital Credits/Patronage	200	-	40,561	566	783	1,433	0	5,626	10,457	204,224	572	14	264,435
Total Non-Operating Items	1,982,120	1,958,057	1,938,004	163,307	240,074	361,643	230,510	191,233	341,009	579,222	359,770	358,624	8,703,573
Net Patronage Capital & Margins (Deficit)	7,516,109	14,943,542	5,771,588	5,890,428	2,629,528	1,153,154	141,006	1,105,900	(1,709,558)	(4,558,898)	(1,204,418)	(1,109,360)	30,569,021

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 25

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 25. Refer to Tab 30 in Volume 3 of EKPC's application at page 3. Explain in detail why the "Fuel Adjustment" amounts are negative in 2011 and 2013 but positive in 2012.

Response 25. For 2012, budgeted FAC-related costs exceed EKPC's budgeted basing point. In 2011 and 2013, budgeted FAC-related costs are less than EKPC's budgeted basing point.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 26

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 26. Refer to the information at Tab 30 in Volume 3 of EKPC's application, pages 6 and 9.

Request 26a. In the same format as shown on page 6, provide EKPC's actual MWh and kW levels, by rate schedules and contracts, for calendar year 2009 and calendar year 2010 to date.

Response 26a. Please see page 4 of this response.

Response 26b. The merit budget will become effective in June 2011.

Request 26b. Page 9 indicates that EKPC has budgeted a 3.5-percent wage and salary increase for 2011. Provide the specific dates in 2011 when wage and salary increases will become effective.

Request 26c. Explain in detail how EKPC arrived at 3.5 percent as the budgeted wage and salary increase for 2011.

Response 26c. The 3.5 percent was an estimate of market movement. Please note that many factors are explored before an actual merit amount is determined for actual distribution.

Request 26d. At what point in time will the actual levels of 2011 wage and salary increases be determined by EKPC's management?

Response 26d. EKPC's board of directors will determine the level of 2011 wage and salary merit increases in April 2011.

Request 26e. Provide a detailed description of the positions for which EKPC budgeted an additional 21 employees over the course of 2010 and 2011.

Response 26e. Please see the table below. Please note that the hiring of an additional 20 employees is planned, not 21 employees.

2010

Corporate Services

Human Resources
Supply Chain - Warehouse

HR Generalist
Warehouse Technician

Power Supply

Power Supply Operations

System Operator

G&T Operations - Transmission

Expansion - Admin. & Support
Opr. - Transm. & Control Area

Engineering Technician
System Operator

G&T Operations

Construction
Construction
Construction
Construction
Construction
Construction

Senior Field Engineer (Cooper Proj.)
Project Manager (Smith Project)
Contract Material Specialist (Smith Project)
Construction Manager (Cooper Project)
Administrative Support Specialist (Cooper)
Project Manager (HQ for Environ. & Misc.)

Environmental
Environmental
Environmental
Landfill Gas - Site No. 7

Environmental Compliance Specialist
Environmental Transmission Compl. Specialist
Environmental Instrument Technician
Landfill Gas Technician

2011

G&T Operations

Construction
Construction
Construction
Construction
Environmental

Field Contract Administrator (Smith Project)
Safety & Material Coordinator (Smith)
Administrative Support Specialist (Smith)
Operations Superintendent (Smith)
Environmental Instrument Technician

East Kentucky Power Cooperative, Inc.
As Billed Including Energy and Demand
2009 - 2010

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Billed MWh (2009 - 2010)	452,300	353,877	313,774	262,332	316,668	408,539	397,025	434,359	342,443	263,008	294,884	420,917	482,416	420,865	320,410	238,148	343,863	463,377
Rate E-2 - On-Peak	571,464	439,520	387,254	317,856	233,707	259,889	256,789	272,362	234,083	312,904	348,937	516,888	608,724	535,916	397,773	281,921	242,076	290,881
Rate E-2 - Off-Peak	50,938	40,056	35,969	31,758	40,390	50,774	50,283	56,308	43,324	32,252	34,195	47,106	51,212	44,970	36,781	29,379	43,999	58,698
Rate E-1 - On-Peak	62,328	48,249	42,918	37,310	29,259	34,142	33,056	35,655	29,637	37,381	38,860	55,766	62,344	55,141	43,876	33,873	30,723	37,110
Rate E-1 - Off-Peak	72,064	67,560	72,326	68,478	72,646	75,127	76,774	81,270	77,005	76,129	71,297	71,993	75,894	75,718	79,215	75,718	81,665	76,846
Rate B	27,521	24,276	29,073	26,088	24,551	24,840	27,599	29,288	29,256	30,461	28,339	24,758	26,612	25,322	28,468	26,060	28,427	29,912
Rate C	26,887	27,720	28,576	27,089	27,811	27,870	27,181	28,331	29,143	29,760	27,064	27,899	29,339	27,000	28,967	28,223	26,438	28,989
Pumping Stations	18,007	15,245	16,506	21,443	18,745	15,014	13,897	12,285	2,123	8,552	6,959	9,945	4,601	797	271	789	617	276
Large Special Contract - On-P	14,334	15,486	14,774	14,733	15,289	19,265	23,657	23,598	26,224	23,110	15,897	24,287	20,507	22,820	25,902	23,940	27,596	29,697
Large Special Contract - Off-F	51,366	50,214	50,926	50,967	50,411	46,435	49,639	59,240	54,971	59,708	51,037	58,938	61,589	57,845	62,611	60,481	59,192	53,248
Steam Service	23,148	23,154	24,480	22,133	22,677	21,487	21,297	20,292	21,217	22,456	22,513	25,544	25,124	23,225	24,625	21,813	18,421	20,344
Total	1,370,347	1,105,358	1,016,575	880,188	852,156	983,382	977,198	1,052,988	889,425	895,721	939,983	1,284,041	1,448,359	1,285,894	1,048,897	820,346	905,017	1,089,379

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Billed kW (2009 - 2010)	2,552,992	2,300,088	2,149,117	1,365,273	1,155,623	1,508,244	1,365,973	1,577,642	1,192,888	1,299,324	1,390,856	2,000,578	2,215,360	2,069,162	1,784,352	1,051,990	1,335,942	1,668,455
Rate E-2	253,665	228,449	210,519	145,903	158,803	201,958	175,511	189,997	167,233	128,943	140,891	192,164	201,053	209,489	177,768	111,005	159,999	217,272
Rate E-1	14,527	13,674	13,349	11,229	11,546	13,076	13,034	14,747	12,512	12,262	12,266	14,419	16,893	16,508	14,340	13,629	15,587	17,737
Excess B	114,856	115,059	113,760	114,660	116,830	117,355	118,005	117,105	116,755	112,770	112,920	114,230	114,180	114,280	114,330	117,920	121,035	121,410
Rate B	52,763	51,240	51,240	50,697	50,908	48,016	47,941	48,328	47,737	48,806	48,806	45,747	45,747	45,747	45,747	45,747	46,236	46,334
Rate C	49,477	49,477	48,034	46,477	46,843	46,843	39,477	43,959	45,493	44,647	44,721	47,349	47,163	47,163	47,163	47,163	47,163	47,163
Rate G	38,939	38,740	39,068	38,946	38,960	38,939	38,869	39,023	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000
Pumping Stations	133,434	133,338	133,406	133,431	133,240	133,328	133,390	133,331	159,939	159,840	159,985	159,865	159,754	160,020	160,003	159,933	159,730	159,951
Hrs Interruptible	40,350	41,616	40,646	36,930	36,617	35,528	34,167	33,628	35,298	35,995	37,678	39,978	40,617	39,828	48,381	41,234	42,009	38,690
Steam Service	3,251,003	2,971,681	2,799,139	1,943,546	1,749,370	2,143,287	1,966,367	2,197,760	1,814,855	1,879,587	1,985,123	2,651,330	2,877,767	2,739,197	2,429,084	1,625,621	1,964,701	2,354,012
Total	1,370,347	1,105,358	1,016,575	880,188	852,156	983,382	977,198	1,052,988	889,425	895,721	939,983	1,284,041	1,448,359	1,285,894	1,048,897	820,346	905,017	1,089,379

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00167
SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10
REQUEST 27

RESPONSIBLE PERSON: John R. Twitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 27. Refer to Tab 37 in Volume 3 of EKPC's application and the April 2010 budget variance report filed with the Commission on June 11, 2010. For each month, provide the portion of the MWh volume variance attributable to differences between forecasted normal temperatures and the actual temperatures.

Response 27. The monthly MWh volume variances attributable to temperature differences are provided in the table on page 2 of this response.

Month Year	Actual 2010 MWh	Adjustment Due to Weather MWh	Normal HDD/CDD	Actual HDD/CDD	Normal Average Temperature	Actual 2010 Average Temperature
Sep-08	929,374	(16,856)	147	203	68	72
Oct-08	885,289	-	284	273	57	57
Nov-08	1,058,229	(7,728)	574	658	46	43
Dec-08	1,279,319	(4,664)	877	899	36	36
Jan-09	1,370,276	(26,520)	1,026	1,128	32	29
Feb-09	1,104,389	16,461	816	757	36	38
Mar-09	1,015,099	18,894	616	522	46	48
Apr-09	879,988	1,664	332	316	55	56
May-09	851,138	-	80	80	64	65
Jun-09	984,444	(5,828)	228	275	72	74
Jul-09	976,476	31,992	350	226	76	72
Aug-09	1,052,031	12,423	307	266	75	73
Sep-09	888,940	3,311	147	136	68	69
Oct-09	894,562	-	284	377	57	53
Nov-09	939,157	6,624	574	502	46	48
Dec-09	1,283,035	(8,692)	877	918	36	35
Jan-10	1,447,441	(26,520)	1,026	1,128	32	29
Feb-10	1,285,090	(53,010)	816	1,006	36	29
Mar-10	1,047,711	10,653	616	563	46	47
Apr-10	819,276	14,144	332	196	55	60

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 28

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 28. Refer to Tab 51 in Volume 5 of EKPC's application at page 4. Provide detailed explanations for the projected increases in customer assistance expenses and general advertising expenses from the base period to the forecasted period.

Response 28. The projected increase in customer assistance expense from the base period to the forecasted test period is a result of a \$554,000 increase in expenses to support member demand side management programs, and a \$223,000 increase in employee labor and benefits.

The projected increase in general advertising expense from the base period to the forecasted test period is a result of a \$271,000 increase expenses relating to the WKYT Doppler Radar and Touchstone Energy All A Classic.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 29

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 29. Refer to Tab 52 in Volume 5 of EKPC's application at pages 2 and 3.

Request 29a. Provide a detailed explanation for the projected increase in the cost of the defined benefit plan from \$9.3 million in the base period to \$14.8 million in the forecasted period.

Response 29a. The test year is composed of 4 months actual in 2009, 3 months actual in 2010, and 5 months budgeted in 2010. The defined benefit ("DB") premium for the 4 months (September through December) actual in 2009 is 18.72% of base pay. The DB premium for the 8 months actual/budgeted in 2010 is 25.5% of base pay.

The projected DB premium for the 2011 budget is 28.05% of base wages. This was determined by increasing the 2010 rate of 25.5% by 10% to account for market fluctuations.

In addition, due to the down turn in the market in 2008 and 2009, NRECA informed EKPC that an additional assessment (Debt Reduction Credit "DRC") may need to apply to increase the plan funding to required levels. An additional \$3.5 million was added to the budget to cover the potential assessment of the DRC. NRECA has since informed EKPC that the DRC is no longer needed. This \$3.5 million DRC has been removed from the test year (See Wood Testimony, Wood Exhibit 1, Schedule 1.15).

Request 29b. Provide a detailed explanation for the projected increase in the cost in medical insurance from \$6.5 million in the base period to \$8.4 million in the forecasted period.

Response 29b. The PPO medical cost is composed of two components: active employee medical and retired employee medical. The base period combines actual and budget. The forecasted period was projected in mid 2009 and assumed medical inflation to increase 10% in 2010 and an additional 10% in 2011.

2009 medical costs trended lower than expected, which resulted in lower contributions approved by the self-funded group for 2010. To-date, 2010 claims are equal to contributions. EKPC does not believe this trend will continue.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 30

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 30. Refer to Tab 54 in Volume 5 of EKPC's application at page 2. Explain the fluctuations in "Other Operating Revenue - Income" from one period to the next.

Response 30. The fluctuations in "Other Operating Revenue-Income" from one period to another are primarily due to fluctuations in account 44910; please see the table on page 2 of this response. During the audit of the 2008 financial statements, EKPC's external auditor recommended, and EKPC agreed, that EKPC should be recording any accumulated over or under recoveries on its fuel adjustment clause and environmental surcharge as regulatory liabilities or assets, respectively. This accounting treatment is in accordance with paragraph 9b of Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. For accounting purposes, this was considered to be a correction of an error; the 2007 audited financial statements were restated. Account 44910 is the income statement account that reflects the monthly activity of recording these over or under recoveries. Note that EKPC does not budget for activity in account 44910.

	Forecasted Test Year	Base Year						
		2005	2006	2007	2008	2009		
44910	Revenue Subject to Refund	-	9,431,793	(11,439,089)	5,949,222	(2,572,654)	-	-
45100	Misc Service Revenues-Reg	(24,000)	(18,082)	(10,434)	(15,960)	(24,783)	(19,220)	(44,137)
45401	Rent From Electric Prop-Reg	(97,650)	(97,648)	(92,292)	(87,700)	(93,650)	(65,000)	(65,000)
45601	Oth Elect Rev TVA Monticello	-	-	(2,864)	(34,368)	(34,368)	(34,368)	(34,368)
45602	Oth Elect Rev Bedford Sub	-	-	-	-	-	(130,258)	(14,387)
45603	Oth Elect Rev Sales Tax Compen	(18,000)	(16,907)	(16,694)	(16,439)	(14,466)	(16,300)	(15,318)
45604	Oth Elect Rev Miscellaneous	-	(80,000)	(240,000)	(240,000)	(240,377)	720,000	-
45605	Oth Elect Rev Zula Sub Rent	-	-	(12,017)	(125,470)	(73,204)	(64,955)	(69,325)
45609	Oth Elect Rev Facility Chg Gal	-	-	-	-	-	-	(142,063)
45612	Oth Elect Rev Cagles Facility	(109,392)	(109,392)	(109,392)	(109,392)	(109,392)	(109,392)	(109,392)
45614	Oth Elect Rev Big Sandy Inez69	(42,127)	(42,124)	(42,127)	(42,127)	(9,399)	-	-
45632	Oth Rev Oth Tran NonFirm Pt P	(1,775,000)	(1,672,526)	(2,026,423)	(1,777,310)	(1,890,249)	(820,169)	(870,431)
45633	Oth Rev Oth Tran Anc Svc 3_1	(97,000)	(91,416)	(91,212)	(97,001)	(92,298)	(22,353)	(4)
45634	Oth Rev Oth Tran Anc Svc 3_2	(44,000)	(41,244)	(40,971)	(43,572)	(41,459)	(10,041)	(2)
		(2,207,169)	7,262,454	(14,123,513)	3,359,884	(5,196,300)	(572,055)	(1,364,427)

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 31

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 31. Refer to Tab 58 in Volume 5 of EKPC's application. Provide an electronic version of the billing analyses with the formulas intact and unprotected.

Response 31. Please find the electronic billing analyses on the attached CD.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 32

RESPONSIBLE PERSON: Frank J. Oliva/Isaac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 32. Refer to the response to Item 13 of Commission Staffs ("Staff") initial data request. Given the results EKPC has experienced over the past 10 calendar years regarding its slippage factor, explain in detail why it did not reflect a slippage factor in developing its forecasted test-year capital expenditures and interest expense.

Response 32. EKPC was aware that the Commission has incorporated slippage factor adjustments to capital expenditures in previous forecasted test-year cases. EKPC did not include a slippage factor adjustment to the forecasted test-year capital expenditures because at the time the application was prepared a slippage factor had not been calculated. Upon reconsideration, EKPC agrees that a slippage factor should be applied to the forecasted test-year capital expenditures. After reviewing the response to the Staff's initial data request, Item 13, pages 3 and 4 of 4, EKPC would suggest that the three slippage factors for production, transmission, and other shown on page 4 of 4 be utilized rather than the overall slippage factor shown on page 3 of 4. As the goal of applying a slippage factor to the capital expenditures is to reflect the differences between budgeted and actual amounts, EKPC believes it is reasonable to utilize identifiable slippage factors for the major categories of capital expenditures rather than one blended factor.

EKPC did not reflect a slippage factor in developing its forecasted test-year interest expense because EKPC believes it is not appropriate to apply a factor that is based on the variance in budgeted versus actual capital expenditures to the balance of long-term debt and the corresponding interest expense. The slippage factor is not relevant to EKPC's interest expense because EKPC generally funds its capital expenditures in arrears. Temporary construction funding is provided through the Credit Facility and subsequently long-term financing is obtained from RUS or another source. In other words, the long-term financing is not obtained until actual expenditures have been incurred. The interest expense included in this rate case reflects the long-term debt that EKPC believes it will obtain on projects or contracts that will be completed.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 33

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 33. Refer to the response to Item 46 of Staffs initial data request. Provide a general description of the types of services provided that account for the \$6.1 million in “other” professional services expenses for the 12 months ended March 31, 2010.

Response 33. The types of professional services denoted as “other” include: Direct Load Control Services, Environmental Compliance Services, Lab Testing, Management Audit Consulting, Maintenance Management Consulting, Security Services, Temporary Labor through Employment Services, and Transmission Area Coordination.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 7/8/10

REQUEST 34

RESPONSIBLE PERSON: Issac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 34. Refer to the responses to Item 47, pages 7 and 8, and Item 56, page 2, of Staff's initial data request. Item 47 shows disbursements to various EKPC cooperatives with the description "ETS Rebates." Item 56 shows costs for "Electric Thermal Storage Incentive" in 2007 with a footnote which states that, "[t]he Electric Thermal Storage incentive in 2008 and 2009 was a discount in the price of heating units rather than an actual incentive payment as was done in 2007." Given the information provided in the footnote in Item 56, explain the disbursements to the cooperatives shown in Item 47.

Response 34. The disbursements to various Member Systems shown in PSC First Data Request, Item 47, pages 7 and 8, are rebates that take into consideration the situation arising from the 10-year contract term of the Electric Thermal Storage ("ETS") contracts between the Member Systems and their member-consumers. Previous decisions of the Public Service Commission had required that if EKPC discontinued the off-peak wholesale power marketing rate (on which the ETS program was based), that rate would have to be continued until all existing contracts for service under the ETS program had expired. In July 1995 the Public Service Commission approved the replacement of the off-peak wholesale power marketing rate with on-peak and off-peak billing periods with differing energy rates.

As the off-peak wholesale power marketing rate was discontinued in July 1995, all then existing 10-year contracts would have expired by December 2008. Consequently, these rebates are the final true up in conjunction with the ETS program.