

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

RECEIVED

AUG 06 2010

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT MAIL

August 5, 2010

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

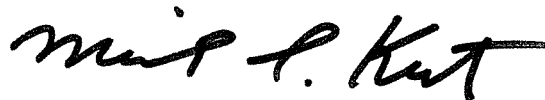
Re: Case No. 2010-00167

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of the **SECOND SET OF DATA REQUESTS OF GALLATIN STEEL TO EAST KENTUCKY POWER COOPERATIVE, INC.** filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service


CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, to all parties on the 5th day of August, 2010.

Lawrence W Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Ann F Wood
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Mark David Goss
Frost, Brown, Todd, LLC
250 West Main Street
Suite 2700
Lexington, KY 40507



Michael L. Kurtz, Esq.

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

RECEIVED

AUG 06 2010

**PUBLIC SERVICE
COMMISSION**

In The Matter Of: General Adjustment of Rates of East : Case No. 2010-00167
Kentucky Power Cooperative, Inc. :

**SECOND SET OF DATA REQUESTS OF
GALLATIN STEEL TO
EAST KENTUCKY POWER COOPERATIVE, INC.**

Dated: August 5, 2010

DEFINITIONS

1. “Document” means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. “Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. “Person” means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company’s possession or subject to its control, state what disposition was made of it?
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. “You” or “your” means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, “you” or “your” may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness’ testimony.
11. “EKPC” means East Kentucky Power Cooperative and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Gallatin Steel. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**SECOND SET OF DATA REQUESTS GALLATIN STEEL
TO EAST KENTUCKY POWER COOPERATIVE, INC.
Case No. 2010-00167**

- Q2-1. Refer to the Oliva Exhibit 1. Please explain why the Company has no budgeted AFUDC or interest during construction for the test year.
- Q2-2. Refer to Oliva Exhibit 1. Please provide the Company's computations of interest income and interest expense for each month during the base period and each month during the test year. Provide this information in an excel spreadsheet. Provide all assumptions, data, and computations with formulas intact. The assumptions and data should include, but not be limited to, any assumed changes in the amounts and sources of debt and the interest rates on each debt issue. To the extent the Company has made an assumption regarding interest rates during the projected months of the base period or the test year, then please provide the source of the interest rate assumption.
- Q2-3. Please provide a schedule from the end of the month preceding the start of the base period through the end of the test year by month showing the Company's actuals and projections of beginning CWIP, direct construction expenditures, AFUDC, closings to plant in service and ending CWIP *by project*, e.g., specific Smith 1 projects.
- Q2-4. Please provide a schedule from the end of the month preceding the start of the base period through the end of the test year by month showing the Company's actual and projections of beginning plant in service, plant additions, plant retirements, and ending plant in service by plant account. In addition, please reconcile the plant additions to the closings to plant in service provided in response to the immediately preceding question by month.
- Q2-5. Please provide a copy of the Company's AFUDC policy. If the Company does not have a written policy, then please provide a narrative description of the projects that are eligible, the methodology used to compute the AFUDC rate and the AFUDC amounts (provide the formula used, e.g., beginning CWIP times 1/12 average interest rate at end of prior month), and the cessation of AFUDC once the CWIP either is closed to plant in service or included in rates.
- Q2-6. Refer to the Company's response to Staff 2-4 and 2-18. Please provide the amount by RUS O&M expense account (fuel and purchased power expense) of the cost of forced outages by unit (if available by unit) for each month that were not or are projected not to be recovered through the Company's fuel adjustment clause during: a) 2009, b) the base period, c) the test year. For the projected months included in the base period and all months in the test year, please provide the Company's computations of this expense. Provide all assumptions, data, computations and electronic spreadsheets with formulas intact.
- a. For each year from 2005 – 2009, please identify the amount of purchase power expense that was not recoverable through the fuel adjustment clause. Please separately identify how much of purchase power expense was deferred for later recovery.
- Q2-7. Refer to the Company's response to Staff 2-6. Please provide a copy of the terms of the new credit facility and provide a copy of the Company's computations of the increased expense. Provide all assumptions, data, computations and electronic spreadsheets with formulas intact.

- Q2-8. Refer to the Company's response to Staff 2-12. Please provide the amount by RUS O&M expense account of turbine/generator overhauls by unit for each month during: a) 2009, b) the base period, c) the test year. For the projected months included in the base period and all months in the test year, please provide the Company's computations of this expense. Provide all assumptions, data, computations and electronic spreadsheets with formulas intact.
- Q2-9. Refer to the Company's response to Staff 2-18b. Please provide the amount of forced outage insurance proceeds included in the test year and where the amount is included in the test year (revenues or expenses and if expenses, in which line item). Provide the Company's computation of these proceeds by month during the test year. Provide all assumptions, data, computations and electronic spreadsheets with formulas intact.
- Q2-10. Refer to the Company's response to Staff 2-23. Please provide the changes in monthly construction expenditures and monthly draws or issuances of long term debt based on a delay in the new combustion turbine project. Provide a copy of all support, including assumptions relied on for the Company's response.
- Q2-11. Please provide a schedule of the total costs and the expense amounts for each benefits expense during calendar year 2009, the amounts included in the base period and the amounts included in the test year.
- Q2-12. Please provide the Company's computation of each benefit expense included in the base period and in the test year. Provide all assumptions, data and computations, including electronic spreadsheets with formulas intact. In addition, please provide a copy of all source documents relied on, such as actuarial reports. Finally, provide the expense % used in the computations and demonstrate that the Company did not include benefits costs that normally would be capitalized as expense amounts.
- Q2-13. Please provide a schedule of capitalization showing the amounts of short term debt by source, long term debt by issue and patronage capital for each month during calendar year 2009, each month during the base period and each month during the test year.
- Q2-14. Please provide a schedule of cash flows for each month during calendar year 2009, each month during the base period and each month during the test year. To the extent that cash flows from investing are different than the monthly changes in capitalization shown in the schedule of capitalization provided in response to the immediately preceding question, then provide a reconciliation and detailed explanation of each difference.
- Q2-15. Refer to the Company's response to Staff 2-33. Please provide a schedule showing the Company's actual "professional services" for calendar year 2009, the base period and the test year by category or type of professional services. Please provide a detailed explanation for increases in each category or type of professional services in the base period compared to the calendar year 2009 and for the test year compared to the base period.
- Q2-16. Refer to the Company's response to AG 1-1. Please provide the Company's Form 12s for each month and year to date from June 2009 through July 2010 and each subsequent month as actual Form 12s are available throughout the pendency of this proceeding.
- Q2-17. Refer to the Company's response to AG-1-36. Please provide the workpapers for the test year that were requested. In addition, please provide a copy of all source documents and all other support for the test year relied on for the pension expense in the test year, including all computations showing the application of an O&M expense factor.

Q2-18. Refer to the Company's response to AG-1-60. Please provide the Company's computation of the test year credit facilities fees of \$1.5 million. Please provide all assumptions, data and computations, including electronic spreadsheets with formulas intact.

Q2-19. Refer to Volume 5, Tab 52 of the Company's filing.

- a. Please provide the Company's quantification of payroll *expenses* by FERC O&M expense account in i) calendar year 2009, ii) the base period and iii) the test year. Identify and describe the basis for all increases in staffing from the end of the month preceding the base period through the last month of the test year included in the computation of payroll expenses. Separately quantify all payroll *expenses* associated with the new Smith projects that were included in the base period and in the test year. The term *expenses* used in this question refers to the payroll costs that are reflected in the base period and test year expense amounts, not the amounts included in construction or other non-expense accounts.
- b. Please provide the Company's quantification of benefits *expenses* in i) calendar year 2009, ii) the base period and iii) the test year. Provide all support for the Company's computations of each benefits expense in the base period and the test year, including the portion of the benefits costs that were allocated to *expense*.

Q2-20. Refer to the Company's response to Staff 2-21(b). Please provide the statutory and/or any other basis, such as precedent, relied on by the Company for deferring and/or recovering the costs of outside legal expenses related to the management audit.

Q2-21. Refer to the Company's response to Staff 2-28. Please confirm that the increase in customer assistance expenses for demand side management programs will be recoverable through the Company's DSM rider. Please indicate if and if so, where, the Company has either reflected an increase in DSM rider revenues to offset this increase in expense or removed the increase in expense for base rate recovery purposes.

Q2-22. Please provide the account detail in Volume 5 Tab 48 for the base period and test year in an excel spreadsheet.

Q2-23. Refer to the Company's response to AG 1-1, 1-2, 1-3, 1-5 and 1-8. Please provide a trial balance for calendar year 2009 in an excel spreadsheet in the same level of detail as was provided in Volume 5 Tab 48 for the base period and test year.

Q2-24. Refer to the Company's response to Staff 2-2. Please provide a variance analysis for the base period compared to calendar year 2009 by account using the trial balance for the base period provided in Volume 5 Tab 48 and the trial balance for the calendar year 2009 provided in response to the immediately preceding question. In the variance analysis, please describe the reasons for all variances in expenses of greater than 5%, please identify the reason(s) for the variance and a quantification for each reason. Please address the reasons for the variance rather than the result. For example, if there is an increase in payroll expenses, that is the result. The reason may be that the Company increased staffing for a new generating unit.

Q2-25. Refer to the Company's response to Staff 2-5, 2-23 and 2-26. Please identify all permits and regulatory approvals that are needed before construction on Smith 1 can begin.

- a. What is the status of each of those permits and regulatory approvals?

Q2-26. Refer to the Company's response to Staff 2-5, 2-23 and 2-26. Does your 2011 forecasted test year assume that construction on Smith 1 will start during the test year? If so, when?

- Q2-27. Refer to the Company's response to Staff 2-5, 2-23 and 2-26. Please quantify the amount of your requested rate increase that is based on the assumption that construction on Smith 1 will start during the 2011 forecasted test year? Provide all workpapers and analysis that support your answer.
- Q2-28. Refer to the Company's response to Staff 2-5, 2-23 and 2-26. Please assume that construction on Smith 1 does not start during 2011, what would be the amount of your requested rate increase? Provide all workpapers and analysis that support your answer.
- Q2-29. If construction on Smith 1 does not start in 2011, do you agree that your rate increase request would be excessive?
- Q2-30. In reference to the response to Gallatin's First Data Request #16, please provide the test year and 2009 on-peak/off-peak mWh by rate schedule on a monthly basis.
- Q2-31. Please explain the increase in Accumulated Depreciation – Distribution between the 2008 rate case test year (\$41.6 million, Seelye Exhibit 6) and the test year in the current case (\$105.4 million, Eicher Exhibit ___(DRE-2), Schedule C, Page 2.)
- Q2-32. Please provide the details of any reclassifications of Plant and Accumulated Depreciation between Distribution accounts and Transmission accounts since the 2008 rate case.
- Q2-33. In reference to EKPC workpaper WP-6 provided in response to Gallatin's First Data Request #1, please provide the date or dates of the balances shown.
- Q2-34. Please explain why the CWIP balances on Eicher Exhibit ___(DRE-2), Schedule D are not included in the balance of Total Rate Base on line 41 of the exhibit.
- Q2-35. If the response to the previous question is that the formula is in error, please provide a corrected copy of Exhibit ___(DRE-2).
- Q2-36. Please provide a copy of EKPC's most recent Integrated Resource Plan.
- Q2-37. Please provide a copy of EKPC's most recently prepared projection of winter and summer system peak demands, generation resources (owned capacity, purchases) and reserve margins by year for at least five years. Please show the capacity (in mW) for each of EKPC's generating resources and firm capacity purchases that are included in the analysis. (The requested information is typically referred to as a load and capability balance projection).
- Q2-38. Please refer to your response to Gallatin Steel Item 1-20. Please explain how "the volatile nature of the Gallatin Steel load" prevents any portion of the load from being counted toward the Contingency Reserve Requirement as a controllable load resource. Please provide all studies or documents that support your answer.
- a. Do you agree that when the electric arc furnace(s) is not operating, the capacity that was planned to serve the electric arc furnace(s) is available as Contingency Reserve? Please explain.
 - b. Do you agree that when the electric arc furnace(s) is operating, the arc furnace(s) load itself is available to be interrupted as Contingency Reserve? Please explain.
- Q2-39. Are Contingency Reserve and Regulating Reserve the only reserves that can be used to meet NERC reserve requirements?

- a. Can interruptible load be counted as Non-Spinning Reserve? Please explain
- b. Can interruptible load be counted as Operating Reserve? Please explain.
- c. Can interruptible load be counted as Operating Reserve – Spinning? Please explain.
- d. Can interruptible load be counted as Operating Reserve – Supplemental? Please explain.

Q2-40. Please provide a copy of the reserve sharing agreement that EKPC has with EON and TVA.

- a. Indicate any limitations that would apply to that reserve sharing agreement that are not part of the national NERC requirements. (i.e. regional limitations, agreement specific limitations, etc.)
- b. How much EKPC generating capacity is required to be held in reserve under this agreement?
- c. What is the cost to EKPC associated with holding this amount of generating capacity in reserve? Please provide all documents that support your quantification of cost.

Q2-41. Does EKPC have a reserve sharing agreement with any other parties other than EON and TVA?

- a. If so, please provide a copy of that reserve sharing agreement(s).
- b. Indicate any limitations that would apply to that reserve sharing agreement that are not part of the national NERC requirements. (i.e. regional limitations, agreement specific limitations, etc.)

Respectfully submitted,



Michael L. Kurtz, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Ph: 513.421.2255 Fax: 513.421.2764

E:mail: mkurtz@BKLawfirm.com

COUNSEL FOR GALLATIN STEEL

August 5, 2010