

**Frost
Brown Todd** LLC
ATTORNEYS

KENTUCKY · OHIO · INDIANA · TENNESSEE · WEST VIRGINIA

August 19, 2010

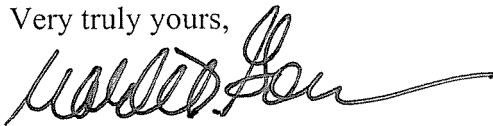
Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: 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 Third Data Request, dated August 5, 2010. Also enclosed are an original and ten copies of EKPC's Responses to the Second Set of Data Requests of Gallatin Steel and the Attorney General's Supplemental Data Requests, dated August 5, 2010 and August 2, 2010, respectively.

Very truly yours,



Mark David Goss
Counsel

Enclosures

Cc: Parties of Record

RECEIVED
AUG 19 2010
PUBLIC SERVICE
COMMISSION

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

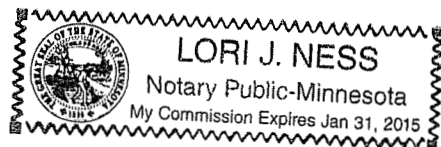
STATE OF MINNESOTA)
)
COUNTY OF ISANTI)

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 Third Data Request in the above-referenced case dated August 5, 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.

Dennis R. Eicher

Subscribed and sworn before me on this 12th day of August, 2010.

Lori J. Ness
Notary Public



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

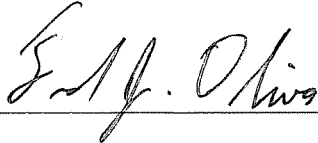
IN THE MATTER OF:

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

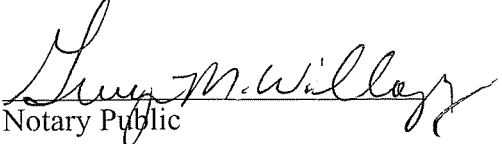
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Frank J. Oliva, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff Third Data Request in the above-referenced case dated August 5, 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 13th day of August, 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 Third Data Request in the above-referenced case dated August 5, 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.

Isaac S. Scott

Subscribed and sworn before me on this 18th day of August, 2010.

Greg M. Willoughby
Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

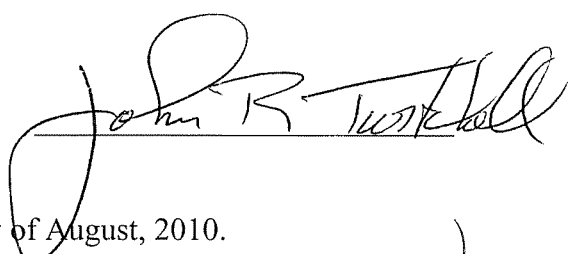
IN THE MATTER OF:

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

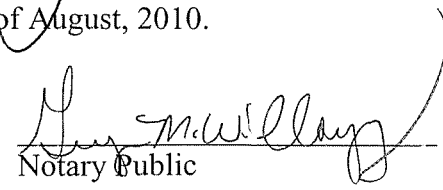
CERTIFICATE

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 Third Data Request in the above-referenced case dated August 5, 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 13th day of August, 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)

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff Third Data Request in the above-referenced case dated August 5, 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.

Anna F. Wood

Subscribed and sworn before me on this 18th day of August, 2010.

Geary M. Wilbergh
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 THIRD DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED AUGUST 5, 2010**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 1

RESPONSIBLE PERSON: Dennis R. Eicher

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to page 4 of the Testimony of Dennis R. Eicher (“Eicher Testimony”). Starting at line 5, Mr. Eicher states that the third step in the cost-of-service study (COSS”) is the allocation of classified costs to the various rate classes, but then goes on to state that a generation and transmission cooperative has only a single class of service, its member systems. It appears that this is the reason that the results of Mr. Eicher’s COSS, found on page 5 of Schedule A in Exhibit DRE-2, are by function and not by rate class.

Request 1a. Provide the results of the COSS by EKPC’s rate classes. Include in the response all supporting workpapers which provide details of how the allocations were made to the different rate classes.

Response 1a. EKPC is preparing the requested cost-of-service study by its rate classes; however, the study has not been completed. EKPC will file the results, with all supporting workpapers, in a supplemental response as soon as the study is available.

Request 1b. Given the results of the COSS, state whether Mr. Eicher believes it is reasonable to allocate the increase in revenues to each rate component of each rate schedule and special contract on a pro-rata basis as proposed by EKPC.

Response 1b. As noted in Mr. Scott's testimony at pages 7 and 8, EKPC is in the process of evaluating alternative cost-of-service and rate design approaches. Until that process is completed, EKPC believes it would be premature and not be reasonable to shift cost responsibilities between classes. It also would not be reasonable to change EKPC's rate design at this time, as its member cooperatives cannot reflect corresponding changes in their respective rate designs, since the member cooperatives have filed flow-through applications pursuant to KRS 278.455.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF’S THIRD DATA REQUEST DATED 8/5/10

REQUEST 2

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

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to the response to Item 2.f. of Commission Staff’s Second Data Request (“Staff’s Second Request”), which indicates that the majority of the increase to the “Customer Service and Information” cost category is related to the Demand Side Management (“DSM”) program. Describe in detail the additional expenses that will be incurred due to the DSM program.

Response 2. The increase in DSM expenses from the base year to the forecasted test year is a result of increased transfer payments.

Forecasted Test Year:	
Residential Transfer Payments	\$ 915,550
Commercial Transfer Payments	584,450
DSM Training	<u>5,000</u>
	\$ 1,505,000
Base Year:	
Transfer Payments	\$ 950,564
Increase in DSM	\$ 554,436

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 3

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to the response to Item 2.h. of Staff's Second Request.

a. Explain how \$275,000,000 was determined to be the average 2011 balance of the Unsecured Credit Facility.

b. The response shows anticipated loan advances of \$340,182,000 in 2011 at composite interest rates ranging between 5.0 and 5.5 percent. Provide a schedule which shows the estimated timing of these advances and the amount of 2011 interest expense associated with each advance.

c. Explain whether \$175,000,000 is the average estimated balance of the Smith private placement debt in calendar year 2011.

Response 3a. Please see response 13, page 4 of 4, Gallatin's second set of data requests. The average balance of the unsecured credit facility is \$275,000,000.

Response 3b. Please see the attached schedule on page 2 of this response.

Response 3c. Yes. It is.

2010 - 2011 Anticipated FFB Loan Advances

	2010 Budget	Test Year 2011 Budget	Test Year 2011 Interest Expense
<u>Anticipated FFB Loan Advances</u>			
FFB -LFGTE AA-8	\$ 14,453,000 <i>11/1/2010</i>	\$	\$ 650,385
FFB - CT 6-7 - AB-8	2,240,000 <i>10/1/2010</i>		100,800
FFB - Transmission - AC-8		15,340,000 <i>5/1/2011</i>	511,333
FFB - Spur #4 - AD-8	3,492,000 <i>4/1/2010</i>		157,140
FFB - Scrubbers - AG-8	50,000,000 <i>6/1/2010</i>		2,250,000
	31,510,000 <i>8/1/2010</i>		1,417,950
FFB - Misc. Prod. - AH-8	75,000,000 <i>12/1/2010</i>	23,147,000 <i>4/1/2011</i>	3,375,000 868,013
FFB - Misc. Transm. - AK-8		50,000,000 <i>1/1/2011</i>	2,500,000
FFB - Cooper Retrofit - AL-8		75,000,000 <i>3/1/2011</i>	3,125,000
Anticipated New FFB Advances	\$340,182,000		

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 4

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Refer to the responses to Items 4.b., 18.b., and 18.c. of Staff's Second Request and to Wood Exhibit 1, Schedule 1.16 of EKPC's application. In its last rate case, EKPC reflected \$10.0 million in forced outage costs not recoverable through the fuel adjustment clause ("FAC"). It reflects the same amount of forced outage costs that are not recoverable through its FAC in its current application plus \$900,000 as the cost of outage insurance. Explain in detail how much EKPC expects its forced outage costs to be reduced as a result of acquiring outage insurance and why it is including the same amount, \$10 million, for rate-making purposes as it did in the prior case when it had no forced outage insurance.

Response 4. Because of the uncertainty associated with the duration of generating unit forced outages, it is speculative at best to give an estimate of the savings that might be accrued by acquiring forced outage insurance. This forced outage insurance is mostly meant to provide protection to EKPC in the event of a catastrophic outage of extended duration.

EKPC has proposed \$10 million in annual forced outage costs as a reasonable estimate. Depending on the severity and frequency of forced outages incurred, the actual cost may be higher or lower than this regardless of whether forced outage insurance is purchased. The insurance policy acquired by EKPC contains numerous deductibles and limits, as explained in the response to Item 18.c. of the Staff's Second Data Request. It is worthwhile to note that EKPC's unrecovered forced outage costs for 2009 were approximately \$9.7 million.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 5

RESPONSIBLE PERSON: Frank J. Oliva/John R. Twitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to the response to Item 11.b. of Staff's Second Request. Explain whether EKPC intends to revise any part of its application or its forecasted test year to reflect the results of its 2010 load forecast, which are summarized in the response.

Response 5. EKPC management has only recently completed the 2010 load forecast and it is still being reviewed by the Board of Directors and is pending the Board's formal approval. EKPC is in the process of reviewing and determining the effects the 2010 load forecast would have on the revenues and expenses included in the forecasted test year. That review is also on-going as of the date of this response. EKPC plans on providing as information a supplemental response to this request as soon as the review is completed.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 6

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. Refer to the response to Item 21.b. of Staff's Second Request, specifically, the invoices for legal expenses.

Request 6a. The most recent invoice with the subject "Management Audit" is Invoice No. 10610839 in the amount of \$53,638.10, of which \$42,281.50 is identified as being for professional services with \$11,356.60 identified as other charges. A handwritten note on the invoice shows "Prof Svces - Mgt Audit 19,661.40" and "Other Charges - Mgt Audit 8,812.50." Explain what is meant by this note.

Response 6a. On invoice 10610839, the portion of the professional services that occurred prior to April 20th amounted to \$19,661.40 and the portion of the Other Charges occurring prior to April 20th totaled \$8,812.50. The remainder of the invoice is recorded as general professional fees. It is EKPC's understanding that charges occurring after the date the management audit is published are not recoverable as management audit costs.

Request 6b. Provide a general description of the types of costs that make up the "Other Charges" component in the amount of \$121,871.28 which EKPC has been billed by its outside counsel for the period from December 2008 through April 2010.

Response 6b. The "Other Charges" would include travel expenses, document copying charges, courier services and other consultants hired by the legal firm to assist with this case.

Request 6c. Two invoices show "Regulatory Asset/Forced Outages" as the subject of the heading REGARDING, with that subject marked-through and "Mgt. Audit" written in its place. However, Invoice No. 10527953 has "Regulatory Asset/Forced Outages" as the subject with no mark-through and without "Mgt. Audit" written in. Clarify whether this invoice is for legal services related to EKPC's management audit.

Response 6c. This was an oversight. Invoice # 10527953 is also for charges relating to the management audit. It should be remembered that the management audit was called by the Commission in the final Order in Case No. 2008-00436, which was the Regulatory Asset/Forces Outage docket.

Request 6d. If Invoice No. 10527953 is related to EKPC's management audit, there appear to be two sets of monthly invoices included in the response, both of which cover the months from December 2008 through April 2010. One set shows as the subject "Management Audit" while the other set shows as its subject "General Counsel Matters." Explain why two sets of invoices were prepared to reflect charges from EKPC's outside counsel.

Response 6d. The invoices labeled "General Counsel Matters" reflect the retainer paid to Frost Brown Todd for the services of David Smart who serves as EKPC's General Counsel. For each "General Counsel Matters" invoice, EKPC took the number of hours worked on the management audit for that month divided by the total hours worked that month times the total dollars to derive the amount included for the management audit.

The invoices labeled "Management Audit" should reflect all other legal charges directly related to EKPC's management audit and EKPC included 100% of these invoices in the cost of the management audit.

Since Invoice 10527953 represents charges relating to the management audit, there are two sets of monthly invoices related to the management audit from EKPC's legal firm.

Request 6e. Notes on two of the invoices with the subject "General Counsel Matters" appear to indicate that a portion of the amount charged to EKPC was related to its management audit: Invoice No. 10585912 with a note "27 hrs chg to mgt audit" and Invoice No. 10603861 with a note "legal charges - \$38,219, mgmt audit - \$5,094." Confirm whether these notes reflect that only parts of the charges on these invoices were related to EKPC's management audit.

Response 6e. As described in the response to Request 6d, EKPC included only a portion of the "General Counsel Matters" invoices as a cost of the management audit. This is true for all "General Counsel Matters" invoices.

Request 6f. The request in Item 21.b. was for "[i]nvoices upon which the legal consultants' cost of \$570,000 included in management audit expenses is based." The total in the invoices provided is approximately \$465,000; however, a review of the invoices appears to indicate that only a portion of the amounts included in two of the 17 invoices with the subject "General Counsel Matters" are related to the management audit. Confirm whether this is an accurate assessment. If it is not, explain how the Commission can verify how much of the legal costs reflected on the invoices is related to the management audit.

Response 6f. EKPC believes this is an accurate assessment up to April 20th. There have been a number of legal charges since that date that relate to the management audit but have not been included in the submitted total.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 7

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Refer to the response to Item 22 of Staff's Second Request, the July 20, 2010 updated response to Item 54.c. of Staff's First Request, and Wood Exhibit 1, Schedule 1.21.

Request 7a. Explain how, based on rate-case expenses of slightly less than \$300,000 in a case completed 14 months prior to the filing of the current rate case, EKPC developed an estimate of rate-case expenses for the current case of \$625,000.

Response 7a. At the time EKPC filed its last rate case, 2008-00409, EKPC had in-house counsel and no EKPC labor was included in the actual expenditures. EKPC retained outside counsel after the 2008-00409 case was filed with the PSC and there was limited legal expense. Since the outside counsel will be involved in the current case from beginning to end, EKPC anticipates greater legal charges to be incurred.

Request 7b. In its July 20, 2010 filing, EKPC reports actual rate-case expenses to date of \$126,914.35. Based on the documentation provided in this update, as well as that provided in the initial response to Item 54.c. of Staff's First Request, it appears the actual expenses incurred to date are fairly current. Explain whether EKPC expects to incur additional rate case expenses of \$498,000. Provide a detailed analysis of the rate case expenditures EKPC expects to incur for the remainder of this case.

Response 7b. EKPC based its estimates for legal and rate consultant services on recent experience with those consultants. The expenditures are not what EKPC expected to date but there are several months remaining in the process. While EKPC cannot provide detailed analysis of future expenditures, EKPC anticipates their services being required to review intervenor testimony, review/prepare data requests to the intervenors, review/prepare rebuttal testimony, prepare witnesses for the public hearing, and prepare briefs. EKPC is aware that the Commission will allow amortization of only the actual expenditures.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 8

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Refer to the response to Item 26 of Staff's Second Request and page 9 at Tab 30 in Volume 3 of EKPC's application.

Request 8a. The response to part b. of the request states that "[m]any factors are explored before an actual merit amount is determined for actual distribution." Identify these factors and describe how they are considered in determining whether an actual merit increase should be provided.

Response 8a. EKPC considers the following external and internal factors in making a determination as to whether or not to provide a merit increase:

- Economic Indicators (Bureau of Labor Statistics):
 - CPI U - Cost of Goods and Services
 - US Unemployment
 - KY Unemployment
 - US - Wages
 - US - Compensation Costs
- What other employers are doing
 - World at Work Survey
 - Other G&Ts
 - Member System Distribution Cooperatives
- Total Benefit Costs of Other G&Ts
- Increased Retirement Security Pension Costs
- Financial Condition of the Cooperative

Request 8b. Provide the calculations, spreadsheets, workpapers, etc. which show the derivation of the amounts of total wages shown on page 9 at Tab 30 for the years 2010 and 2011. This should clearly reflect the timing of the estimated 2011 merit increase and the addition of new employees in 2010 and 2011.

Response 8b. The wage information for 2010 and 2011 is provided on the attached CD.

Request 8c. Provide separately for 2010 and 2011 the amount of total wages attributable to the 20 new employees budgeted as part of total wages for those years.

Response 8c. Please see pages 3 and 4 of this response.

Request 8d. Of the 20 new employees budgeted as part of the estimated total wages for 2011, 15 are shown as being added in 2010. Provide the number and position of the budgeted new employees that have been added thus far in 2010.

Response 8d. Of the 15 shown as being added in 2010, only four have been added as employees thus far in 2010:

Warehouse Technician - Corporate Services
Engineering Technician - G&T Operations-Transmission
System Operator - G&T Operations-Transmission
Environmental Instrument Technician - G&T Operations

Two positions were hired as contract employees:

Construction Manager - Cooper Project
Administrative Support Specialist - Cooper Project

East Kentucky Power Cooperative

Proposed 2010 Budget of New Employees - REVISED

Dept. ID	Business Unit/Department/Team	Position/Title	Estimated Employment Date	2010 Total	Annual Total
	Corporate Services				
047	Human Resources	HR Generalist	January, 2010	\$74,277	\$74,277
069	Technical Services	Manager	January, 2010	\$99,405	\$99,405 **
	G&T Operations - Transmission				
123	Expansion - Admin. & Support	Engineering Technician	January, 2010	\$62,800	\$62,800
140	Maint. - Staff	Maint. Project Coordinator	February, 2010	79,750	87,000 **
	G&T Operations				
160	Construction	Senior Field Engineer (Cooper Proj.)	January, 2010	\$99,405	\$99,405
160	Construction	Project Manager (Smith Project)	January, 2010	\$110,625	\$110,625
160	Construction	Contract Material Specialist (Smith Project)	January, 2010	\$53,518	\$53,518
160	Construction	Construction Manager (Cooper Project)	March, 2010	\$92,188	\$110,625
160	Construction	Administrative Support Specialist (Cooper)	March, 2010	\$25,247	\$30,296
160	Construction	Project Manager (HQ for Environ. & Misc.)	June, 2010	\$64,531	\$110,625
172	Environmental	Environmental Compliance Specialist	January, 2010	\$84,500	\$84,500
172	Environmental	Environmental Transmission Compl. Specialist	January, 2010	\$84,500	\$84,500
172	Environmental	Environmental Instrument Technician	January, 2010	\$63,710	\$63,710
607	Landfill Gas - Site No. 7	Landfill Gas Technician	July, 2010	25,624	51,248
		14 New Employees		\$1,020,080	\$1,122,534

East Kentucky Power Cooperative

Preliminary 2011 Budget of New Employees - Test Year

Dept. ID	Business Unit/Department/Team	Position/Title	Estimated Employment Date	2011 Total	Annual Total
037	Corporate Services Supply Chain - Warehouse	Warehouse Technician	January, 2011	\$31,512	\$31,512
160	G&T Operations Construction	Field Contract Administrator (Smith Project)	January, 2011	\$70,685	\$70,685
160	Construction	Safety & Material Coordinator (Smith)	January, 2011	\$62,758	\$62,758
160	Construction	Administrative Support Specialist (Smith)	January, 2011	\$30,296	\$30,296
160	Construction	Operations Superintendent (Smith)	October, 2011	\$24,851	\$99,405
172	Environmental	Environmental Instrument Technician	January, 2011	\$75,430	\$75,430
300	Cooper Station	2 Maintenance Mechanics	June, 2011	\$47,927	\$82,160 (A)
300	Cooper Station	4 Plant Operators	June, 2011	\$99,639	\$170,810 (A)
300	Cooper Station	2 I&E Technicians	June, 2011	\$49,188	\$84,323 (A)
400	Spartlock Station	20 Plant Operators	June, 2011	\$498,195	\$854,048
			34 New Employees	\$990,481	\$1,561,427
			14 New Employees	\$492,286	\$707,379

** (A) Represent replacement employees. These were not considered as part of the 20 new employees. These positions have not yet been approved by human resources and were not included in the 20 new employee total.

Reconciliation:	28
Total New Employees Reflected Above	-2
Positions Denoted by **	-8
Positions Denoted by (A)	2
Two System Operator Positions Filled After 2009 Budget Finalized	20

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 9

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. Refer to the response to item 29 of the Staff's Second Request.

Request 9a. Explain how 25.5 percent of base pay was determined as the level of the defined benefit premium for the eight months actual/budgeted in 2010.

Response 9a. NRECA notified EKPC on July 15, 2009 that the defined benefit premium rate for 2010 will be 25.5% of base wages. This was received in time for EKPC to use this rate as the basis for the 2010 defined benefit plan expense budget. NRECA billed EKPC this rate of 25.5% during 2010.

Request 9b. Provide the actual defined benefit premium year-to-date for 2010. Consider this a continuing request that should be updated monthly through the month of the hearing in this case.

Response 9b. The total defined benefit premium paid through July 31, 2010, is \$5,838,063.

Request 9c. The last paragraph in the response to part b. indicates that 2009 medical costs trended lower than expected and that 2010 claims to-date are equal to contributions, but that EKPC does not expect this to continue. Given the experience of 2009 and the first half of 2010, explain EKPC's expectation, or lack thereof.

Response 9c. Over the last three years (2008 – 2010), EKPC's contributions to the medical plan have increased approximately 5%, or 1.6% per year. Through July 2010, claims have exceeded contributions by approximately 5%. (Please note that claims were equal to contributions through June 2010.) Historically, the medical plan pays more claims in the first half of the year than the second. If the second half of the year follows past trends, the plan could still end up with contributions offsetting claims. If not, then an increase in contributions may be required for 2011 to cover projected claims. Final determination on 2011 contributions will be made in October 2010 after a review of 9 months of claims data.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00167

THIRD DATA REQUEST RESPONSE

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10

REQUEST 10

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 10. Refer to the response to item 32 of Staff's Second Request and item 13 of Staff's First Data Request. EKPC indicates that it agrees that a slippage factor should be applied to its forecasted test year capital expenditures, but that it does not believe a slippage factor should be applied to long-term debt and the related interest expense. EKPC states that "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."

Request 10a. Absent applying it to the balance of long-term debt and the related interest expense, explain in detail how EKPC would apply a slippage factor to its forecasted test period.

Response 10a. The slippage factor would be applied to the growth in the utility plant in service from the end of the base period to the 13-month average balance for the forecasted period. The slippage factor would also be applied to the 13-month average balance for the forecasted test period of construction work in progress.¹ Depreciation expense would be recalculated by determining the depreciation expense on the growth in the utility plant in service before and after applying the slippage factor. The change in depreciation expense would require

¹ This approach is consistent with the approach described in the Commission's December 22, 2005 Order in Case No. 2005-00042, An Adjustment of the Gas Rates of The Union Light, Heat and Power Company, pages 13 through 15.

the recalculation of the net margins for the forecasted test period and the determination of the revenue deficiency. The change in depreciation expense would also be reflected in the accumulated depreciation balances. There would be no slippage adjustment determined for EKPC's property tax expense, as the property tax expense included in the forecasted test period is based on utility plant in service and construction work in progress balances as of December 31, 2010.

Request 10b. EKPC advocates using separate slippage factors for production, transmission, and other plant, as stated in its response to item 13 of the Staff's First Request. Provide a schedule which shows how the application of the three slippage factors in that response will impact EKPC's forecasted test period, without them being applied to long-term debt and interest expense. Include all supporting calculations with a narrative description of what is shown in the schedule.

Response 10b. The slippage adjustment to the utility plant in service would be determined by first calculating the growth in the utility plant in service. This is done by comparing the end of the base period balances with the 13-month average balances for the forecasted period. The appropriate slippage factor is then applied to the growth in utility plant in service. The utility plant in service 13-month average balances for the forecasted period is then restated by adding the slippage adjustment to the balances. Table A on page 3 of this response shows these calculations.

Table A. Utility Plant in Service	Generation	Transmission	Distribution	General
1. Utility Plant in Service, balance at end of Base Period (a)	\$1,903,027,278	\$462,923,305	\$163,510,638	\$77,362,748
2. Utility Plant in Service, 13-month average balance for Forecasted Period (b)	\$1,940,108,711	\$485,309,009	\$173,104,512	\$83,592,574
3. Growth in Utility Plant in Service	\$37,081,433	\$22,385,704	\$9,593,874	\$6,229,826
4. Slippage Factors (c)	82.213%	93.175%	93.175%	131.948%
5. Growth in Plant times Slippage Factors (Line 3 x Line 4)	\$30,485,759	\$20,857,880	\$8,839,092	\$8,220,131
6. Slippage Adjustment (Line 5 – Line 3)	-\$6,595,674	-\$1,527,824	-\$654,782	\$1,990,305
7. Utility Plant in Service, 13-month average balance for Forecasted Period, as filed	\$1,940,108,711	\$485,309,009	\$173,104,512	\$83,592,574
8. Slippage Adjustment (Line 6)	-\$6,595,674	-\$1,527,824	-\$654,782	\$1,990,305
9. Utility Plant in Service, 13-month average balance for Forecasted Period, adjusted for Slippage	\$1,933,513,037	\$483,781,185	\$172,449,730	\$85,582,879

Notes:

(a) Balances from Application, Tab 47, page 3 of 5, column labeled “Budget 13 August 2010”. Balances exclude environmental plant.

(b) Balances from Application, Tab 47, page 5 of 5, column labeled “13-Month Average”. Balances exclude environmental plant.

(c) Factors from response to Commission Staff’s First Data Request dated May 14, 2010, Item 13, page 4 of 4. When calculating the slippage factors in the response to Item 13, Distribution assets, such as substations, were included in the classification “Transmission”. Consequently, the same factor is applied to Transmission and Distribution utility plant in service.

The slippage adjustment to the construction work in progress would be determined by applying the appropriate slippage factor to the construction work in progress 13-month average balance for the forecasted period. Table B shows these calculations.

Table B. Construction Work in Progress (CWIP)	Generation	Transmission	Distribution	General
1. CWIP, 13-month average balance for Forecasted Period (a)	\$226,940,903	\$31,788,314	\$5,760,548	\$3,723,628
2. Slippage Factors (b)	82.213%	93.175%	93.175%	131.948%
3. CWIP, 13-month average balance for Forecasted Period, adjusted for Slippage (Line 1 x Line 2)	\$186,574,925	\$29,618,762	\$5,367,391	\$4,913,253
4. Slippage Adjustment (Line 3 – Line 1)	-\$40,365,978	-\$2,169,552	-\$393,157	\$1,189,625

Notes:

(a) Balances from Application, Tab 47, page 5 of 5, column labeled “13-Month Average”. Balances exclude environmental construction work in progress.

(b) Factors from response to Commission Staff’s First Data Request dated May 14, 2010, Item 13, page 4 of 4. Please see Note (c) to Table A. above concerning Transmission and Distribution slippage factors.

The slippage adjustment to depreciation expense and accumulated depreciation would be determined by first determining the depreciation expense associated with the growth in utility plant in service between the base and forecasted periods. Then the depreciation expense associated with the growth in utility plant in service adjusted for slippage would be determined. The difference between these depreciation expense calculations would be the adjustment to depreciation expense due to slippage. The difference in the depreciation expense would also be added to the accumulated depreciation balances in order to reflect the slippage adjustment. Table C on page 5 of this response shows these calculations.

Table C. Depreciation Expense and Accumulated Depreciation	Generation	Transmission	Distribution	General
1. Growth in Utility Plant in Service (Table A, Line 3)	\$37,081,433	\$22,385,704	\$9,593,874	\$6,229,826
2. Depreciation Rate (a)	1.81%	1.63%	3.40%	3.71%
3. Depreciation Expense associated with Growth in Utility Plant in Service (b)	\$671,174	\$364,887	\$326,192	\$231,127
4. Growth in Utility Plant in Service, reflecting Slippage Adjustment (Table A, Line 5)	\$30,485,759	\$20,857,880	\$8,839,092	\$8,220,131
5. Depreciation Rate	1.81%	1.63%	3.40%	3.71%
6. Depreciation Expense associated with Growth in Utility Plant in Service, reflecting Slippage Adjustment (b)	\$551,792	\$339,983	\$303,929	\$304,967
7. Adjustment to Depreciation Expense reflecting Slippage Adjustment (Line 6 – Line 3)	-\$119,382	-\$24,904	-\$22,263	\$73,840
8. Accumulated Depreciation, 13-month average balance for Forecasted Period (c)	\$607,497,731	\$140,598,992	\$50,852,411	\$62,565,027
9. Adjustment to Depreciation Expense reflecting Slippage Adjustment (Line 7)	-\$119,382	-\$24,904	-\$22,263	\$73,840
10. Accumulated Depreciation, 13-month average balance for Forecasted Period, adjusted for Slippage (Line 8 + Line 9)	\$607,378,349	\$140,574,088	\$50,830,148	\$62,638,867

Notes:

(a) Depreciation Rates from Application, Tab 41, column 9. The Generation depreciation rate is the composite depreciation rate for Total Production Plant, found on page 4 of 5. The Transmission and Distribution depreciation rates are the composite depreciation rates for Total Transmission Plant and Total Distribution Plant respectively, found on page 4 of 5. The General depreciation rate is the composite depreciation rate for Total General Plant, found on page 5 of 5.

(b) The depreciation expense assumes a full first year of depreciation.

(c) Balances from Application, Tab 47, page 5 of 5, column labeled “13-Month Average”. Balances exclude accumulated depreciation associated with environmental plant.

The slippage adjustment to net margin and the revenue deficiency would be determined by first recalculating the net margin to reflect the slippage adjustment to depreciation expense. Then the revenue deficiency would be recalculated using the revised net margin amount. Table D shows these calculations.

1. Adjusted Net Margin, Wood Exhibit 1, page 1 of 1, Line 49		\$6,794,534
2. Reduction to Depreciation Expense reflecting Slippage, Table C., Line 7 (a)		
a. Generation	\$119,382	
b. Transmission	\$24,904	
c. Distribution	\$22,263	
d. General	-\$73,840	
e. Net Reduction to Depreciation Expense reflecting Slippage		\$92,709
3. Adjusted Net Margin reflecting Slippage Adjustment (Line 1 + Line 2e)		\$6,887,243
4. Net Margin Requirement at 1.50 TIER, Wood Exhibit 1, page 1 of 1, Line 59		\$56,169,963
5. Revenue Deficiency reflecting Slippage Adjustment (Line 4 – Line 3)		\$49,282,720
6. Revenue Deficiency as filed, Wood Exhibit 1, page 1 of 1, Line 61		\$49,375,429
7. Reduction in Revenue Deficiency due to Slippage Adjustment (Line 6 – Line 5)		\$92,709

Notes:

(a) Reductions in Depreciation Expense increase Net Margins while Additions to Depreciation Expense decrease Net Margins. Consequently, the plus/minus signs have been reversed from those shown in Table C.

EAST KENTUCKY POWER COOPERATIVE, INC.

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REQUEST 11

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 11. Refer to the response to item 33 of Staff's Second Request which states that Direct Load Control Services are included in other professional services. Explain in detail what is meant by Direct Load Control Services.

Response 11. As a part of the Direct Load Control effort, EKPC has retained an outside vendor to install, remove, and service the load control switches, as well as provide call center services and validate demand reduction savings.

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

COMMISSION STAFF'S THIRD DATA REQUEST DATED 8/5/10
REQUEST 12

RESPONSIBLE PERSON: Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 12. Refer to the response to item 34 of Staff's Second Request.

Request 12a. Provide the case numbers of the "[previous decisions of the Public Service Commission" referred to in this response.

Response 12a. The case numbers referenced in this response are Case No. 10281, final Order dated September 8, 1988 and Case No. 1994-00336, final Order dated July 25, 1995.

Request 12b. Page 2 of the response indicates that the wholesale power marketing rate was discontinued in July 1995 and that all existing contracts would have expired by the end of 2008. Explain why the contracts would not have expired by the end of 2005.

Response 12b. EKPC agrees that the 10 year period for these contracts would have expired by the end of 2005. However, EKPC was not able to finalize the processing of the payments until 2008, and thus the reference to 2008 included in the response to Item 34.

Request 12c. State whether EKPC has made any recommendations to its cooperatives regarding whether or not to discontinue offering the Electric Thermal Storage rate to their customers.

Response 12c. EKPC has not made any recommendations to its cooperatives regarding whether or not to discontinue offering the Electric Thermal Storage rate to their customers. EKPC continues to view Electric Thermal Storage as a viable peak shaving program.