

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW
523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

James M. Crawford
Ruth H. Baxter
Alecia Gamm Hubbard

Phone: (502) 732-6688
1-800-442-8680
Fax: (502) 732-6920
Email: CBJ523@AOL.COM

August 26, 2010

Hand-Delivered

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

RECEIVED

AUG 26 2010

PUBLIC SERVICE
COMMISSION

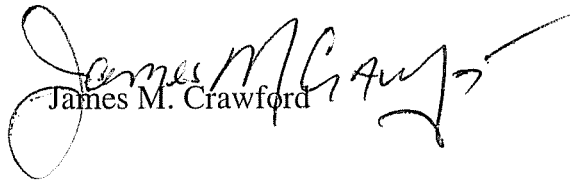
RE: **PSC Case No. 2010-00179**

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 Owen Electric Cooperative, Inc., to the Commission Staff's Second Information Request, dated August 12, 2010.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford

JMC/mns

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

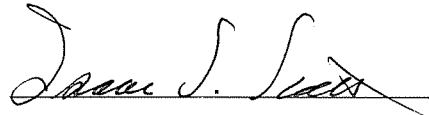
IN THE MATTER OF:

OWEN ELECTRIC COOPERATIVE, INC. PASS-)	
THROUGH OF EAST KENTUCKY POWER)	CASE NO.
COOPERATIVE, INC. WHOLESALE RATE)	2010-00179
ADJUSTMENT)	

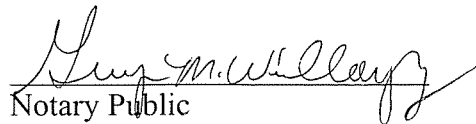
CERTIFICATE

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's Second Information Request in the above-referenced case dated August 12, 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 24th day of August, 2010.



Notary Public

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

OWEN ELECTRIC COOPERATIVE, INC. PASS)	
THROUGH OF EAST KENTUCKY POWER)	CASE NO.
COOPERATIVE, INC. WHOLESALE RATE)	2010-00179
ADJUSTMENT)	

**RESPONSES TO COMMISSION STAFF'S SECOND
INFORMATION REQUEST
TO OWEN ELECTRIC COOPERATIVE, INC.
DATED AUGUST 12, 2010**

OWEN ELECTRIC COOPERATIVE, INC.
PSC CASE NO. 2010-00179
SECOND INFORMATION REQUEST RESPONSE

COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 08/12/10
REQUEST 1

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: Owen Electric Cooperative, Inc.

Request 1. Refer to Exhibit 3 of the application, page 6 of 7, and East Kentucky Power Cooperative Corporation, Inc. ("EKPC") Case No. 2010-000167, Volume 5 of the application, Tab 58, page 11 of 13.

Request 1a. The difference between the current rates for the Special Contract-Gallatin shown in Exhibit 3 and the current rates shown for the Large Special Contract in the EKPC case appears to be the demand and energy mark-up imposed by Owen to Gallatin. Explain why, in calculating the proposed rates, Owen increased the present rates by 4.58 percent rather than using the EKPC proposed rates and adding the mark-up.

Response 1a. Owen would agree that the approach described above would be one way of allocating the revenue increase from EKPC. However, Owen filed its application in this case pursuant to the authority of KRS 278.455 and 807 KAR 5:007 and does not believe this approach is consistent with the statute and regulation. In its April 1, 2007 Order in Case No. 2006-00485, the Commission stated the following concerning KRS 278.455(2) and 807 KAR 5:007, Section 2(2):

Both the statute and administrative regulation are quite clear that the allocation of the wholesale rate increase must not change the retail rate design currently in effect and that the wholesale rate increase must be allocated to each retail class

and within each retail tariff on a proportional basis. There is no provision in either KRS 278.455 or 807 KAR 5:007 requiring that there be a correlation between the proposed wholesale rate design and the proposed retail rate design. Moreover, there is no provision or requirement that the process utilized to develop the wholesale rates must be followed or duplicated in the retail rates.

What is required is an allocation of the wholesale rate increase to the retail rates, on a proportional basis to each retail class and within each retail tariff, in a manner that does not change the existing distribution cooperative rate design. Contrary to the arguments of Owen and EKPC, the Commission finds that the statute and administrative regulation require the distribution cooperative to follow a “strict adherence” to the existing proportion of revenues at retail, by rate mechanism component. (April 1, 2007 Order, pages 3-4.)

Consequently, based on this previous determination by the Commission, Owen followed a proportional allocation approach and increased the current rates by 4.58 percent rather than using the EKPC proposed rates and adding the mark-up. The allocation approach utilized in this application is consistent with the allocation approach the Commission accepted in its March 31, 2009 Order in Case No. 2008-00420 for Nolin Rural Electric Cooperative.

Request 1b. The EKPC filing shows the proposed total increase for Gallatin Steel to be \$3,121,617 while Owen shows the increase to be \$2,579,821. State the correct amount of the increase for Gallatin.

Response 1b. Based on the Commission’s April 1, 2007 Order in Case No. 2006-00485 and Owen’s understanding of the requirements of KRS 278.455 and 807 KAR 5:007, Owen states the correct amount of increase for Gallatin is \$2,579,821.

Request 1c. Refer to Exhibit 3, page 1 of 7. This page shows the increases to each of Owen's rate classes, included the increase of \$2,579,821 to Gallatin. If Gallatin is actually to receive a \$3,121,617 increase, explain why the increases to the other classes should not be reduced so as not to exceed the \$7,682,757 wholesale increase that EKPC is allocating to Owen.

Response 1c. Owen would agree that if the increase to Gallatin was \$3,121,617 the increases proposed for the remaining rate classes should be reduced so as to not exceed the \$7,682,757 wholesale increase that EKPC is allocating to Owen. However, based upon the Commission's April 1, 2007 decision in Case No. 2006-00485 and Owen's understanding of KRS 278.455 and 807 KAR 5:007, the EKPC-determined increase of \$3,121,617 for Gallatin is not the correct amount that Owen is required to allocate to Gallatin.