

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL TO) CASE NO.
OBTAIN A TRUST INDENTURE) 2012-00249

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than July 13, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

EKPC shall make timely amendment to any prior response if it obtains information indicating that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which EKPC fails or refuses to furnish all or part of the requested information, it shall provide a

written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to EKPC's application, page 1, Item 2, which references the concerns EKPC has over the future availability of financing from the Rural Utilities Service ("RUS"). The discussion cites to: (a) RUS no longer lending for base load fossil generating units; (2) RUS's lending and guarantee authority is subject to an annual appropriations process; (3) access to other sources of secured financing is subject to obtaining a lien accommodation from RUS; and (4) RUS's lien accommodation process is extremely lengthy and subject to certain inflexible RUS requirements.

a. Explain how lengthy the RUS lien accommodation process is and identify the "inflexible RUS requirements" referenced above.

b. Has EKPC ever requested a lien accommodation from RUS? If yes, provide a summary of the reasons for each request, the date the request was made, and the date the request was approved or denied.

c. Explain whether, in conjunction with both, or either, of the financing applications docketed as Case Nos. 2010-00166¹ and 2011-00204,² EKPC sought a lien accommodation or other approval from RUS. In each instance, provide the length of time required to obtain a lien accommodation or other RUS approval.

d. The two financing cases identified in part c. of this request were filed with the Commission within the past 28 months. Explain whether any of the RUS financing issues identified in Item 2 of the application have changed during that period of time and whether EKPC's concerns have increased due to such changes.

2. Refer to EKPC's application, page 2, paragraph 2.

a. This paragraph states that, "The Trust Indenture that EKPC is proposing to adopt in replacement of the Existing Mortgage is a mortgage and security agreement that will constitute a lien on substantially all of EKPC's real and tangible personal property and certain of EKPC's intangible property." State whether the proposed Trust Indenture will constitute a lien on the same, more, or less property than is currently subject to lien under the Existing Mortgage. If more or less property will be subject to lien, describe, in detail, each type of property and indicate whether it will be included or excluded from the Trust Indenture lien.

¹ Case No. 2010-00166, Application of East Kentucky Power Cooperative, Inc. for Approval of a Three-Year Senior Unsecured Revolving and Term Credit Facility in an Amount up to \$500,000,000 (Ky. PSC July 8, 2010).

² Case No. 2011-00204, Application of East Kentucky Power Cooperative, Inc. for Approval of an Unsecured Revolving Credit Agreement for a Term of up to Five Years and in an Amount up to \$500,000,000 (Ky. PSC July 19, 2011).

b. Describe, in detail, EKPC's intangible property and state whether and to what extent it is subject to lien under the Existing Mortgage and the proposed Trust Indenture.

c. This paragraph states that EKPC has yet to select a trustee who will hold the lien on the collateral granted under the Trust Indenture. Describe the process for choosing a trustee.

3. Refer to EKPC's application, page 5, Item 13, which states that, "it is in EKPC's interest to dissolve its wholly owned subsidiary, Charleston Bottoms Rural Electric Cooperative Corporation ("Charleston Bottoms"), and transfer such assets to EKPC prior to or at the time of the adoption of the Trust Indenture." EKPC also states that the Commission approved the dissolution of Charleston Bottoms in Case No. 2001-00108.³ Given that EKPC received Commission approval to dissolve Charleston Bottoms in 2001, explain why Charleston Bottoms was not dissolved and its assets transferred to EKPC previously.

4. Refer to Exhibit 2 of the application, which is a description of the proposed Trust Indenture.

a. Identify any other approvals EKPC will seek for the Trust Indenture.

b. Assuming it receives Commission approval in this proceeding, provide the length of time EKPC anticipates passing before it:

- (1) Will have chosen a trustee; and
- (2) Will have executed the Trust Indenture.

³ Case No. 2001-00108, The Application of East Kentucky Power Cooperative, Inc. for Approval of the Dissolution of Charleston Bottoms Rural Electric Cooperative Corporation (Ky. PSC June 20, 2001).

5. Refer to Exhibit 2 of the application, specifically, the second paragraph on page 1 of 2, which states: “As a precondition to RUS’ consent to the substitution of the Trust Indenture for the Existing Mortgage, RUS required that EKPC first obtain two credit ratings of at least investment grade.”

a. Explain whether this requirement is strictly a precondition, or if EKPC will be required to maintain two such ratings on an ongoing basis.

b. If it is required to maintain two investment grade credit ratings on an ongoing basis, describe, in detail, the consequences of EKPC not maintaining two investment grade credit ratings.

6. Refer to Exhibit 2 of the application, specifically, the second bullet on page 2 of 2, which states: “Unlike the Existing Mortgage, no minimum Debt Service Coverage (“DSC”) ratio is required under the Trust Indenture; however, compliance with a minimum DSC ratio may be required under certain loan agreements with EKPC’s secured lenders.” (Emphasis added.)

a. Provide EKPC’s understanding of the circumstances under which, and the likelihood that, it will be subject to a minimum DSC ratio subsequent to executing the Trust Indenture.

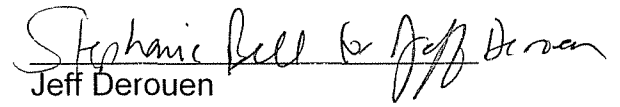
b. Identify the loan agreements and secured lenders referenced in the text of the second bullet cited above.

c. Explain:

(1) How the DSC coverage ratio to which EKPC may be subject in the future will be calculated;

(2) The minimum DSC ratio that may be required; and

(3) Whether any minimum DSC ratio will be an annual requirement or a two-out-of-three years' requirement.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
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DATED JUL 03 2012

cc: Parties of Record

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