

**Frost
Brown Todd**^{LLC}
ATTORNEYS

KENTUCKY · OHIO · INDIANA · TENNESSEE · WEST VIRGINIA

July 13, 2010

Via Hand-Delivery

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

RECEIVED

JUL 13 2010

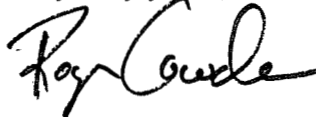
**PUBLIC SERVICE
COMMISSION**

Re: PSC Case No. 2010-00021

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 Information Requests from the Informal Conference held on July 7, 2010.

Very truly yours,



Roger Cowden

Enclosures

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

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR THE)	CASE NO.
SIX-MONTH BILLING PERIOD ENDING)	2010-00021
DECEMBER 31, 2009; AND THE PASS-THROUGH)	
MECHANISM FOR ITS SIXTEEN MEMBER)	
DISTRIBUTION COOPERATIVES)	

**RESPONSES OF EAST KENTUCKY POWER COOPERATIVE, INC.
TO COMMISSION STAFF'S INFORMATION REQUESTS FROM
INFORMAL CONFERENCE HELD ON JULY 7, 2010**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00021

ENVIRONMENTAL SURCHARGE

RESPONSE TO DATA REQUEST

**COMMISSION STAFF'S DATA REQUEST FROM INFORMAL CONFERENCE HELD
ON 07/07/10**

REQUEST 1

RESPONSIBLE PARTY: Ann F. Wood

Request 1. Summarize your requested changes in this proceeding and in future proceedings with regard to:

- a. EKPC's current and future wholesale environmental surcharge mechanism.
- b. The EKPC member systems' current retail environmental surcharge mechanism.
- c. The EKPC member systems' future retail environmental surcharge mechanism.

Response 1a. As part of this proceeding, EKPC requests to change from a two-month "true-up" adjustment to a one-month "true-up" adjustment at the wholesale level with respect to over and under recoveries. In order to accomplish this change, in the month after the Commission's Order in this proceeding, EKPC will need to reflect two-month's of over/under recoveries in one month. EKPC recognizes this change will require a change to its wholesale tariff (Rate ES-Environmental Surcharge). Please see pages 3 and 4 of this response for the proposed tariff change.

EKPC will analyze its use of average revenues in the environmental surcharge calculation and may propose an alternative method as part of a future proceeding.

Response 1b. As part of Case No. 2009-00039, EKPC proposed, and the Commission approved, the establishment of a two-month “true-up” mechanism for over and under recoveries at both wholesale and retail. For reasons discussed in greater detail in the Supplemental Testimony of Ann F. Wood (“Supplemental Testimony”) filed with the Commission in this proceeding on April 30, 2010, EKPC requests the retail two-month “true-up” adjustment be ceased effective with the date of the Commission’s Order in this proceeding. The tariff revision associated with this change was provided in Exhibit AFW-1 to the Supplemental Testimony. For the accumulated over/under recoveries (for July and August 2009) reported in EKPC’s response to Request 2 to Commission Staff’s First Data Request filed March 3, 2010, and as amended in EKPC’s responses to Requests 1 and 2 to Commission Staff’s Data Request from the Informal Conference held on March 23, 2010, filed April 30, 2010, EKPC requests a two-month amortization period beginning the first month following the Commission’s Final Order in this proceeding.

Response 1c. For future proceedings, EKPC will propose for Commission consideration that the retail over and under recoveries revert to the practice used prior to the change approved in Case No. 2009-00039. Specifically, EKPC will propose that accumulated over/under recoveries will be determined during the six-month and two-year reviews, with an amortization of six months.

EAST KENTUCKY POWER COOPERATIVE, INC

RATE ES – ENVIRONMENTAL SURCHARGE**APPLICABILITY**

Applicable to all sections of this rate schedule and this rate schedule shall apply to each Member System.

AVAILABILITY

This rate schedule shall apply to EKPC rate sections A, B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

RATE

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$\text{CESF} = \text{E(m)} / \text{R(m)}$$

$$\text{MESF} = \text{CESF} - \text{BESF}$$

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

Definitions

$$(1) \text{E(m)} = [(\text{RB}/12)(\text{RORB}) + \text{OE} - \text{BAS} + (\text{Over})\text{Under Recovery}]$$

where:

(a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and

limestone inventory, emission allowance inventory;

(b) RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.35;

DATE OF ISSUE February 3, 2010 DATE EFFECTIVE: January 28, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2009-00317 Dated January 28, 2010

For All Counties Served
P.S.C. No. 34
First Revised Sheet No. 25
Canceling P.S.C. No. 34
Original Sheet No. 25

EAST KENTUCKY POWER COOPERATIVE, INC

(c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;

(d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;

(e) (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the ~~two~~ one-month "true-up" adjustment.

(T)

(2) Total E(m) is multiplied by the Member System Allocation Ratio to arrive at Net E(m). The Member System Allocation Ratio is based on the ratio of the 12-month total revenue from sales to Member Systems to which the Surcharge will be applied, ending with the current expense month, divided by the 12-month total revenue from sales to Member Systems and off-system sales.

(3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve months ending with the current expense month.

(4) The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE February 3, 2010 DATE EFFECTIVE: January 28, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2009-00317 Dated January 28, 2010