

Mark David Goss

Member

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January 10, 2011

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PUBLIC SERVICE
COMMISSION

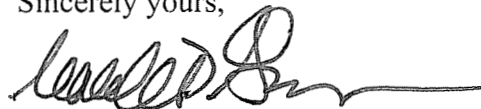
Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Re: PSC Case No. 2010-00238
In the Matter of: An Investigation of East Kentucky Power
Cooperative, Inc.'s Need for the Smith 1 Generating Facility

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten redacted copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the Commission Staff's Initial Information Request, dated December 28, 2010. The Petition for Confidential Treatment of Information ("Petition"), as originally filed on November 18, 2010, will attach to these responses. One unredacted copy of the designated confidential response to Request 10b, which was one of the subjects of the original Petition (copy provided as reference), is enclosed in a sealed envelope.

Sincerely yours,



Mark David Goss

Enclosures

cc: All Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN INVESTIGATION OF EAST KENTUCKY	)	CASE NO.
POWER COOPERATIVE INC.'S NEED FOR	)	2010-00238
THE SMITH 1 GENERATING FACILITY)	

**PETITION FOR CONFIDENTIAL
TREATMENT OF INFORMATION**

Comes now the petitioner, East Kentucky Power Cooperative, Inc. ("EKPC"), andas grounds for this Petition for Confidential Treatment of Information (the "Petition"), states as follows:

1. This Petition is filed in conjunction with the filing of EKPC's Direct Testimony in this case, required by Commission Order dated June 22, 2010, and subsequently amended July 16, 2010, September 7, 2010, September 24, 2010 and November 10, 2010, and relates to confidential information contained in certain exhibits and supporting assumptions that is entitled to protection pursuant to 807 KAR 5:001 Section 7 and KRS §61.878(1)(c)1 and §61.878(1)(c)2c.

2. The information designated as confidential in these exhibits and supporting assumptions include fuel, emission, purchased power, and load/financial forecast assumptions that are proprietary in nature. The open disclosure of such information could present an unfair commercial advantage to competitors of EKPC in EKPC's efforts to compete with the power marketers, utilities and other entities that deal in the market for surplus bulk power, and to compete with other utilities in Kentucky for

new industrial customers. As such this information is confidential and not subject to public disclosure pursuant to KRS §61.878(1)(c)1.

3. The subject information is also entitled to protection pursuant to KRS §61.878(1)(c)2c, as records generally recognized as confidential or proprietary which are confidentially disclosed to an agency in conjunction with the regulation of a commercial enterprise.

4. Along with this Petition, EKPC has enclosed one copy of the subject exhibits with the confidential information identified by highlighting or other designation, and 10 copies of the same exhibits with the confidential information redacted. The identified confidential information is not known outside of EKPC and is distributed within EKPC only to persons with a need to use it for business purposes. It is entitled to confidential treatment pursuant to 807 KAR 5:001 Section 7 and the various sections of KRS 61.878 delineated above.

WHEREFORE, EKPC respectfully requests the Public Service Commission to grant confidential treatment to the identified information and deny public disclosure of said information.

Respectfully submitted,



Mark David Goss
Frost Brown Todd LLC
250 West Main Street, Suite 2800
Lexington, KY 40507-1749
(859) 231-000—Telephone
(859) 231-0011—Facsimile
Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that an original and 10 copies of the foregoing Petition for Confidential Treatment of Information in the above-styled case were hand-delivered to the Office of Jeffrey Derouen, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601 on November 18, 2010, and sent by first class mail to: Honorable Michael R. Campbell, Campbell and Rogers, 154 Flemingsburg Drive, Morehead, KY 40351; Honorable Dennis G. Howard II, Esq., Assistant Attorney General, P.O. Box 2000, Frankfort, Kentucky 40602-2000; Honorable Michael L. Kurtz, Attorney at Law, Boehm, Kurtz & Lowry, 36 East Seventh Street, Suite 1510, Cincinnati, OH 45202; and Honorable Robert Ukeiley, 435R Chestnut Street, Suite 1, Berea, KY 40403.



Counsel for East Kentucky Power Cooperative, Inc.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN INVESTIGATION OF EAST KENTUCKY POWER	)	CASE NO.
COOPERATIVE, INC.'S NEED FOR SMITH 1	)	2010-00238
GENERATING FACILITY)	

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Anthony S. Campbell, 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 Initial Information Request in the above-referenced case dated December 28, 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.

Anthony S. Campbell

Subscribed and sworn before me on this 10th day of January, 2011.

Gregory M. Wilcox
 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

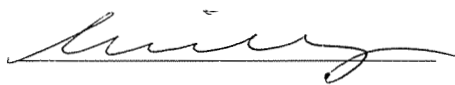
IN THE MATTER OF:

AN INVESTIGATION OF EAST KENTUCKY POWER	)	CASE NO.
COOPERATIVE, INC.'S NEED FOR SMITH 1	)	2010-00238
GENERATING FACILITY)	

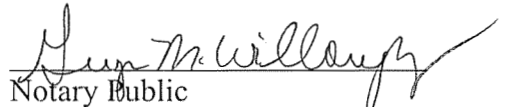
CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Michael McNalley, 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 Initial Information Request in the above-referenced case dated December 28, 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 10th day of January, 2011.


 Notary Public
 MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION


IN THE MATTER OF:

AN INVESTIGATION OF EAST KENTUCKY POWER	)	CASE NO.
COOPERATIVE, INC.'S NEED FOR SMITH 1	)	2010-00238
GENERATING FACILITY)	

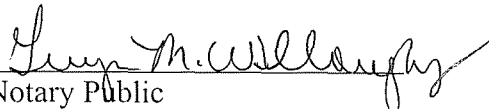
CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

David K. Mitchell, 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 Initial Information Request in the above-referenced case dated December 28, 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 10th day of January, 2011.



 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN INVESTIGATION OF EAST KENTUCKY POWER	)	CASE NO.
COOPERATIVE, INC.'S NEED FOR SMITH 1	)	2010-00238
GENERATING FACILITY)	

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Gary G. Stansberry, 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 Initial Information Request in the above-referenced case dated December 28, 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.

Gary G. Stansberry

Subscribed and sworn before me on this 10th day of January, 2011.

[Signature]
 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

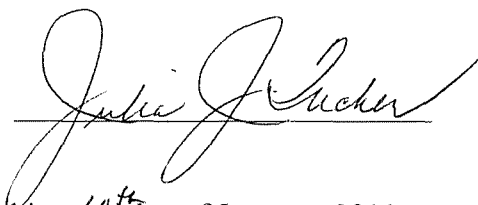
IN THE MATTER OF:

AN INVESTIGATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC.'S NEED FOR SMITH 1) CASE NO.
GENERATING FACILITY) 2010-00238

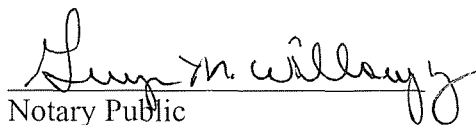
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Julia J. Tucker, 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's Initial Information Request in the above-referenced case dated December 28, 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.



Subscribed and sworn before me on this 10th day of January, 2011.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF EAST KENTUCKY POWER	)	CASE NO.
COOPERATIVE, INC.'S NEED FOR SMITH 1	)	2010-00238
GENERATING FACILITY)	

**RESPONSES TO COMMISSION STAFF'S INITIAL INFORMATION REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED DECEMBER 28, 2010**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 1

RESPONSIBLE PERSON: Anthony S. Campbell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to page 5 of the Testimony of Anthony S. Campbell, specifically, lines 17-18, which reflect that EKPC's 2010 load forecast indicates that base load generation is not needed until approximately 2018. If any plans or actions have been undertaken regarding EKPC's requirements for peaking generation, provide a detailed description thereof. If none have been undertaken at this time, explain why and provide the current anticipated timeline for such plans or actions.

Response 1. EKPC is reviewing specifications, performance, cost estimates and cycle times for numerous generating assets, including peaking generation. This review is a precursor to establishing the appropriate budget and schedule for future generating facilities. Conceptual level budgets and schedules will be developed in 2011 to support planning and evaluation initiatives. The exact timeline for any future generating facility has not been established and will ultimately be determined by several factors including future load forecasts, environmental regulations and market conditions.

EKPC has committed to purchase 400MW of firm transmission rights from MISO beginning November 1, 2011 and continuing for five years, with annual roll over rights. This transmission will help EKPC secure power purchases, as needed to serve load, from the competitive power

market. Additionally, EKPC has issued an RFP for wholesale power supply for a minimum of one year up to five years beginning 2012. Offers are to be made available in 50MW blocks. Responses were due January 6, 2011, and fifteen entities responded. EKPC and ACES Power Marketing are currently reviewing the offers and analyzing the results. EKPC may or may not purchase from this solicitation.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 2

RESPONSIBLE PERSON: David K. Mitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to pages 3-4 of the Testimony of David K. Mitchell regarding the amount EKPC has spent on Smith I and its assumptions regarding cancellation charges, capital spares in inventory, and salvage value. Confirm that the net expenditures, based on the aforementioned assumptions, are approximately \$129.4 million.

Response 2. With consideration given to actual expenditures as of November 30, 2010 (\$154,830,000), assumed cancellation charges (\$6,400,000) and a salvage value (\$20,000,000) based on a combination of establishing some parts as capital spares and scrapping the balance of the equipment, the net expenditures for Smith 1 total approximately \$141,230,000.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 3

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to page 3 of the Testimony of Julia J. Tucker (“Tucker Testimony”), lines 13-15. Provide a detailed description of the “[m]uch review and discussion” which resulted in it taking from July 2010, when the preliminary load forecast was presented to the EKPC Board, to November 2010, before the Board approved the new load forecast.

Response 3. The EKPC aggregated preliminary load forecast was presented to the Board in July. EKPC’s load forecast is made up of each of the sixteen member system’s individual load forecasts. Each of those systems must review and obtain approval from its respective Board of Directors. Those approvals took a few months to complete. Due to the significance of the results of this load forecast, i.e. the J.K. Smith 1 decision, EKPC went back to its Board again in October, and made another presentation reviewing the load forecast. The member systems were asked to revisit the 2011 energy projections, considering the actual sales for January through August 2010. Projections of customers and peak demands were also presented. Each member system was asked to discuss with key staff and indicate if any changes needed to be made. Each member system did respond and no changes were required. The load forecast was then approved by the EKPC Board of Directors in November 2010.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00238
INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 4

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. The significant changes in the 2010 load forecast compared to the 2008 and 2006 load forecasts are discussed on pages 4 and 5 of the Tucker Testimony. There is no discussion of methodological changes. Confirm whether this means that the 2010 load forecast was performed using the same methodologies as were used in the 2008 and 2006 forecasts.

Response 4. There were no methodological changes in the 2010 Load Forecast from the 2008 and 2006 forecasts.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 5

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to pages 8-10 of the Tucker Testimony. Page 8, at lines 5-6, refers to EKPC not needing additional base load capacity until approximately 2018. Two of the cases listed on page 10, Case Nos. 4 and 6, which were modeled and evaluated by EKPC in reaching its decision to cancel Smith 1, include the construction of a combined cycle combustion turbine (“CCCT”). Explain whether Case No. 4, which calls for building a CCCT in the optimal time frame, or Case No. 6, which calls for relying on purchased power until 2022 and then building a CCCT, consider such a unit as base load capacity.

Response 5. The Combined Cycle Combustion Turbine (“CCCT”) units in Cases 4 and 6 were evaluated on a total cost basis, as were all of the alternatives. That means that the total fixed costs along with the expected variable costs, which include fuel, variable O&M, and emissions, were compared between each case. The variable costs are developed based on a production cost model simulation. The model serves the expected load with the resources that it has been given in a least cost manner. It does not take into account whether or not a resource is considered base, intermediate or peaking. It looks at the cost to operate the resource and determines how much to run the unit in an economic fashion. The CCCTs were run in an economic manner. Case 4 indicates that the CCCT would be expected to operate at an annual capacity factor between 20 and 25%; see page 14 of Exhibit JJT-5. Case 6 indicates that the

CCCT would be expected to operate at a similar annual capacity factor; see page 22 of Exhibit JJT-5. Such low capacity factors would not be considered base load capacity.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00238
INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 6

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. Refer to page 9 of the Tucker Testimony. Explain whether each of the existing Demand Side Management (“DSM”) programs listed at lines 2-9 is offered by every one of EKPC’s 16 distribution cooperatives.

Response 6. Please note that page 9, line 14, of Ms. Tucker’s testimony as filed requires a revision. The Industrial Compressed Air Program was listed as a new program; however, this is an existing program. The testimony revision is provided on page 5 of this response.

Request 6a. If each DSM program is not offered by all 16 cooperatives, provide a schedule which lists each existing DSM program and the names of the cooperatives that do not offer that program.

Response 6a. EKPC selects DSM programs to offer on the basis of meeting customer needs and resource planning objectives in a cost-effective manner. EKPC screens programs using qualitative criteria including customer acceptance, measure applicability, savings potential, and cost-effectiveness. Programs that meet these criteria are then analyzed in a rigorous fashion using standard (California) tests for cost-effectiveness. Each of the 16 member systems makes an independent determination regarding which programs best fit its system. The list below

provides programs offered by EKPC's member systems in 2010. All Cooperatives offer a free residential home energy audit. The programs are under the umbrella - SimpleSavings - and can be viewed online at Simplesavings.coop.

Big Sandy RECC: Direct Load Control, Air-to-air Heat Pump, Geothermal Heating and Cooling and water heater, Industrial Compressed Air Program

Blue Grass Energy: Direct Load Control, Touchstone Energy Home, Button-up and Tune-up, Interruptible Tariff, Industrial Compressed Air Program

Clark Energy: Direct Load Control, ETS, Button-up, Touchstone Energy Home, Touchstone Energy Manufactured Home, Air-to-air Heat pump and Geothermal Heating and Cooling, Industrial Compressed Air Program

Cumberland Valley Electric: Electric Thermal Storage, Direct Load Control, Air-to-air Heat Pump, Geothermal Heating and Cooling and Button-up, Industrial Compressed Air Program

Farmers RECC: Button-up, Tune-up, ETS, Touchstone Energy Home, Touchstone Energy Manufactured Home and Direct Load Control, Industrial Compressed Air Program

Fleming-Mason Energy: Electric Thermal Storage, Geothermal Heating and Cooling, Button-up, Direct Load Control, Interruptible Tariff, Industrial Compressed Air Program

Grayson RECC: Electric Thermal Storage, Direct Load Control, Touchstone Energy Home, Button-up, Geothermal Heating and Cooling and Air-to-air heat pump, Interruptible Tariff, Industrial Compressed Air Program

Inter-County Energy: Electric Thermal Storage, Direct Load Control, Touchstone Energy Home, Touchstone Energy Manufactured Home, Button-up, Tune-up, Geothermal Heating and Cooling and Air-to-air heat pump, Interruptible Tariff, Industrial Compressed Air Program

Jackson Energy: Direct Load Control, Tune-up, Touchstone Energy Home, Touchstone Energy Manufactured Home, Button-up and Air-to-air heat pump, Interruptible Tariff, Industrial Compressed Air Program

Licking Valley RECC: Direct Load Control, Air-to-air heat pump and Geothermal Heating and Cooling, Industrial Compressed Air Program

Nolin RECC: Direct Load Control, Touchstone Energy Home, Touchstone Energy Manufactured Home, Button-up, Geothermal Heating and Cooling and Air-to-air heat pump, Interruptible Tariff, Industrial Compressed Air Program

Owen Electric: Direct Load Control, Button-up, Touchstone Energy Home, Touchstone Energy Manufactured Home, Air-to-air Heat Pump, Geothermal Heating and Cooling and Water Heater, Interruptible Tariff, Industrial Compressed Air Program, Beat The Peak (BTP) pilot program provides members an ‘in-home’ device that notifies them when the electrical system is operating in a “peak” condition. The BTP device will be used in conjunction with targeted communications (text, email, phone, etc...) to alert our members. The BTP program is designed to encourage our members to take voluntary steps within their homes to reduce energy usage during peak alert times.

Coming in 2012-- CRN Smart Home demonstration pilot program is designed to determine the effectiveness of in-home displays, smart appliances and devices, and related software. The goals of this pilot include determining the technological readiness and economic feasibility of deployment of this technology, and to assess member behavior and member satisfaction results.

Salt River Electric: Water Heater, Air-to-air Heat Pump, Touchstone Energy Home, Geothermal Heating and Cooling, Button-up and Direct Load Control, Interruptible Tariff, Industrial Compressed Air Program

Shelby Energy: Air-to-air Heat Pump, Touchstone Energy Home, Geothermal Heating and Cooling, Button-up and Direct Load Control, Interruptible Tariff, Industrial Compressed Air Program

South Kentucky RECC: Electric Thermal Storage, Tune-up, Air-to-air Heat Pump, Touchstone Energy Home, Touchstone Energy Manufactured Home, Geothermal Heating and Cooling, and Button-up, Interruptible Tariff, Industrial Compressed Air Program

Taylor County RECC: Button-up, Direct Load Control, Electric Thermal Storage, Touchstone Energy Home and Air-to-Air Heat pump, Industrial Compressed Air Program

Additionally, each member system offers a Commercial Advanced Lighting program.

Request 6b. For each cooperative that does not offer an existing DSM program, provide the analysis which shows that offering the program would not reduce retail customers' consumption and would not delay the need for new generating capacity.

Response 6b. EKPC prepares its planning estimates of DSM impacts on a system wide basis, not a cooperative-by-cooperative basis. EKPC offers its programs and program incentives to every one of its member cooperatives. EKPC projects participation levels for the system overall, not for individual members.

Existing programs include:

- Electric Thermal Storage Incentive Program
- Tune-Up HVAC Maintenance Program
- Button-up Weatherization Program
- Touchstone Energy Home Program
- Touchstone Energy Manufactured Home Program
- Compact Fluorescent Lighting Program
- Commercial Advanced Lighting
- Interruptible rates for industrial customers
- Industrial Compressed Air

New Programs include:

- Button-up Weatherization with Air Sealing Program
- Air Source Heat Pump replacing resistance heat
- Dual Fuel
- Direct Load Control of Air Conditioners and Water Heaters

Estimated demand and energy impacts as well as descriptions of the programs are shown on Exhibit JJT-3. The net total winter peak demand impact grows from 141 MW in 2010 to over 220 MW at the end of the 20 year period.

Q. Will you please describe EKPC's production costing model?

A. The primary model used in developing the production costs for each of the evaluated scenarios was RTSim from Simtec, Inc., of Madison, WI. The RTSim production cost model calculates the hour-by-hour operation of the generation system including unit hourly generation, commitment, power purchases and sales, including economy and day

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 7

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Refer to page 9 of the Tucker Testimony. Explain whether each of the new DSM programs listed there will be offered by every one of EKPC's 16 cooperatives.

Request 7a. If yes, provide documentation that each cooperative will offer every new DSM program.

Response 7a. As stated in the response to Request 6a-b, EKPC selects DSM programs to offer on the basis of meeting customer needs and resource planning objectives in a cost-effective manner. EKPC screens programs using qualitative criteria including customer acceptance, measure applicability, savings potential, and cost-effectiveness. Programs that meet these criteria are then analyzed in a rigorous fashion using standard (California) tests for cost-effectiveness. Each of the 16 member systems makes an independent determination regarding which DSM programs best fit its system.

Request 7b. If no, provide a schedule which lists each new DSM program and the names of the cooperatives that have not committed to offer that program.

Response 7b. Please see the response to Request 7a.

Request 7c. For each cooperative that has not committed to offer a new DSM program, provide the analysis which shows that the new program would not reduce retail customers' consumption and would not delay the need for new generating capacity.

Response 7c. EKPC prepares its planning estimates of DSM impacts on a system wide basis, not a cooperative-by-cooperative basis. EKPC offers its programs and program incentives to every one of its member cooperatives. EKPC projects participation levels for the system overall, not for individual members.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 8

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Refer to page 8 of the Tucker Testimony. Provide a detailed description of EKPC's ability to require each of its member cooperatives to offer all cost effective DSM programs to their respective retail customers.

Response 8. Please see the response to Request 7.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 9

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. Refer to the Tucker Testimony, Exhibit JJT-3, at page 3 of 3.

Request 9a. Explain whether it is likely that any of the energy or capacity numbers shown in this exhibit would increase if one or more cooperatives that are not now offering an existing DSM program elected to offer that program in the future.

Response 9a. The numbers in this exhibit were prepared on the basis of participation and budget targets for the EKPC system as a whole, and thus are not a function of any particular assumptions concerning levels of participation from individual member cooperatives.

Request 9b. Explain whether it is likely that any of the energy or capacity numbers shown in this exhibit would increase if one or more cooperatives that have not yet committed to offer a new DSM program decides to offer that program in the future.

Response 9b. Please see the response to Request 9a.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 10

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 10. Refer to the Tucker Testimony, Exhibit JJT-5.

Request 10a. Describe how fuel costs were forecast in the various cases EKPC modeled and evaluated. Identify any outside sources relied upon by EKPC.

Response 10a. Coal prices were based on existing EKPC contracts during the first three years of the analysis, 2011-2013, then projected based on information obtained from the EKPC Fuels Department, ACES Power Marketing, and Energy Ventures Analytics (“EVA”). All fuel prices are based on delivered cost. Natural gas prices were obtained from ACES Power Marketing.

Request 10b. Explain whether “Variable Production Cost (\$/MWh)” for the Gilbert Unit and “Fuel Cost (\$/MMBtu)” for Spurlock 4 on page 2 of 28 are depicted accurately. If not, provide a revised version of page 2 of 28.

Response 10b. Please see page 2 of this response for a revised version of the requested data, formatting the information to include two decimal places.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00238
INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 11

RESPONSIBLE PERSON: Gary G. Stansberry
COMPANY: East Kentucky Power Cooperative, Inc.

Request 11. Refer to the Testimony of Gary G. Stansbury (“Stansbury Testimony”) at page 6, lines 16-19. Explain how the CO₂ tonnage allotment assumption of 57 percent of EKPC’s usage, beginning in 2014, was derived.

Response 11. The 57% is a derived approximation and is the resultant calculation of the number of tons allocated to the number of CO₂ tons emitted (6.7M/11.6M). The actual percentage for clarification is 58.3% (6,766,605/11,614,281). The allocated tons came from a series of calculations based on EPA’s Analysis of H.R. 2454, provided on page 2 of this response.



H.R. 2454 – Bill Summary

Allowance Allocations

- Sec. 782 includes the following allocation of allowances, which were modeled in IGEWI:
 - Electricity consumers: 43.75% in 2012, declining to 7% by 2029
 - Natural gas consumers: 9% beginning in 2016, declining to 1.8% in 2029
 - Heating oil and propane consumers: 1.875% in 2012, declining to 0.3% in 2029
 - CCS Bonus Allowances: 2% from 2014-2017; 5% from 2018-2050
 - International Forest Carbon: 5% through 2025, 3% through 2030, 2% through 2050
 - Energy Efficiency: 9.5% from 2012-2015, declining to 4.5% from 2026-2050
 - Clean vehicle technology: 3% from 2012-2017, 1% from 2018-2025
 - Domestic refiners: 2% from 2014-2026
 - International adaptation: 1% from 2012-2021, rising to 4% from 2027-2050
 - International clean technology deployment: 1% from 2012-2021, rising to 4% from 2027-2050
 - Output-Based Rebate: 15% through 2025, declines thereafter at 10% per year to phase out by 2035.
 - Necessary allowances for deficit neutrality
 - Remaining allowance value is recycled to households lump sum

- Sec 782 also includes the following allocations, not modeled in IGEWI:
 - Low-income consumers: 15% from 2012-2050 (auctioned with revenue returned through Title IV C)
 - Trade-vulnerable industries: 2% in 2012, 2013, 15% in 2014, declining through 2050
 - Clean energy innovation centers: 1% from 2012-2050
 - investment in workers: 0.5% from 2012- 2021, 1% from 2022-2050
 - Domestic adaptation: 0.9% from 2012-2021, rising to 3.9% through 2050
 - Climate change health protection and promotion fund: 0.1% from 2012-2050
 - Wildlife and natural resource adaptation: 1% from 2012-2021, rising to 4% from 2027-2050

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00238
INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 12

RESPONSIBLE PERSON: **Julia J. Tucker**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 12. Refer to page 10 of the Stansbury Testimony, lines 3-4. Provide a detailed description, along with any supporting workpapers, spreadsheets, etc., of how the assumption of \$906/kW as the fixed cost of a CCCT was developed.

Response 12. The fixed capital cost for the CCCT was developed through market information from EIA and verified with Navigant Consultants. CCCTs come in many sizes and efficiencies and the prices range accordingly. The heat rate and MW ratings used in this analysis are consistent with a plant that would cost in the range of \$906/kW. That cost could be driven down by a scaling factor if a larger plant were constructed; however, the EKPC system would have trouble efficiently utilizing a much larger plant. The heat rate or efficiency of the plant could be improved; however, that would equate to additional costs that were not reflected in the assumptions. The capital cost was based on the EIA Annual Energy Outlook 2010 Early Release Generation Technologies Cost Assumptions Table and can be found at <http://www.eia.doe.gov/oiaf/aeo/index.html>.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 13

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 13. Refer to page 10 of the Stansbury Testimony, lines 6-9. Pages 8-9 of the Tucker Testimony describe the energy efficiency and DSM programs built into the 2010 load forecast which result in reducing winter peak demand by more than 220 MW over the 20-year forecast period. Provide a detailed explanation of how EKPC anticipates the increased demand reduction of 400 MW in Case No. 5, under which all future power supply needs are to be provided with a combination of such programs and renewable resources, will be realized.

Response 13. Case No. 5 includes an increased savings contribution from DSM programs that results in 400 MW of winter peak savings compared to the 220 MW that is built into the load forecast. The additional winter peak savings in Case No. 5 were projected to be realized from future demand response programs. These program areas are residential direct load control of electric heat, and price response. Price response is a category for programs that use price signals to influence customers to reduce consumption during high cost or resource constrained time periods. These programs can include critical peak pricing, real time pricing, and time of use rates.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 14

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 14. Refer to pages 9-10 of the Stansbury Testimony and Exhibit GGS-1, which reflect the savings under the six alternative cases as compared to the base case, which calls for completing Smith I as scheduled in 2014. The projected savings range from roughly \$27 million, or .21 percent, when Smith 1 is delayed by two years, to \$404 million, or 3.17 percent, when Smith is cancelled and purchased power is relied upon until 2022, when a CCCT is built. Provide the timetable under which EKPC expects to decide on which alternative plan it will implement to meet its power supply needs.

Response 14. EKPC is and will continue to be conducting extensive research into all of its alternatives during the next year. EKPC's strategy for future power supply is currently being developed, then plans to support that strategy will be evaluated and considered. EKPC should have a much better idea of how it plans to meet its long term power supply needs by the end of 2011. EKPC has recently hired a new Senior Vice President of Power Supply and a Chief Operating Officer. Both of these executives will be leading the development of the optimal power supply plan for EKPC.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00238

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST

DATED DECEMBER 28, 2010

REQUEST 15

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 15. The last paragraph on page 5 of the Agreement states that, “The construction of Smith 1 CFB was not primarily planned to serve Gallatin’s load.”

Request 15a. Provide a detailed explanation to support this statement.

Response 15a. EKPC does not plan power plants to specifically serve any individual load. Generation is planned for the EKPC system as a whole. Each of the loads is included in the aggregate and the best alternatives for the whole system are identified, not resources for individual customers. Please see page 3 of this response which contains the load forecast upon which the decision to build Smith 1 was based. This was filed in Application Exhibit 2, page 7, in Case No. 2005-00053, “The Application of East Kentucky Power Cooperative, Inc., for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Construction of a 278 MW (Nominal) Circulating Fluidized Bed Coal Fired Unit and Five 90 MW (Nominal) Combustion Turbines in Clark County, Kentucky”, filed January 31, 2005.

Request 15b. Identify all customers, other than Gallatin, that Smith 1 was not primarily planned to serve and explain in detail how EKPC made this determination.

Response 15b. Please see the response to Request 15a.

Request 15c. Identify all customers that Smith 1 was primarily planned to serve and explain in detail how EKPC made this determination.

Response 15c. Please see the response to Request 15a.

Table 1-4
· 2004 Load Forecast
Total Member System Retail Energy Sales

Year	Residential Sales (MWh)	Seasonal Sales (MWh)	Small Comm. Sales (MWh)	Public Buildings (MWh)	Large Comm. Sales (MWh)	Gallatin Steel (MWh)	Other Sales (MWh)	Total Retail Sales (MWh)
1990	3,483,232	9,652	813,371	22,879	653,502	0	3,736	4,986,373
1991	3,755,282	9,791	868,032	25,182	722,743	0	4,029	5,385,059
1992	3,798,270	10,100	913,599	26,549	775,544	0	4,305	5,528,366
1993	4,213,871	10,478	980,290	30,060	970,137	0	5,081	6,209,917
1994	4,268,682	10,591	1,014,549	30,347	1,029,178	0	4,156	6,357,502
1995	4,575,282	11,355	1,098,885	33,261	1,119,902	279,070	5,042	7,122,797
1996	4,857,938	12,629	1,082,019	34,242	1,243,107	640,756	5,552	7,876,243
1997	4,883,875	12,075	1,163,683	33,267	1,258,816	755,279	5,663	8,112,659
1998	5,091,880	11,650	1,230,451	34,263	1,349,895	696,051	5,601	8,419,790
1999	5,303,413	11,652	1,337,008	34,947	1,415,803	901,686	5,757	9,010,267
2000	5,607,950	12,648	1,493,650	38,061	1,498,745	917,983	6,160	9,575,197
2001	5,777,378	12,954	1,490,670	39,197	1,686,653	992,711	6,545	10,006,107
2002	5,946,686	14,703	1,571,381	40,725	1,790,693	1,005,493	6,860	10,376,541
2003	6,156,774	15,487	1,581,188	42,689	1,906,861	1,007,676	7,087	10,717,762
2004	6,497,216	14,307	1,630,602	45,531	1,968,664	961,632	7,694	11,125,647
2005	6,682,941	14,825	1,694,044	46,612	2,132,344	960,781	7,949	11,539,497
2006	6,918,457	15,524	1,757,692	47,856	2,261,427	960,951	8,213	11,970,119
2007	7,183,613	16,294	1,822,141	49,201	2,379,982	960,435	8,483	12,420,150
2008	7,963,634	17,003	2,129,583	50,512	3,137,941	961,056	12,482	14,272,210
2009	8,526,792	17,680	2,257,539	51,802	3,394,380	962,376	14,205	15,224,774
2010	8,769,805	18,327	2,328,603	53,030	3,504,926	962,267	14,639	15,651,597
2011	9,005,166	18,968	2,399,739	54,245	3,589,580	960,119	15,077	16,042,894
2012	9,277,560	19,711	2,467,666	55,471	3,689,892	960,160	15,522	16,485,982
2013	9,568,763	20,495	2,534,710	56,735	3,776,751	960,424	15,968	16,933,848
2014	9,849,132	21,220	2,602,619	58,006	3,876,151	961,931	16,418	17,385,477
2015	10,132,987	21,930	2,670,899	59,279	3,959,598	961,610	16,869	17,823,172
2016	10,418,609	22,671	2,738,146	60,548	4,054,635	959,992	17,326	18,271,927
2017	10,734,638	23,534	2,808,274	61,895	4,130,033	959,696	17,787	18,735,857
2018	11,060,111	24,472	2,880,072	63,309	4,220,103	959,191	18,251	19,225,508
2019	11,411,147	25,495	2,952,552	64,796	4,306,388	959,462	18,717	19,738,557
2020	11,759,902	26,543	3,025,190	66,179	4,397,448	961,566	19,194	20,256,022
2021	12,101,252	27,556	3,096,179	67,552	4,480,296	961,698	19,669	20,754,203
2022	12,447,462	28,578	3,166,734	68,928	4,575,322	959,323	20,150	21,266,497
2023	12,811,267	29,677	3,239,421	70,277	4,650,017	959,018	20,637	21,780,314
2024	13,194,533	30,814	3,314,701	71,684	4,740,172	959,015	21,129	22,332,048

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00238
INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 16

RESPONSIBLE PERSON: Michael A. McNalley
COMPANY: East Kentucky Power Cooperative, Inc.

Request 16. Refer to page 5 of the Settlement Agreement (“Agreement”) and Appendix B thereto. The last paragraph on page 5 of the Agreement states that, “[T]he Attorney General, Gallatin and EKPC agree that they will fully support before the Kentucky PSC an allocation methodology over the life of the amortization period based upon the firm demand of each rate class including Gallatin Steel as set forth in Appendix “B” ...” The footnote in Appendix B states that the firm demand contained therein “[w]as based upon a modified version of the 2008 load forecast, consistent with the demand levels used in Case No. 2010-00167.”

Request 16a. A modified version of the 2008 load forecast was used in EKPC’s application in Case No. 2010-00167¹. However, the settlement reached in that case was based on EKPC’s 2010 load forecast. Explain why the Agreement, which was executed less than three weeks before the execution of the 2010-00167 settlement, was not also based upon the 2010 load forecast.

Response 16a. The 2010 load forecast was not approved by EKPC’s Board of Directors until November 2010. Therefore, the 2008 load forecast was the most recent forecast available during the settlement discussions in this proceeding.

Request 16b. Explain whether, and to what extent, Gallatin would be responsible for paying a lesser portion of the regulatory asset if the allocation methodology is based on a modified version of the 2008 load forecast rather than the 2010 load forecast.

Response 16b. Gallatin would be responsible for paying a lesser portion of the regulatory asset if the allocation methodology was based on a modified version of the 2008 load forecast rather than the 2010 load forecast. Based upon the information contained in Appendix B to the Settlement Agreement, filed with the Commission on November 18, 2010, Gallatin would be responsible for .65% of total firm demand based on the results of the 2008 load forecast. Please see the Revised Appendix B included in the response to Request 16c which shows that Gallatin is responsible for .68% of total firm demand based upon the results of the 2010 load forecast.

Request 16c. Provide a revised Appendix B which includes demand data based on the 2010 load forecast rather than a modified version of the 2008 load forecast.

Response 16c. Please see page 3 of this response for a revised Appendix B which includes demand data based on the 2010 load forecast rather than a modified version of the 2008 load forecast.

Request 16d. Is it the intent of the Attorney General, Gallatin, and EKPC that the percentage of the regulatory asset allocated to each rate class will not change over the 10 year amortization period? If yes, explain why the allocation percentages should not change as each rate class's demand changes.

Response 16d. No. It is the intent to recover the regulatory asset amortization based on KW demand billed. This percentage will vary based on changes in demand levels.

Revised Appendix B
Firm Demand by Rate Class

	Firm Demand (MW)	% of Total Firm Demand
Rate E		
Option 1 (Owen)	2,259.000	8.58%
Option 2	20,846.000	79.13%
Rate B		
Minimum	1,367.930	5.19%
Excess	169.070	0.64%
Rate C	465.000	1.77%
Rate G	564.000	2.14%
Large Special Contract		
Firm Demand	180.000	0.68%
Steam Service (equivalent MW)	492.000	1.87%
	26,343.000	100.00%

*Firm demand was revised to reflect new 2010 forecasted load for 2011

EAST KENTUCKY POWER COOPERATIVE, INC.
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PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 17

RESPONSIBLE PERSON: Michael A. McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 17. Refer to pages 5-6 of the Agreement. Starting at the bottom of page 5, the Agreement states that, “[T]o avoid double recovery, all Smith 1 costs currently being recovered in existing rates and all Smith 1 costs proposed to be recovered in future rates will be removed from base rates or identified and excluded from recovery of the Regulatory Asset in EKPC’s filing for recovery of the Regulatory Asset.”

Request 17a. Identify the Smith 1 costs being recovered in EKPC’s existing rates.

Response 17a. In PSC Case No. 2008-00409, EKPC estimated the total construction work in progress balance for Smith to be \$163,964,186 at the end of the test year. The annual return on that amount at the estimated 4% unsecured credit facility rate would produce interest expense of \$6,558,567. However, EKPC settled the rate case as a “black box” settlement for less than was requested. There were no specified amounts for individual expense categories.

Request 17b. Confirm whether Smith 1 costs proposed to be recovered in future rates are limited to the \$6 million in interest, plus a Times Interest Earned Ratio, that has been included for recovery in the settlement reached in Case No. 2010-00167.

Response 17b. This is not the case. The settlement states that \$6 million in interest relating to Smith 1, plus TIER, is considered to be part of the rates approved in Case No. 2010-00167. Interest expense plus TIER in excess of this amount is being proposed to be recovered in a future proceeding.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2010-00238
INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF INITIAL INFORMATION REQUEST
DATED DECEMBER 28, 2010
REQUEST 18

RESPONSIBLE PERSON: Anthony S. Campbell
COMPANY: East Kentucky Power Cooperative, Inc.

Request 18. Refer to page 5, paragraph 12, of EKPC's application in Case No. 2010-00449.² Provide the Board Resolution and minutes of the Board of Directors' meeting in which EKPC's Board voted to surrender the Certificate of Public Convenience and Necessity for Smith 1 and enter into the Agreement filed in this proceeding on November 18, 2010.

Request 18. Please see pages 2 through 7 of this response.

EAST KENTUCKY POWER COOPERATIVE, INC.**EXECUTIVE SESSION PORTION OF THE
MINUTES OF BOARD MEETING
NOVEMBER 9, 2010**

Following is the Executive Session portion of the regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, November 9, 2010, which began at 10:20 a.m. EST, pursuant to proper notice.

EXECUTIVE SESSION

At 10:20 a.m., Chairman Stratton requested the Board go into Executive Session, with a motion by Danny Divine, seconded by A. L. Rosenberger, and passed by the full Board. Those remaining included the Directors, Alternate Directors, Tony Campbell, Counsel David Smart, Mark David Goss and Roger Cowden of Frost Brown Todd, EKPC executive staff, Barry Mayfield, Nick Comer, Ann Wood, Sherman Goodpaster and Terri Combs. Also present was Mike Williams of Blue Grass. Shanan Strange and Brenda Bowen stayed to assist the Secretary with the minutes.

President & CEO Campbell reported all intervenors in the Smith case were meeting with the KPSC today at 1:00 p.m. with Chief Financial Officer Mike McNalley, Mark David Goss of Frost Brown Todd, and Ann Wood representing EKPC to address and explain the Smith Settlement. EKPC has continued to negotiate with the environmental groups, Kentucky Attorney General, and Gallatin Steel on this Settlement. EKPC's negotiating team consists of Mike McNalley, Mark David Goss, and David Smart with P&CEO Campbell being strongly involved in the negotiations to fully inform the Board of all actions and positions taken and to seek all necessary approval authority.

Counsel Smart reported at the August 9, 2010, Board meeting, the Board granted EKPC permission to discuss issues with the Sierra Club, Kentuckians for the Commonwealth, Kentucky Environmental Foundation, Kentucky Attorney General, and Gallatin Steel. Counsel Smart reported EKPC has not strayed from the authority the Board granted to the negotiating team and promised that they would continue to engage the Board as to progress and continued authority moving forward.

Mark David Goss of Frost Brown Todd gave the background on the Smith Settlement and advised that the information be kept strictly confidential until all parties have agreed and signed. Counsel Smart reviewed the outline on the Settlement Agreement between EKPC, Wendell Berry, Dr. John A. Patterson, and Father John Rausch. The three individuals had filed a complaint before the Kentucky Public Service Commission ("KPSC") challenging the Smith project and the KPSC kept these individuals in the case when they consolidated the issues (requesting that EKPC demonstrate the need for the Certificate for Smith

including the load forecast and filings due at this point on November 15). The Sierra Club, Kentuckians for the Commonwealth, Kentucky Environmental Foundation and the Kentucky Attorney General were not parties to this new consolidated case, but were critical in negotiating a Settlement. Their support was also needed on any Regulatory Asset if and when EKPC determined that the need for the Smith project was not there.

EKPC has the Certificate from the KPSC, the Lien Accommodation from RUS, and amended Title V Permit from Kentucky Division of Air Quality ("KDAQ") at Smith that includes the new emission sources to go along with the CFB units for Smith. The permits under the Clean Water Act from the United States Corps of Engineers relating to the Supplemental Environmental Impact Statement ("SEIS") are still not yet final. The KPSC has initiated an investigation requiring EKPC to demonstrate the need for the Smith plant.

Under the Settlement, EKPC will relinquish all permits and certificates by: 1) notifying the KPSC that they no longer need the Certificate for Smith; 2) filing an application with the Environmental Cabinet, Division of Air Quality to modify the current Title V permit to remove the emission sources related to Smith 1 CFBs, and 3) by notifying the Corps of Engineers that they no longer need the water permits stopping the SEIS process.

EKPC will file an application with the KPSC requesting a Regulatory Asset. Under the Settlement, the environmental groups and the three individuals will not oppose that filing. The Kentucky Attorney General and Gallatin Steel will support the Regulatory Asset filing.

Under the Settlement, the recovery period of the proposed Regulatory Asset will be based on firm demand of all rate classes' ten (10) year amortization period. There will be no double recovery of interest expense. In addition, the environmental groups will dismiss with prejudice at least eight (8) litigation matters involving Smith and Spurlock that they have brought against EKPC.

This Agreement will not affect EKPC's ability to seek approval in the future to construct baseload, intermediate-load or peak-load generating units regardless of any fuel type as EKPC's capacity needs require. EKPC will not, however, seek KPSC and other necessary administrative and regulatory agency approvals for a coal-fired generating unit within two (2) years of the date this Agreement is executed.

Under the Settlement, EKPC will also enter into a "Collaborative" with the Sierra Club to address demand-side management and renewable energy. The Settlement addresses the terms and conditions of the Collaborative. EKPC agrees to draft a charter for the Collaborative consistent with applicable KPSC regulation and policy. Extensive questions and discussion followed for a plan of action in order to fully engage the Board in the Settlement.

A motion was made by Wade May, seconded by Mike Adams, and passed by the full Board to approve the Resolved Clause in the Resolution where EKPC Board of Directors

will approve the Settlement Agreement including seeking a Regulatory Asset not to exceed \$200 million subject to the audit process from external auditors.

A motion was made by F&PS Chairman Wade May, seconded, and approved by the full Board to approve the Load Forecast for 2010-2030.

A motion was made by Paul Hawkins, seconded by Bill Shearer, and passed by the full Board to approve the Executive Minutes of September 14, 2010, and October 5, 2010,

At 11:16 a.m., a motion was made by Jimmy Longmire, seconded by Danny Divine, to come out of Executive Session.

A. L. Rosenberger, Secretary

Approved:

R. Wayne Stratton
Chairman of the Board

Date: _____

**FROM THE MINUTE BOOK OF PROCEEDINGS
OF THE BOARD OF DIRECTORS OF
EAST KENTUCKY POWER COOPERATIVE, INC.**

At an Executive Session of the regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. held at the Headquarters Building, 4775 Lexington Road, located in Winchester, Kentucky, on Tuesday, November 9, 2010, at 10:20 p.m., EDT, the following business was transacted:

Smith Settlement

After review of the applicable information, a motion to seek acceptance of the Smith Settlement was made by Wade May, seconded by Mike Adams, and passed by the full Board, to approve the following:

Whereas, on August 29, 2006, the Kentucky Public Service Commission (“PSC”) granted East Kentucky Power Cooperative, Inc. (“EKPC”) a Certificate of Public Convenience and Necessity (“CPCN”) to construct the 278 MW Smith Circulating Fluidized Bed Generating Unit (“Smith 1”). On January 5, 2007, in light of the decision by Warren Rural Electric Cooperative Corporation to terminate a power supply agreement with EKPC, the PSC investigated the continued need for Smith 1. On May 11, 2007, the PSC allowed EKPC to retain the CPCN for Smith 1;

Whereas, on June 22, 2010, the PSC issued an Order initiating An Investigation of EKPC’s Need for the Smith 1 Generating Facility (“Investigation”). This Investigation addressed two other cases pending at the PSC: a complaint case filed by retail customers and environmental groups; and a \$900,000,000 request that EKPC filed for construction financing for Smith 1. The Investigation requires EKPC to respond to the following issues: 1) EKPC’s need for base load generation; 2) whether or not Smith 1 is least cost compared to other power supply options; and, 3) the impact of Smith 1 compared to other power supply options on EKPC’s financial integrity and future rates. The procedural schedule accompanying the Order reflected the filing of direct testimony by July 23, 2010. On June 30, 2010, EKPC filed a motion seeking an extension of time to file its direct testimony, citing the need to incorporate its 2010 long-term forecast into its testimony. On July 16, 2010, the PSC granted EKPC an extension of time to file direct testimony—up to and including August 30, 2010;

Whereas, at EKPC’s Board of Directors (“Board”) meeting on August 9, 2010, the Board approved a Resolution authorizing its Legal Counsel to meet and discuss with adverse parties all issues regarding Smith 1 CPCN versus seeking approval from the PSC for a Regulatory Asset. EKPC Legal Counsel generally discussed the need to address these topics with the adverse parties on August 17, 2010. As a result of those general discussions all parties agreed to file a Joint Motion with the PSC requesting an Abeyance of the case

for at least sixty (60) days in order to have sufficient time to more fully discuss all issues surrounding the construction of Smith 1, including, if necessary, negotiating cancelling the project in return for an agreement regarding EKPC's entitlement to a Regulatory Asset from the PSC, and certain other concessions and agreements to be determined later. On September 24, 2010, the PSC extended the time for EKPC to file direct testimony until November 15, 2010;

Whereas, on August 27, 2010, the Board approved negotiations with regard to this matter. During the period from August 27, 2010 to present, legal counsel, David Smart and Mark David Goss, along with EKPC's CFO, Michael McNalley, have been engaged in negotiations with the Sierra Club, Kentuckians for the Commonwealth and Kentucky Environmental Foundation ("Environmental Groups"); Wendell Berry, Dr. John A. Patterson, M.D., MSPH, and Fr. John Rausch ("Retail Customers"); Gallatin Steel Company, and the Kentucky Attorney General. The result of these negotiations is a proposed Settlement Agreement (attached), whereby EKPC will agree to relinquish its CPCN with the PSC, withdraw the air permit for Smith 1 with the Kentucky Division of Air Quality, and notify the U.S. Army Corps of Engineers that it is withdrawing its permits for the Smith 1 project;

Whereas, the PSC Investigation requires EKPC to review the scenarios listed below and determine their cost and rate impacts over 20-years. EKPC must also consider the need for additional base load generation, considering the updated load forecast. The scenarios evaluated are:

- Case 1: Smith 1 as planned (2014 completion)
- Case 2: Delay Smith 1 for 2 years
- Case 3: Delay Smith 1 for 4 years *
- Case 4: Cancel Smith 1, build a combined cycle in optimal time frame
- Case 5: Cancel Smith 1, provide needed power from Renewable generation sources; reduce needed power supply with increased DSM efforts
- Case 6: Cancel Smith 1, depend on power purchases for 5 years then build
- Case 7: Cancel Smith 1, sell the equipment to entity constructing plant and enter into long-term purchase agreement with same company

* PSC Order requested a 5 year delay; however, a 4 year delay better met EKPC's power supply needs.

In addition, EKPC has spent approximately \$150 million on the Smith 1 project to date. Any changes to Smith 1 as currently planned may result in additional costs in the form of contract termination costs. If the Smith 1 project is abandoned, EKPC must have a regulatory asset to allow future amortized rate recovery. EKPC will then do everything possible to mitigate its stranded investment.

As a result, the parties to the proposed Settlement Agreement have agreed to either support or not oppose EKPC's request for a regulatory asset. In addition, the Retail Customers and

the Environmental Groups have agreed to dismiss eight (8) litigation matters challenging Smith 1 and other EKPC coal-fueled units in the cooperative fleet.

There is no question that decreased demand for electricity caused by the poor economy is the main reason for cancelling Smith 1 and seeking a regulatory asset without which EKPC's operations would be in financial jeopardy.


Finally, EKPC and the parties to the Settlement Agreement agree to initiate a Collaborative to study deployment of renewable energy resources and demand-side management programs; **therefore be it**

Resolved, that the EKPC Board of Directors ("Board") approve the proposed Settlement Agreement attached hereto, which includes EKPC:

- (1) formally notifying the PSC of its intention to abandon the construction of Smith 1 and to surrender the CPCN granted in Case No. 2005-00053;
- (2) submitting an application for a permit amendment or modification to the Energy and Environmental Cabinet requesting that Emission Units 11, 12, 13, 14, 15, 16a, 16b, 17, 18, and 19 be removed from Permit V-05-070 R3;
- (3) formally notifying the US Army Corps of Engineers that it is withdrawing its application submitted for a Department of the Army (DA) Permit, subject to Section 10 of the Rivers and Harbors Act and Section 404 of the Clean Water Act which was noticed in Public Notice No. LRL-2008-445-mdh;
- (4) beginning negotiations with vendors and others to cancel the Smith 1 project; and
- (5) beginning proper preparations to file a request for a regulatory asset with the PSC for an amount not to exceed \$200 million, subject to a favorable decision by EKPC's external auditors.

The foregoing is a true and exact copy of a resolution passed at a meeting called pursuant to proper notice at which a quorum was present and which now appears in the Minute Book of Proceedings of the Board of Directors of the Cooperative, and said resolution has not been rescinded or modified.

Witness my hand and seal this 9th day of November 2010.


A. L. Rosenberger, Secretary

Corporate Seal