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PUBLIC SERVICE  
COMMISSION

November 6, 2006

HAND DELIVERED

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

Re: PSC Case No. 2006-00455

Dear Ms. O'Donnell:

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., to the data requests contained in Appendix A of the Commission's order dated October 27, 2006.

Very truly yours,

A handwritten signature in black ink that reads 'Charles A. Lile'.

Charles A. Lile  
Senior Corporate Counsel

Enclosures

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PUBLIC SERVICE  
COMMISSION

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

**In the Matter of:**

**AN INVESTIGATION OF THE  
FINANCIAL CONDITION OF  
EAST KENTUCKY POWER  
COOPERATIVE, INC.**

)  
) **CASE NO. 2006-00455**

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PUBLIC SERVICE  
COMMISSION

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE 2006-00455  
APPENDIX A**

**DATA REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION'S REQUEST DATED 10/27/06**

In response to an Order of the Public Service Commission's data request, East Kentucky Power Cooperative, Inc. (EKPC) submits responses to the questions contained therein. Each response with its associated supportive reference materials is individually tabbed.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 1**

**RESPONSIBLE PERSON: Frank Oliva**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 1.** Provide a calculation of East Kentucky Power's Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC"), with supporting workpapers for:

**Request 1a.** Each calendar year beginning in 2001.

**Response 1a.** See Attachment.

**Request 1b.** Each 12-month period ending in each month of 2006.

**Response 1b.** See Attachment

**East Kentucky Power Cooperative, Inc.**  
**TIER & DSC Calculations for years 2001 through 2005**

**For 2001****TIER**

(a) Net Margins	30,417,987.78		
(b) Interest on Long Term Debt	37,590,536.76		
<b>TIER = (a) + (b) / (b) =</b>	<u>68,008,524.54</u>	/	37,590,536.76 = <b>1.809</b>

**DSC**

(a) Depreciation	\$ 46,065,090
(b) Interest on L-T Debt	37,590,537
(c) Margins	30,417,988
(d) Interest + Principal	64,940,647
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>1.757</b>

**For 2002****TIER**

(a) Net Margins	37,428,334.00		
(b) Interest on Long Term Debt	39,318,684.97		
<b>TIER = (a) + (b) / (b) =</b>	<u>76,747,018.97</u>	/	39,318,684.97 = <b>1.952</b>

**DSC**

(a) Depreciation	\$ 45,106,388
(b) Interest on L-T Debt	39,318,685
(c) Margins	37,428,334
(d) Interest + Principal	70,537,142
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>1.728</b>

**For 2003****TIER**

(a) Net Margins	29,397,777.83		
(b) Interest on Long Term Debt	44,457,850.56		
<b>TIER = (a) + (b) / (b) =</b>	<u>73,855,628.39</u>	/	44,457,850.56 = <b>1.661</b>

**DSC**

(a) Depreciation	\$ 31,166,309
(b) Interest on L-T Debt	44,457,851
(c) Margins	29,397,778
(d) Interest + Principal	77,934,106
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>1.348</b>

**For 2004****TIER**

(a) Net Margins	(27,267,515.63)		
(b) Interest on Long Term Debt	53,923,423.72		
<b>TIER = (a) + (b) / (b) =</b>	<u>26,655,908.09</u>	/	53,923,423.72 = <b>0.494</b>

**DSC**

(a) Depreciation	\$ 38,994,125
(b) Interest on L-T Debt	53,923,424
(c) Margins	(27,267,516)
(d) Interest + Principal	91,548,864
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>0.717</b>

**East Kentucky Power Cooperative, Inc.**  
**TIER & DSC Calculations for years 2001 through 2005**

**For 2005: Mortgage Agreement**

**TIER**

(a) Net Margins	(46,007,522.00)		
(b) Interest on Long Term Debt	69,570,844.83		
<b>TIER = (a) + (b) / (b) =</b>	<b>23,563,322.83</b>	<b>/</b>	<b>69,570,844.83 = 0.339</b>

**DSC**

(a) Depreciation	\$ 52,037,571
(b) Interest on L-T Debt	69,570,843
(c) Margins	(46,007,522)
(d) Interest + Principal	114,243,781
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>0.662</b>

**For 2005: Credit Agreement**

**TIER**

(a) Net Margins	2,978,319.00		
(b) Interest on Long Term Debt	69,570,844.83		
<b>TIER = (a) + (b) / (b) =</b>	<b>72,549,163.83</b>	<b>/</b>	<b>69,570,844.83 = 1.043</b>

**DSC**

(a) Depreciation	\$ 52,037,571
(b) Interest on L-T Debt	69,570,843
(c) Margins	2,978,319
(d) Interest + Principal	114,243,781
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>1.091</b>

**TIER & DSC Calculations**

***12-months ending:***  
**TIER**

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
(a) Net Margins	(42,541,394)	(48,659,642)	(45,791,485)	(45,847,104)	(39,365,294)	(35,094,745)	(39,809,123)	(34,210,642)	(47,655,661)
(b) Interest on Long Term Debt	70,352,765	71,012,071	71,816,165	72,708,035	73,736,924	74,869,917	76,383,042	77,883,405	79,393,488
	27,811,371	22,352,429	26,024,680	26,860,931	34,371,630	39,775,172	36,573,919	43,672,763	31,737,827
(b) Interest on Long Term Debt	70,352,765	71,012,071	71,816,165	72,708,035	73,736,924	74,869,917	76,383,042	77,883,405	79,393,488
<b>TIER = (a) + (b) / (b) =</b>	<b>0.395</b>	<b>0.315</b>	<b>0.362</b>	<b>0.369</b>	<b>0.466</b>	<b>0.531</b>	<b>0.479</b>	<b>0.561</b>	<b>0.400</b>

**DSC**

(a) Depreciation	53,180,174	54,328,617	54,401,211	54,562,798	54,651,656	54,750,245	54,934,247	55,066,506	55,134,205
(b) Interest on Long Term Debt	70,352,765	71,012,071	71,816,165	72,708,035	73,736,924	74,869,917	76,383,042	77,883,405	79,393,488
(c) Net Margins	(42,541,394)	(48,659,642)	(45,791,485)	(45,847,104)	(39,365,294)	(35,094,745)	(39,809,123)	(34,210,642)	(47,655,661)
(d) Interest + Principal	115,748,115	117,129,304	118,791,567	120,605,993	122,557,648	124,014,059	126,161,858	128,296,922	130,377,917
<b>DSC = (a) + (b) + (c) / (d) =</b>	<b>0.700</b>	<b>0.655</b>	<b>0.677</b>	<b>0.675</b>	<b>0.726</b>	<b>0.762</b>	<b>0.725</b>	<b>0.770</b>	<b>0.666</b>



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 2**

**RESPONSIBLE PERSON: Frank Oliva**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 2.** Provide a calculation, with supporting workpapers, of East Kentucky Power's projected TIER and DSC for calendar years 2006 and 2007.

**Response 2.** See Attachment.

## East Kentucky Power Cooperative, Inc.

## TIER &amp; DSC Calculations for years 2006 (9 Months Actual + 3 Months Budget) and 2007 Budget

For 2006TIER

	9 Months Actual + 3 Months Budget = 2006 Projection		
(a) Net Margins	\$ (3,835,716)	\$ (5,728,161)	\$ (9,563,877)
(b) Interest on Long Term Debt	61,084,753	24,429,674	85,514,427
<b>TIER = (a) + (b) / (b) =</b>	<u>57,249,037</u>	<u>18,701,513</u>	<u>75,950,550 / 85,514,427 = 0.888</u>

DSC

(a) Depreciation	\$ 41,370,553	\$ 14,781,259	\$ 56,151,812
(b) Interest on L-T Debt	61,084,753	24,429,674	85,514,427
(c) Margins	(3,835,716)	(5,728,161)	(9,563,877)
(d) Interest + Principal	91,498,627	38,190,300	129,688,927
<b>DSC = (a) + (b) + (c) / (d) =</b>			<b>1.019</b>

For 2007 BudgetTIER

(a) Net Margins	\$ 18,739,961 *		
(b) Interest on Long Term Debt	124,683,492		
<b>TIER = (a) + (b) / (b) =</b>	<u>143,423,453</u>	<u>124,683,492</u>	<b>= 1.150</b>

DSC

(a) Depreciation	\$ 43,154,883		
(b) Interest on L-T Debt	124,683,492		
(c) Margins	18,739,961 *		
(d) Interest + Principal	183,153,877		
<b>DSC = (a) + (b) + (c) / (d) =</b>			<b>1.019</b>

\* Assumes annual increase in base rate revenue of \$44,162,000.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 3**

**RESPONSIBLE PERSON:** Ann F. Wood

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 3.** Provide a cash flow statement for:

**Request 3a.** Each calendar year beginning in 2001.

**Response 3a.** EKPC's cash flow statements for each calendar year beginning in 2001 are attached as part of this response (pages 2-10). These statements are part of EKPC's audited financial statements.

**Request 3b.** Each 12-month period ending in each month of 2006.

**Response 3b.** EKPC's cash flow statements for each 12-month period ending in each month of 2006 are attached as part of this response (pages 11-19). These cash flow statements are unaudited.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2005 and 2004  
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities</b>		
Net deficit	\$ (46,007)	\$ (27,267)
Adjustments to reconcile net deficit to net cash from operating activities		
Depreciation	52,038	38,994
Amortization of loan costs	364	85
Changes in:		
Accounts receivable	(21,156)	(7,163)
Fuel	(21,158)	(28,669)
Materials and supplies	(6,206)	(570)
Emission allowances	(3,888)	(10,138)
Accounts payable, trade	42,630	71,454
Accrued expenses	3,980	11,027
Accrued postretirement benefit cost	1,972	1,602
Other	<u>34,723</u>	<u>(10,226)</u>
Net cash from operating activities	37,292	39,129
<b>Cash flows from investing activities</b>		
Additions to electric plant	(190,277)	(235,933)
Maturities and calls of securities available for sale	79,465	36,150
Purchases of securities available for sale	(82,278)	(36,123)
Maturities of securities held to maturity	14,311	-
Purchases of securities held to maturity	-	(7,145)
Payments received on long-term accounts receivable	<u>799</u>	<u>757</u>
Net cash from investing activities	(177,980)	(242,294)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	345,132	281,092
Principal payments on long-term debt	(220,691)	(60,598)
Advances on notes payable	-	176,509
Payment on notes payable	<u>-</u>	<u>(176,509)</u>
Net cash from financing activities	124,441	220,494
Net change in cash and cash equivalents	(16,247)	17,329
Cash and cash equivalents at beginning of year	<u>60,110</u>	<u>42,781</u>
Cash and cash equivalents at end of year	<u>\$ 43,863</u>	<u>\$ 60,110</u>

The accompanying notes are an integral part of these  
consolidated financial statements.

PSC REQUEST 3  
PAGE 3 OF 19

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2005 and 2004  
(Dollars in Thousands)

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	<u>2005</u>	<u>2004</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 65,925	\$ 42,717
Non-cash operating transaction		
Fuel included in accounts payable	\$ 18,434	\$ 14,167
Emission allowances included in accounts payable	-	10,678
Non-cash investing transaction		
Additions to electric plant included in accounts payable	\$ 23,332	\$ 20,829
Unrealized gains on securities available for sale	65	1,782
Non-cash financing transaction		
Application of notes payable to other liabilities	\$ -	\$ 6,000

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The accompanying notes are an integral part of these consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2004 and 2003  
(Dollars in Thousands)

PSC REQUEST 3  
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	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities</b>		
Net (deficit) margin	\$ (27,267)	\$ 29,398
Adjustments to reconcile net (deficit) margin to net cash from operating activities		
Depreciation	38,994	31,166
Amortization of loan costs	85	84
Changes in:		
Trading securities	-	5,572
Accounts receivable	(7,163)	(3,589)
Fuel	(28,669)	(9,802)
Materials and supplies	(570)	(629)
Emission allowances	(10,138)	3,306
Accounts payable, trade	71,854	46,979
Accrued expenses	11,027	366
Accrued postretirement benefit cost	1,602	1,750
Other	<u>(10,626)</u>	<u>(22,342)</u>
Net cash from operating activities	39,129	82,259
 <b>Cash flows from investing activities</b>		
Additions to electric plant	(235,933)	(273,244)
Maturities and calls of securities available for sale	36,150	601
Purchases of securities available for sale	(36,123)	(16,524)
Purchases of securities held to maturity	(7,145)	(7,145)
Payments received on long-term accounts receivable	<u>757</u>	<u>813</u>
Net cash from investing activities	(242,294)	(295,499)
 <b>Cash flows from financing activities</b>		
Proceeds from long-term debt	281,092	285,593
Principal payments on long-term debt	(60,598)	(33,477)
Advances on notes payable	176,509	317,644
Payment on notes payable	<u>(176,509)</u>	<u>(313,739)</u>
Net cash from financing activities	<u>220,494</u>	<u>256,021</u>
 Net change in cash and cash equivalents	17,329	42,781
 Cash and cash equivalents at beginning of year	<u>42,781</u>	<u>-</u>
 Cash and cash equivalents at end of year	<u>\$ 60,110</u>	<u>\$ 42,781</u>

The accompanying notes are an integral part of these  
consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2004 and 2003  
(Dollars in Thousands)

PSC REQUEST 3  
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	<u>2004</u>	<u>2003</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 42,717	\$ 44,916
Non-cash operating transaction		
Fuel included in accounts payable	\$ 14,167	\$ 7,552
Emission allowances included in accounts payable	10,678	-
Non-cash investing transaction		
Additions to electric plant included in accounts payable	\$ 20,829	\$ 21,923
Unrealized gains (losses) on securities available for sale	1,782	(2,565)
Non-cash financing transaction		
Application of notes payable to other liabilities	\$ 6,000	\$ -

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The accompanying notes are an integral part of these consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2003 and 2002  
(Dollars in Thousands)

PSC REQUEST 3  
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	<u>2003</u>	<u>2002</u>
<b>Cash flows from operating activities</b>		
Net margin	\$ 29,398	\$ 37,428
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation	31,166	45,106
Amortization of loan costs	84	84
Net gain on sales of trading securities	-	(62)
Changes in:		
Trading securities	5,572	8,882
Accounts receivable	(3,589)	(3,215)
Fuel	(9,802)	530
Materials and supplies	(629)	230
Emission allowances	3,306	141
Accounts payable, trade	46,979	11,170
Accrued expenses	366	356
Accrued postretirement benefit cost	1,750	1,648
Other	<u>(22,342)</u>	<u>4,169</u>
Net cash from operating activities	82,259	106,467
 <b>Cash flows from investing activities</b>		
Additions to electric plant	(273,244)	(203,136)
Maturities and calls of securities available for sale	601	12,000
Purchases of securities available for sale	(16,524)	(262)
Purchases of securities held to maturity	(7,145)	-
Payments received on long-term accounts receivable	<u>813</u>	<u>792</u>
Net cash from investing activities	(295,499)	(190,606)
 <b>Cash flows from financing activities</b>		
Proceeds from long-term debt	285,593	107,000
Principal payments on long-term debt	(33,477)	(31,218)
Advances on notes payable	317,644	2,095
Payment on notes payable	<u>(313,739)</u>	<u>-</u>
Net cash from financing activities	256,021	77,877
 Net change in cash and cash equivalents	42,781	(6,262)
 Cash and cash equivalents at beginning of year	<u>-</u>	<u>6,262</u>
 Cash and cash equivalents at end of year	<u>\$ 42,781</u>	<u>\$ -</u>

The accompanying notes are an integral part of these  
consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2003 and 2002  
(Dollars in Thousands)

PSC REQUEST 3  
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	<u>2003</u>	<u>2002</u>
Supplemental disclosure of cash flow information		
Cash paid (received) for		
Interest	\$ 44,916	\$ 39,685
Income taxes	-	(512)
Non-cash operating transaction		
Fuel included in accounts payable	\$ 7,552	\$ 8,015
Non-cash investing transaction		
Additions to electric plant included in accounts payable	\$ 21,923	\$ 11,832
Unrealized losses on securities available for sale	(2,565)	(54)

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The accompanying notes are an integral part of these consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2002 and 2001  
(Dollars in Thousands)

PSC REQUEST 3  
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	<u>2002</u>	<u>2001</u>
<b>Cash flows from operating activities</b>		
Net margin	\$ 37,428	\$ 30,418
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation	45,106	46,065
Amortization of loan costs	84	85
Net gain on sales of trading securities	(62)	(393)
Changes in:		
Trading securities	8,882	(802)
Accounts receivable	(3,215)	12,871
Fuel	530	(11,797)
Materials and supplies	230	(994)
Emission allowances	141	(4,186)
Accounts payable, trade	11,170	(3,853)
Accrued expenses	356	(7,680)
Accrued postretirement benefit cost	1,648	1,193
Other	<u>4,169</u>	<u>(5,291)</u>
Net cash from operating activities	106,467	55,636
<b>Cash flows from investing activities</b>		
Additions to electric plant	(203,136)	(157,214)
Maturities and calls of securities available for sale	12,000	15,900
Purchases of securities available for sale	(262)	(14,683)
Change in long-term accounts receivable	<u>792</u>	<u>825</u>
Net cash from investing activities	(190,606)	(155,172)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	107,000	91,986
Principal payments on long-term debt	(31,218)	(30,675)
Net change in line of credit	2,095	-
Donation of capital	<u>-</u>	<u>3,035</u>
Net cash from financing activities	77,877	64,346
Net change in cash and cash equivalents	(6,262)	(35,190)
Cash and cash equivalents at beginning of year	<u>6,262</u>	<u>41,452</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 6,262</u>

The accompanying notes are an integral part of these  
consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2002 and 2001  
(Dollars in Thousands)

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	<u>2002</u>	<u>2001</u>
Supplemental disclosure of cash flow information		
Cash paid (received) for		
Interest	\$ 39,685	\$ 44,660
Income taxes	(512)	869
Noncash operating transaction		
Fuel included in accounts payable	\$ 8,015	\$ -
Noncash investing transaction		
Additions to electric plant included in accounts payable	\$ 11,832	\$ -
Unrealized (loss) gain on securities available for sale	(54)	620

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The accompanying notes are an integral part of these consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.  
AND SUBSIDIARY

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2001 and 2000

(Dollars in Thousands)

	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities</b>		
Net margin	\$ 30,418	\$ 8,742
Adjustments to reconcile net margin to net cash from operating activities		
Write-off of debt refinancing premiums	-	15,927
Depreciation	46,065	44,790
Amortization of loan costs	85	1,935
Net gain on sales of trading securities	(393)	(220)
Changes in:		
Trading securities	(802)	5,242
Accounts receivable	12,871	(17,512)
Fuel	(11,797)	4,558
Materials and supplies	(994)	1,099
Accounts payable, trade	(3,853)	19,744
Accrued expenses	(7,680)	(1,177)
Accrued postretirement benefit cost	1,193	877
Other	(9,477)	(5,777)
Net cash from operating activities	<u>55,636</u>	<u>78,228</u>
<b>Cash flows from investing activities</b>		
Additions to electric plant	(157,214)	(78,152)
Maturities and calls of securities available for sale	15,900	3,000
Purchase of securities available for sale	(14,683)	(3,414)
Change in long-term accounts receivable	825	(2,943)
Net cash from investing activities	<u>(155,172)</u>	<u>(81,509)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	\$ 91,986	\$ 27,298
Principal payments on long-term debt	(30,675)	(24,618)
Donation of capital	3,035	-
Net cash from financing activities	<u>64,346</u>	<u>2,680</u>
Net change in cash and cash equivalents	(35,190)	(601)
Cash and cash equivalents at beginning of year	<u>41,452</u>	<u>42,053</u>
Cash and cash equivalents at end of year	<u>\$ 6,262</u>	<u>\$ 41,452</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for		
Interest	\$ 44,660	\$ 38,519
Income taxes	869	-
<b>Noncash investing transaction</b>		
Unrealized gain on securities available for sale	\$ 620	\$ 1,274

The accompanying notes are an integral part of these consolidated financial statements.

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended January 31 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (42,542)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	53,180
Amortization of loan costs	434
Changes in:	
Accounts receivable	(9,940)
Fuel	(5,966)
Materials and supplies	(5,620)
Emission Allowances	(15,515)
Accounts payable, trade	(9,422)
Accrued expenses	638
Accrued postretirement benefit cost	2,072
Other	37,976
Net cash from operating activities	5,295
<b>Cash flows from investing activities</b>	
Additions to electric plant	(161,870)
Maturities and calls of securities available for sale	80,540
Purchases of securities available for sale	(82,523)
Maturities of securities held to maturity	14,311
Payments received on long-term accounts receivable	846
Net cash from investing activities	(148,696)
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	368,033
Principal payments on long-term debt	(221,969)
Net cash from financing activities	146,064
Net change in cash and cash equivalents	2,663
Cash and cash equivalents at beginning of period	27,530
<b>Cash and cash equivalents at end of period</b>	<b>\$ 30,193</b>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended February 28 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (48,660)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	54,330
Amortization of loan costs	504
Changes in:	
Accounts receivable	(11,640)
Fuel	(10,096)
Materials and supplies	(5,360)
Emission Allowances	(45,626)
Accounts payable, trade	7,645
Accrued expenses	1,548
Accrued postretirement benefit cost	2,172
Other	39,427
Net cash from operating activities	(15,756)
<b>Cash flows from investing activities</b>	
Additions to electric plant	(167,644)
Maturities and calls of securities available for sale	99,065
Purchases of securities available for sale	(101,793)
Maturities of securities held to maturity	14,311
Payments received on long-term accounts receivable	871
Net cash from investing activities	(155,190)
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	344,362
Principal payments on long-term debt	(222,002)
Net cash from financing activities	122,360
Net change in cash and cash equivalents	(48,586)
Cash and cash equivalents at beginning of period	80,024
<b>Cash and cash equivalents at end of period</b>	<b>\$ 31,438</b>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended March 31 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (45,792)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	54,402
Amortization of loan costs	574
Changes in:	
Accounts receivable	(8,738)
Fuel	(14,381)
Materials and supplies	(4,940)
Emission Allowances	(45,334)
Accounts payable, trade	976
Accrued expenses	323
Accrued postretirement benefit cost	2,192
Other	32,955
Net cash from operating activities	<u>(27,763)</u>
<b>Cash flows from investing activities</b>	
Additions to electric plant	(171,488)
Maturities and calls of securities available for sale	81,323
Purchases of securities available for sale	(65,334)
Maturities of securities held to maturity	14,311
Payments received on long-term accounts receivable	865
Net cash from investing activities	<u>(140,323)</u>
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	374,888
Principal payments on long-term debt	(223,983)
Net cash from financing activities	<u>150,905</u>
Net change in cash and cash equivalents	(17,181)
Cash and cash equivalents at beginning of period	58,850
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 41,669</u></u>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
(Dollars in Thousands) unaudited

		<b>Twelve Month Period Ended April 30 2006</b>
<b>Cash flows from operating activities</b>		
Net deficit	\$	(45,847)
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation		54,564
Amortization of loan costs		644
Changes in:		
Accounts receivable		(9,258)
Fuel		(15,531)
Materials and supplies		(4,265)
Emission Allowances		(45,558)
Accounts payable, trade		6,806
Accrued expenses		899
Accrued postretirement benefit cost		2,212
Other		34,663
Net cash from operating activities		(20,671)
<b>Cash flows from investing activities</b>		
Additions to electric plant		(185,566)
Maturities and calls of securities available for sale		81,129
Purchases of securities available for sale		(65,167)
Maturities of securities held to maturity		14,311
Payments received on long-term accounts receivable		928
Net cash from investing activities		(154,365)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt		400,114
Principal payments on long-term debt		(223,989)
Net cash from financing activities		176,125
Net change in cash and cash equivalents		1,089
Cash and cash equivalents at beginning of period		67,617
<b>Cash and cash equivalents at end of period</b>	<b>\$</b>	<b>68,706</b>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended May 31 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (39,366)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	54,652
Amortization of loan costs	729
Changes in:	
Accounts receivable	(9,916)
Fuel	(11,842)
Materials and supplies	(4,014)
Emission Allowances	(57,530)
Accounts payable, trade	(5,074)
Accrued expenses	2,257
Accrued postretirement benefit cost	2,232
Other	34,518
Net cash from operating activities	<u>(33,354)</u>
<b>Cash flows from investing activities</b>	
Additions to electric plant	(202,590)
Maturities and calls of securities available for sale	81,140
Purchases of securities available for sale	(84,828)
Maturities of securities held to maturity	14,311
Payments received on long-term accounts receivable	953
Net cash from investing activities	<u>(191,014)</u>
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	401,309
Principal payments on long-term debt	(223,969)
Net cash from financing activities	<u>177,340</u>
Net change in cash and cash equivalents	(47,028)
Cash and cash equivalents at beginning of period	89,652
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 42,624</u></u>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

		<b>Twelve Month Period Ended June 30 2006</b>
<b>Cash flows from operating activities</b>		
Net deficit	\$	(35,095)
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation		54,750
Amortization of loan costs		814
Changes in:		
Accounts receivable		(9,724)
Fuel		(4,531)
Materials and supplies		(5,606)
Emission Allowances		(63,217)
Accounts payable, trade		(7,481)
Accrued expenses		394
Accrued postretirement benefit cost		2,252
Other		32,573
Net cash from operating activities		(34,871)
<b>Cash flows from investing activities</b>		
Additions to electric plant		(201,034)
Maturities and calls of securities available for sale		81,151
Purchases of securities available for sale		(84,042)
Maturities of securities held to maturity		14,311
Payments received on long-term accounts receivable		956
Net cash from investing activities		(188,658)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt		418,369
Principal payments on long-term debt		(225,869)
Net cash from financing activities		192,500
Net change in cash and cash equivalents		(31,029)
Cash and cash equivalents at beginning of period		98,466
<b>Cash and cash equivalents at end of period</b>	<b>\$</b>	<b>67,437</b>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended July 31 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (39,810)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	54,935
Amortization of loan costs	899
Changes in:	
Accounts receivable	(1,230)
Fuel	2,802
Materials and supplies	(4,265)
Emission Allowances	(63,485)
Accounts payable, trade	(1,322)
Accrued expenses	1,239
Accrued postretirement benefit cost	2,272
Other	31,500
Net cash from operating activities	<u>(16,465)</u>
<b>Cash flows from investing activities</b>	
Additions to electric plant	(209,308)
Maturities and calls of securities available for sale	81,151
Purchases of securities available for sale	(84,110)
Maturities of securities held to maturity	14,311
Payments received on long-term accounts receivable	1,017
Net cash from investing activities	<u>(196,939)</u>
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	418,309
Principal payments on long-term debt	(225,874)
Net cash from financing activities	<u>192,435</u>
Net change in cash and cash equivalents	(20,969)
Cash and cash equivalents at beginning of period	83,636
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 62,667</u></u>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended August 31 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (34,211)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	55,067
Amortization of loan costs	985
Changes in:	
Accounts receivable	(2,718)
Fuel	1,740
Materials and supplies	(4,063)
Emission Allowances	(53,909)
Accounts payable, trade	(10,937)
Accrued expenses	5,823
Accrued postretirement benefit cost	2,292
Other	27,987
Net cash from operating activities	(11,944)
<b>Cash flows from investing activities</b>	
Additions to electric plant	(215,666)
Maturities and calls of securities available for sale	100,479
Purchases of securities available for sale	(103,530)
Maturities of securities held to maturity	14,311
Payments received on long-term accounts receivable	1,025
Net cash from investing activities	(203,381)
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	433,641
Principal payments on long-term debt	(225,857)
Net cash from financing activities	207,784
Net change in cash and cash equivalents	(7,541)
Cash and cash equivalents at beginning of period	115,455
<b>Cash and cash equivalents at end of period</b>	<b>\$ 107,914</b>

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows**  
**(Dollars in Thousands) unaudited**

	<b>Twelve Month Period Ended September 30 2006</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (47,656)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	55,135
Amortization of loan costs	999
Changes in:	
Accounts receivable	12,575
Fuel	3,171
Materials and supplies	(4,661)
Emission Allowances	(54,332)
Accounts payable, trade	(840)
Accrued expenses	19,867
Accrued postretirement benefit cost	2,312
Other	31,491
Net cash from operating activities	<u>18,061</u>
<b>Cash flows from investing activities</b>	
Additions to electric plant	(233,641)
Maturities and calls of securities available for sale	63,827
Purchases of securities available for sale	(67,072)
Maturities of securities held to maturity	21
Payments received on long-term accounts receivable	381
Net cash from investing activities	<u>(236,484)</u>
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	326,561
Principal payments on long-term debt	(104,477)
Net cash from financing activities	<u>222,084</u>
Net change in cash and cash equivalents	3,661
Cash and cash equivalents at beginning of period	77,703
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 81,364</u></u>



**EAST KENTUCKY POWER COOPERATIVE, INC.  
PSC ADMINISTRATIVE CASE NO. 2006-00455  
APPENDIX A  
INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06  
REQUEST 4**

**RESPONSIBLE PERSON: Ann F. Wood**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 4.** Provide a projected cash flow statement for calendar years 2006 and 2007.

**Response 4.** See Attachment.

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows--Projected**  
(Dollars in Thousands) unaudited

	<b>Twelve Months Ended December 31 2006--Projected</b>
<b>Cash flows from operating activities</b>	
Net deficit	\$ (9,564)
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	56,152
Amortization of loan costs	1,042
Changes in:	
Accounts receivable	9,611
Fuel	(5,616)
Materials and supplies	(5,648)
Emission Allowances	(19,092)
Accounts payable, trade	5,106
Accrued expenses	8,473
Accrued postretirement benefit cost	3,000
Other	(10,633)
Net cash from operating activities	32,831
<b>Cash flows from investing activities</b>	
Additions to electric plant	(261,936)
Maturities and calls of securities available for sale	65,827
Purchases of securities available for sale	(68,974)
Maturities of securities held to maturity	21
Payments received on long-term accounts receivable	1,091
Net cash from investing activities	(263,971)
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	309,328
Principal payments on long-term debt	(51,273)
Net cash from financing activities	258,055
Net change in cash and cash equivalents	26,915
Cash and cash equivalents at beginning of period	43,863
<b>Cash and cash equivalents at end of period</b>	<b>\$ 70,778</b>

Please note that this cash flow projection includes \$225 million of loan advances from the unsecured credit facility.

**East Kentucky Power Cooperative, Inc. and Subsidiary**  
**Interim Consolidated Statements of Cash Flows--Projected**  
(Dollars in Thousands) unaudited

	<b>Twelve Months Ended December 31 2007--Projected</b>
<b>Cash flows from operating activities</b>	
Net margin	\$ 18,740
Adjustments to reconcile net margin to net cash from operating activities	
Depreciation	43,155
Amortization of loan costs	1,042
Changes in:	
Accounts receivable	(3,403)
Fuel	(1,346)
Materials and supplies	(3,500)
Emission Allowances	11,740
Accounts payable, trade	4,048
Accrued expenses	(18,575)
Accrued postretirement benefit cost	3,000
Other	(2,784)
Net cash from operating activities	52,117
<b>Cash flows from investing activities</b>	
Additions to electric plant	(653,463)
Maturities and calls of securities available for sale	65,827
Purchases of securities available for sale	(67,199)
Maturities of securities held to maturity	-
Payments received on long-term accounts receivable	1,091
Net cash from investing activities	(653,744)
<b>Cash flows from financing activities</b>	
Proceeds from long-term debt	659,516
Principal payments on long-term debt	(68,191)
Net cash from financing activities	591,325
Net change in cash and cash equivalents	(10,302)
Cash and cash equivalents at beginning of period	70,778
<b>Cash and cash equivalents at end of period</b>	<b>\$ 60,476</b>

Subject to its continued availability, this cash flow projection includes \$200 million of loan advances from the unsecured credit facility. Also included is \$100 million of loan advances related to loans yet to be granted final approval by RUS.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC ADMINISTRATIVE CASE NO. 2006-00455**  
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**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**  
**REQUEST 5**

**RESPONSIBLE PERSON:** Frank Oliva

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 5.** Explain in detail each financial ratio or requirement contained in each of East Kentucky Power's financing agreements.

**Response 5.** Following are the financial ratios or requirements contained in EKPC's financing agreements.

- **Restated and Consolidated Mortgage and Security Agreement ("Mortgage Agreement") with the Rural Utilities Service ("RUS") and National Rural Utilities Cooperative Finance Corporation ("CFC"):**

(a) Debt Service Coverage Ratio ("DSC"). EKPC will not permit, as of the last day of any calendar year, the average Debt Service Coverage Ratio during the two best years out of the three calendar years then ended to be less than 1.00 to 1. DSC is defined as the total of Net Margins, Interest on Long-Term Debt, and Depreciation and Amortization Expense divided by the amount equal to the sum of all payments of principal and interest on Long-Term Debt.

(b) Times Interest Earned Ratio ("TIER"). EKPC will not permit, as of the last day of any calendar year, the average Times Interest Earned Ratio during the two best years out of the three calendar years then ended to be less than 1.05 to 1. TIER is

defined as the sum of Net Margins and Interest on Long-Term Debt divided by Interest on Long-Term Debt.

- **\$650 Million Unsecured Credit Agreement with 16 Financial Institutions (“Credit Agreement”):**

(a) Debt Service Coverage Ratio (“DSC”). Same as Mortgage Agreement, except the definition of Net Margins has been modified to add back the actual extraordinary non-cash charges recorded in calendar year 2005 associated with the alleged violations of the Clean Air Act with respect to the Dale Generating Station.

(b) Times Interest Earned Ratio (“TIER”). Same as Mortgage Agreement, except the definition of Net Margins has been modified to add back the actual extraordinary non-cash charges recorded in calendar year 2005 associated with the alleged violations of the Clean Air Act with respect to the Dale Generating Station.

(c) Total Members’ Equities. EKPC will not permit the aggregate amount of its Total Members’ Equities to be less than the following respective amounts as of the last day of any calendar year ending during the following respective periods:

<u>Period</u>	<u>Amount</u>
From January 1, 2005 through December 31, 2007:	\$90,000,000
From January 1, 2008 through December 31, 2010:	\$100,000,000

(d) Equity to Assets Ratio. EKPC will not permit the Equity to Assets Ratio to be less than 3% as of the last day of any calendar quarter.

**Request 5a.** Has East Kentucky Power satisfied every financial ratio or requirement in each year since January 1, 2001? If no, explain in detail.

**Response 5a.** EKPC has been in compliance with all provisions of the Mortgage Agreement for each year since January 1, 2001.

As of December 31, 2005, the lenders of the Credit Facility granted a waiver to EKPC in regard to the original requirements specified in the Credit Agreement. Concurrently, the Credit Agreement was amended to the requirements specified in the response to Item No. 5. EKPC is currently in compliance with these requirements.

**Request 5b.** Based on East Kentucky Power's current financial projections, will it satisfy every financial ratio and requirement for calendar years 2006 and 2007? If no, explain in detail.

**Response 5b.** Due to the negative net margins for the years 2004 and 2005, EKPC is not expected to meet the TIER and DSC requirements specified in the Mortgage Agreement as of December 31, 2006.

Based on EKPC's projections at this time, it is unlikely that EKPC will meet the TIER, DSC, and equity requirements specified in the Credit Agreement as of December 31, 2006.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC ADMINISTRATIVE CASE NO. 2006-00455**  
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**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**  
**REQUEST 6**

**RESPONSIBLE PERSON: Frank Oliva**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 6.** Explain in detail the consequences of East Kentucky Power not satisfying every financial ratio or requirement set forth in its financing arrangements with each of the following:

**Request 6a.** Rural Utilities Service.

**Response 6a.** The Mortgage Agreement specifies the following actions if the average TIER and DSC levels are not met for the year:

- (1) RUS and CFC must be notified in writing to this effect.
- (2) Within 30 days of this notice, EKPC shall provide a written plan satisfactory to RUS setting forth the actions to be taken to achieve the required TIER and DSC levels in the future.

**Request 6b.** Federal Financing Bank.

**Response 6b.** Federal Financing Bank debt is covered under the Mortgage Agreement and subject to the same requirements.

**Request 6c.** Cooperative Finance Corporation.

**Response 6c.** Cooperative Finance Corporation debt is covered under the Mortgage Agreement and subject to the same requirements.

**Request 6d.** Unsecured credit facility.

**Response 6d.** The Credit Agreement for the unsecured credit facility specifies that an Event of Default shall occur if any of the requirements delineated in the response to Item No. 5 are not satisfied. Upon the occurrence of an Event of Default, EKPC may request a waiver of the requirements from the lender as occurred for the year ended December 31, 2005. The lenders have the options of (i) granting such a waiver, (ii) terminating the loan commitment, or (iii) declaring the loan amount outstanding to be due and payable.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

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**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 7**

**RESPONSIBLE PERSON:** Dale Henley

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 7.** Explain in detail the status of the litigation initiated on behalf of the Environmental Protection Agency alleging violations of the Clean Air Act under the Prevention of Significant Deterioration provisions and the New Source Performance Standards.

**Response 7.** *United States of America v. EKPC* (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the United States, on behalf of the Environmental Protection Agency (“EPA”) sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration (“PSD”) provision of the Clean Air Act; the New Source Performance Standards (“NSPS”) of the Clean Air Act; and the State Implementation Plan (“SIP”) for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief and civil penalties. The Cooperative answered the lawsuit on June 18, 2004. Since that date, the parties engaged in and have now completed discovery. On January 17, 2006, the Cooperative filed several motions with the Court asking that most, if not all of the claims, be dismissed. These Motions for Summary Judgment involved,

- (a) statute of limitation issues;
- (b) federal enforceability of Title V and state operating permits;
- (c) applicability of the routine maintenance exclusion; and
- (d) legal standards applicable to PSD and NSPS claims, generally, as decided by the Fourth Circuit in *United States v. Duke Energy*.

On August 18, 2006, the Court entered an Order Setting Aside the Pre-Trial Conference and Bench Trial (previously scheduled for October 2) pending further Orders of the Court and stating that, “It would make the most sense to wait to try this matter until after the Supreme Court has issued a decision in *Duke Energy*.” The Order also directed the parties to file a short statement with the Court by early September, “setting forth which of the outstanding Motions for Summary Judgment clearly implicate the issues raised in the *Duke Energy* case, and thus should await a decision from the Supreme Court, and which of the outstanding Motions for Summary Judgment should go forward for decision.” The parties filed the statements requested by the Court, and on September 26, the Court issued an Order dismissing most of the Government’s motions without prejudice pending a final decision in *Duke Energy*.

At this time, the case is effectively stayed except that the Court may enter decisions on the remaining outstanding motions not implicated in *Duke Energy*. Oral arguments in *DukeEnergy* were held before the United States Supreme Court on November 1, 2006.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 8**

**RESPONSIBLE PERSON: Dale Henley**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 8.** Explain in detail the status of the litigation filed on behalf of the Environmental Protection Agency alleging violations of the Clean Air Act under the Acid Rain Provisions with respect to the Dale Generating Station.

**Response 8.** *United States of America v. EKPC* (Clean Air Act Enforcement) – U.S. District Court, Lexington – On June 30, 2006, the United States, acting at the request of the Environmental Protection Agency (“EPA”) sued EKPC charging operation of Dale Station Units 1 and 2 with technical violations of the Clean Air Act (“CAA”) acid rain program, and provisions of the NO<sub>x</sub> State Implementation Plan or NO<sub>x</sub> SIP Call. The issue for both units involves whether these units were subject to regulations as generators having a “nameplate” capacity greater than 25 megawatts and/or were generators used to generate 25 megawatts or more of electricity. EKPC filed its Answer on August 8, 2006. Discovery is ongoing, and is to be completed by May 9, 2007. The Court has assigned the action for trial by jury on September 25, 2007.

On July 14, 2006, the Commonwealth of Kentucky’s Motion to Intervene was granted on the basis of common questions of law and fact.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

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**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 9**

**RESPONSIBLE PERSON: Frank Oliva**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 9.** Provide copies of East Kentucky Power's 2006 capital construction budget as of January 1, 2006 and all subsequent revisions.

**Response 9.** See Attachment.

## East Kentucky Power Cooperative

### SUMMARY OF CAPITAL FUNDS AND CONSTRUCTION BUDGET FOR 2006

#### ESTIMATED EXPENDITURES

	2006
<b>Work Equipment &amp; Vehicles</b>	
Power Production	\$8,703,049
Power Delivery	1,848,444
General Plant	494,500
	11,045,993
<b>Additions to Plant by Work Order</b>	
Power Production	4,971,033
Power Delivery	3,274,336
Telecommunications	7,022,300
Headquarters	200,000
	15,467,669
<b>Major Construction Projects</b>	
Power Production	
Dale Station:	
Future Coal Unloading	1,000,000
J. K. Smith:	
CT's No. 8, 9, 10, 11 and 12	87,665,844
CFB Unit No. 1	153,857,020
Cooper Station:	
Unit 2 Air Heater Baskets	1,000,000
Spurlock Station:	
Unit 2 Scrubber	70,125,000
Landfill Expansion	1,200,000
Manganese Water Filters	2,152,000
Unit 4	187,067,500
Plant Fire Protection	1,002,500
Modify Coal Handling System	7,340,000
Additional Office Space	1,500,000
Material Handling System	7,000,000
Landfill Gas:	
Pendleton County Site	4,376,000
Unknown Site No. 6	7,822,000
	533,107,864
<b>Transmission Facilities:</b>	
Station Upgrades	774,005
Breaker & Transmission Stations	4,012,809
Stations and Taps	15,336,855
69/138/161/KV Lines	6,778,323
Reconductors & Upgrade Lines	1,343,318
Capacitor Banks	1,729,798
Miscellaneous Work Orders	3,460,608
	33,435,716
<b>Total</b>	<b>\$593,057,242</b>



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 10**

**RESPONSIBLE PERSON: Frank Oliva**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 10.** Provide a schedule of East Kentucky Power's actual capital expenditures for each month of 2006 through the most recently available month. Compare the monthly actuals to the budgeted expenditures and explain all variances.

**Response 10.** See Attachment.

Please note that, in general, the under-budget variances in capital expenditures are primarily due to project delays occurring as a result of EKPC not receiving permits and approvals on the timeline used to develop the budget estimates.

**East Kentucky Power Cooperative**  
*Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures*

Month Ending: January 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under) Over</u>
<b>Production</b>	<b>(\$490,041)</b>	<b>\$32,173,652</b>	<b>(\$32,663,693)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under) Over</u>
<b>Transmission</b>	<b>\$1,753,582</b>	<b>\$4,685,128</b>	<b>(\$2,931,546)</b>

1. Capital equipment replacements were budgeted but not purchased in January.
2. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
3. Building in Crittenden Service Area was deferred.
4. Construction of two substations, three taps and one line was delayed due to Right-of-Way acquisition problems.
5. One substation upgrade and one substation rebuild were deferred.

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under) Over</u>
<b>General Plant &amp; Telecommunications</b>	<b>\$112,225</b>	<b>\$823,332</b>	<b>(\$711,107)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: February 28, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$16,416,231</b>	<b>\$48,861,325</b>	<b>(\$32,445,094)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$64,632</b>	<b>\$3,075,255</b>	<b>(\$3,010,623)</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Construction of two substations, three taps and one line was delayed due to Right-of-Way acquisition problems.
4. One substation upgrade and one substation rebuild were deferred.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$55,247</b>	<b>\$715,369</b>	<b>(\$660,122)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: March 31, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$12,289,691</b>	<b>\$45,041,358</b>	<b>(\$32,751,667)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$3,348,687</b>	<b>\$3,195,668</b>	<b>\$153,019</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Construction of two substations, three taps and one line was delayed due to Right-of-Way acquisition problems.
4. One substation upgrade and one substation rebuild were deferred.
5. One reconductor and one line were completed in 2005 but not billed until 2006.
6. Distribution SCADA projects behind schedule.
7. Purchase of computer equipment deferred.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$47,692</b>	<b>\$793,541</b>	<b>(\$745,849)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: April 30, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$15,022,449</b>	<b>\$45,164,703</b>	<b>(\$30,142,254)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$4,019,127</b>	<b>\$3,133,237</b>	<b>\$885,890</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Two substations and three taps were deferred from 2005 to 2006 due to Right-of-Way and permits not obtained.
4. Construction of one line started early due to preparations necessary for regulatory process.
5. Distribution SCADA projects behind schedule.
6. Purchase of computer equipment deferred.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$71,555</b>	<b>\$663,291</b>	<b>(\$591,736)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**

*Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures*

Month Ending: May 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under) Over</u>
<b>Production</b>	<b>\$18,548,060</b>	<b>\$45,523,775</b>	<b>(\$26,975,715)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under) Over</u>
<b>Transmission</b>	<b>\$3,412,909</b>	<b>\$3,059,543</b>	<b>\$353,366</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Two substations and three taps were deferred from 2005 to 2006 due to Right-of-Way and permits not obtained.
4. Construction of one line started early due to preparations necessary for regulatory process.

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under) Over</u>
<b>General Plant &amp; Telecommunications</b>	<b>\$85,507</b>	<b>\$645,341</b>	<b>(\$559,834)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: June 30, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$11,075,423</b>	<b>\$45,803,567</b>	<b>(\$34,728,144)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$3,643,256</b>	<b>\$3,048,144</b>	<b>\$595,112</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Two substations and three taps were deferred from 2005 to 2006 due to Right-of-Way and permits not obtained.
4. Construction of one line started early due to preparations necessary for regulatory process.
5. Warren projects accelerated from 2007 to 2006.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$62,759</b>	<b>\$650,541</b>	<b>(\$587,782)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: July 31, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$18,998,370</b>	<b>\$45,895,870</b>	<b>(\$26,897,500)</b>

1. Pendleton County Landfill Gas Project construction scheduled to begin in January but did not start until July.
2. Landfill Gas Site No. 6 deferred.
3. Smith Unit No. 1 CFB deferred until 2007.
4. Coal unloading project for Dale Station deferred.
5. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
6. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
7. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$6,387,382</b>	<b>\$3,054,144</b>	<b>\$3,333,238</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Two substations and three taps were deferred from 2005 to 2006 due to Right-of-Way and permits not obtained.
4. Construction of one line started early due to preparations necessary for regulatory process.
5. Warren projects accelerated from 2007 to 2006.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$108,777</b>	<b>\$640,374</b>	<b>(\$531,597)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: August 31, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$14,539,962</b>	<b>\$46,042,465</b>	<b>(\$31,502,503)</b>

1. Landfill Gas Site No. 6 deferred.
2. Smith Unit No. 1 CFB deferred until 2007.
3. Coal unloading project for Dale Station deferred.
4. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
5. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
6. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$6,495,705</b>	<b>\$3,034,144</b>	<b>\$3,461,561</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Two substations and three taps were deferred from 2005 to 2006 due to Right-of-Way and permits not obtained.
4. Construction of one line started early due to preparations necessary for regulatory process.
5. Warren projects accelerated from 2007 to 2006.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$97,621</b>	<b>\$615,434</b>	<b>(\$517,813)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.

**East Kentucky Power Cooperative**  
**Comparison of Actual Capital Expenditures with Budgeted Capital Expenditures**

Month Ending: September 30, 2006

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Production</b>	<b>\$24,011,337</b>	<b>\$45,075,848</b>	<b>(\$21,064,511)</b>

1. Landfill Gas Site No. 6 deferred.
2. Smith Unit No. 1 CFB deferred until 2007.
3. Coal unloading project for Dale Station deferred.
4. Replacement of Cooper Unit 2 Air Preheater baskets deferred.
5. Delays in the schedules for construction of Spurlock Unit 4 and Spurlock Unit 2 Scrubber.
6. Smith Combustion Turbines No. 8 thru 12 deferred to 2007.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>Transmission</b>	<b>\$5,173,913</b>	<b>\$3,054,144</b>	<b>\$2,119,769</b>

1. Change out of substation equipment due to failures or problems with existing equipment have been below budget.
2. Building in Crittenden Service Area was deferred.
3. Two substations and three taps were deferred from 2005 to 2006 due to Right-of-Way and permits not obtained.
4. Construction of one line started early due to preparations necessary for regulatory process.
5. Warren projects accelerated from 2007 to 2006.

	<b>Actual</b>	<b>Budget</b>	<b>Variance (Under) Over</b>
<b>General Plant &amp; Telecommunications</b>	<b>\$50,431</b>	<b>\$613,562</b>	<b>(\$563,131)</b>

1. Oneida Switchyard Communications delayed due to construction of switchyard not completed.
2. Digital Network Expansion to East KY facilities deferred.
3. Leased Line Replacement postponed until 2007.
4. Two-way Radio Project delayed.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 11**

**RESPONSIBLE PERSON: Frank Oliva**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 11.** Provide a copy of East Kentucky Power's 2007 construction budget.

**Response 11.** See Attachment.

## East Kentucky Power Cooperative

### SUMMARY OF CAPITAL FUNDS AND CONSTRUCTION BUDGET FOR 2007

#### ESTIMATED EXPENDITURES

	<b>2007</b>
<b>Work Equipment &amp; Vehicles</b>	
Power Production	\$14,506,670
Power Delivery	1,289,000
General Plant	292,500
	16,088,170
<b>Additions to Plant by Work Order</b>	
Power Production	5,416,318
Power Delivery	2,938,499
Telecommunications	10,126,090
Headquarters	200,000
	18,680,907
<b>Major Construction Projects</b>	
Power Production	
Dale Station:	
Future Coal Unloading	1,000,000
J. K. Smith:	
CT's No. 8, 9, 10, 11 and 12	77,916,580
CFB Unit No. 1	153,857,020
Maint. Buildings for CT's 6 and 7	3,800,000
Cooper Station:	
Replace Unit 2 Air Heater Baskets	1,000,000
Replace Switchgear Trip Devices	750,000
Spurlock Station:	
Unit 1 Scrubber	53,110,000
Unit 2 Scrubber	63,300,000
Unit 2 Cooling Tower	4,406,000
NOx Analyzers - Units 1 and 2	1,610,000
Limestone Handling System	5,250,000
Unit 4	121,150,000
Additional Office Space	1,600,000
	488,749,600
<b>Transmission Facilities:</b>	
Station Upgrades	145,633
Breaker & Transmission Stations	26,654,835
Stations and Taps	14,144,029
69/138/161/KV Lines	77,372,811
Reconductors & Upgrade Lines	3,122,724
Capacitor Banks	569,486
Miscellaneous Work Orders	7,934,999
	129,944,517
<b>Total</b>	<b>\$653,463,194</b>



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC ADMINISTRATIVE CASE NO. 2006-00455**

**APPENDIX A**

**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**

**REQUEST 12**

**RESPONSIBLE PERSON: Gary Crawford**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 12.** Describe in detail any budget reductions or other cost-saving measures that have been implemented since January 1, 2006 or that will be implemented for 2007.

**Response 12.** Over the last year, EKPC has conducted budget reviews and initiated cost containment recommendations which have resulted in significant savings in 2006 and projected for 2007. Estimated total savings included in the most recent report indicate cumulative savings of over \$11.1 million in 2006 and projected savings of nearly \$16.3 million in 2007. Major categories of savings include fuel savings, purchased power, and operational savings.

Fuel savings have primarily resulted from fuel blending of lower cost, lower quality coal with existing coal inventory at a savings estimated to be \$4.3 million in 2006 and over \$1.3 million in 2007.

Purchased power savings result when generating units return to service after scheduled outages earlier than planned. These savings have been estimated to be over \$4.1 million in 2006. It is expected that similar outage management savings can be realized in 2007.

Operational cost savings have been achieved by reducing operational budgets by over \$1.5 million in 2006 and in 2007. Additional cost containment initiatives in the areas of marketing, advertising, renewable energy, fuel inventory and employee benefit cost reductions have been identified which will save an estimated \$1.2 million in 2006 and \$6 million in 2007. These operational savings total \$2.7 million in 2006 and \$7.5 million in 2007. Additional cost savings are currently under review for the balance of 2006, and all of 2007.

This information is shared with the Board of Directors each month.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC ADMINISTRATIVE CASE NO. 2006-00455**  
**APPENDIX A**  
**INFORMATION REQUEST RESPONSE**

**PUBLIC SERVICE COMMISSION REQUEST DATED 10/27/06**  
**REQUEST 13**

**RESPONSIBLE PERSON: Dale Henley/David Eames**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 13.** Provide copies of all minutes of the meetings of East Kentucky Power's Board of Directors since January 1, 2006 in which any of the following topics are discussed or referenced: revenues; expenses; income; cash flows; sales; rates; short-term or long-term financing; construction expenditures; or budget revisions.

**Response 13.** Please see the attached Board meeting minutes. In addition, the Board receives information regarding the level of EKPC's monthly revenue, expense and margin.

December 30, 2005

Board of Directors  
East Kentucky Power Cooperative, Inc.

Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on **Tuesday, January 10, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EST**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**AGENDA**

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. ACTION ON PREVIOUS BOARD MINUTES
- V. ADOPTION OF AGENDA
- VI. REPORT OF OFFICERS
  - A. Report of Secretary-Treasurer on Directors' Fees and Expenses for the Fourth Quarter of 2005 - A. L. Rosenberger
- VII. AUDIT COMMITTEE ITEMS  
Wayne Stratton, Chairman
  - A. **Board Action Requested:**  
  
None.
  - B. **Information and Discussion Items:**

**VIII. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**

Donnie Crum, Chairman

**A. Board Action Requested:**

1. Approval to Enter Into Swaps and Other Financial Hedges as Appropriate - EAMES

**B. Information and Discussion Items:**

**IX. FUEL & POWER SUPPLY COMMITTEE ITEMS**

Jimmy Longmire, Chairman

**A. Board Action Requested:**

1. Approval to Close-out Contract E281 with Cherne for the Balance of Plant on the Gilbert Unit at Spurlock Power Station - DIALS
2. Approval to Award Contract F281B to Cherne for the Installation of Balance of Plant Equipment/Material for Spurlock Power Station Unit No. 4 - DIALS
3. Approval to Build a Limestone Scrubber, Make Application to the KPSC, and Negotiate a Contract with Alstom Power, Inc., for Unit No. 1 at Spurlock Power Station - DIALS

**B. Information and Discussion Items:**

**X. POWER DELIVERY COMMITTEE ITEMS**

Fred Brown, Chairman

**A. Board Action Requested:**

None.

**B. Information and Discussion Items:**

**XI. MEMBER SYSTEM NEEDS**

**XII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Finance & Planning  
Governmental Affairs

Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIII AGENDA ITEMS FOR NEXT AGENDA**

**XIV. OTHER BUSINESS**

**XV. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
JANUARY 10, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, January 10, 2006, at 11:30 a.m. EST, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Donnie Crum gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Wade May	Big Sandy
Neil Pandygraft	Farmers
A. L. Rosenberger	Nolin
Don Schaefer, Alternate	Jackson
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

Salt River RECC was not represented.

**BOARD MINUTES**

On motion of Wade May, seconded by Danny Divine, the minutes of the December 6, 2005, regular board meeting were approved.

**ADOPTION OF AGENDA**

The agenda was adopted as mailed with the item under the Fuel and Power Supply Committee pertaining to Contract E281 with Cherne having been revised to include finalized information and numbers.

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## **REPORT OF THE OFFICERS**

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

### Report of the Board Chairman

NRECA Chairman of the Board Conference – Chairman Stratton attended the Chairman of the Board Conference in December in Nashville, Tennessee.

### Report of the Secretary-Treasurer

Secretary/Treasurer A. L. Rosenberger reported on his review of directors' fees and expenses for the fourth quarter of 2005, which indicated that all fees and expenses were in compliance with Board Policy No. 111, Compensation of Directors. The written report was included in each Director's Board book.

## **ANNOUNCEMENTS**

- Former EKPC Director and Grayson RECC Director, John Lee Burton passed away January 9
- EKPC's Laura Wilson's son passed away suddenly at the end of December
- Hayden Timmons' 11 year old grandson is in Kosair Children's Hospital
- Chairman Stratton welcomed Gerald Hayes of Warren RECC; Kerry Howard of Licking Valley RECC; and Mike Norman of RUS.

## **AUDIT COMMITTEE ACTION ITEMS**

No Audit Committee action items were brought before the Board.

## **AUDIT COMMITTEE INFORMATION ITEMS**

No Audit Committee information items were brought before the Board.

## OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS

### Interest Rate Swaps

After review of the applicable information, a motion was made by Donnie Crum, and, there being no further discussion, passed to approve the following:

**Whereas**, In September 2005, East Kentucky Power Cooperative, Inc. ("EKPC") entered into a five-year, \$650 million revolving credit facility;

**Whereas**, Loan advances from this facility are at a variable rate based on the London Interbank Offered Rate and, as such, borrowing rates are set for a one-month to six-month period;

**Whereas**, As loans for generation and transmission facilities are approved by the Rural Utilities Service ("RUS"), EKPC will enter into long-term loans with the RUS in future years;

**Whereas**, Because of the need to mitigate interest expense and stabilize EKPC's interest costs in a rising rate environment, EKPC has investigated the use of interest rate swaps to lock in future interest rates, and

**Whereas**, Management and the Operations, Services and Support Committee recommend that EKPC be authorized to enter into these interest rate swaps; now, therefore, be it

**Resolved**, That EKPC is authorized to enter into standard interest rate swaps having a cumulative notional amount of up to \$300 million and forward starting interest rate swaps having a cumulative notional amount of up to \$300 million; and

**Resolved**, That the President and Chief Executive Officer or his designee is authorized to execute all appropriate agreements and documents necessary to undertake these authorized transactions.

## OSS COMMITTEE INFORMATION ITEMS

OSS Committee Chairman Donnie Crum said the Committee heard comments on the following:

NRECA New and Emerging Technologies ("NET") Conference – Roy Palk told the Board he is on the emerging technologies panel and so will be one of the speakers for the energy managers of large industries and commercial accounts at the NET Conference next week. The format that NRECA is proposing to use is to solicit questions from the participants in advance and use those questions and provide responses as the presentation format. NRECA felt the focus would be on issues of predictability, impact of renewables, impact of

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transmission problems, transportation costs for fuels, volatility vs. deregulation, leveraging the power of a co-op network, partnerships, regional pricing differences, power restoration, adequate notification, technology for service restoration, etc. Mr. Palk asked that any Members having stories or situations they have dealt with regarding their commercial and/or industrial customers on any of these issues, to please relate those to him so he may share those with others.

Kentucky Chamber of Commerce's "Best Places to Work in Kentucky" Program – EKPC employees chose to nominate EKPC for the "Best Places to Work in Kentucky Award," and EKPC was notified in December that it is one of the top 21 in the large company (250+ employees) category. South Kentucky RECC was ranked in the top 20 medium size (less than 250 employees) category. Notification of ranking order will take place in March.

#### **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

##### Close Out of Contract E281 w/Cherne for Balance of Plant – Gilbert Unit, Spurlock Power Station

After review of the applicable information, a motion was made by P. D. Depp, and, there being no further discussion, passed to approve the following:

**Whereas**, At the November 2002 East Kentucky Power Cooperative, Inc. ("EKPC") Board Meeting a contract was awarded to Cherne Contracting Corporation ("Cherne") for construction of the balance of plant for the Gilbert Unit at Spurlock Power Station ("Spurlock");

**Whereas**, The original approved contract amount was \$73,611,000;

**Whereas**, Twenty-one change orders were obtained for a increase of \$9,676,551.96, with a final contract price of \$83,287,551.96;

**Whereas**, This work has been completed satisfactorily, therefore, it is recommended that this contract be closed out and final payment made of \$334,790.27;

**Whereas**, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E281; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the close out and final payment of \$334,790.27 be made for Contract E281 with Cherne Contracting Corporation for construction of the balance of plant for the Gilbert Unit at Spurlock Station for a final

contract price of \$83,287,551.96, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Contract F281B to Cherne for Installation of Balance of Plant – Unit 4, Spurlock Power Station

After review of the applicable information, a motion was made by P. D. Depp, and, there being no further discussion, passed to approve the following:

**Whereas**, On September 14, 2004, the East Kentucky Power Cooperative, Inc., (“EKPC”) Board of Directors (“Board”) approved the construction of a circulating fluidized bed base load unit of 278 MW at Spurlock Power Station at an estimated cost of \$469.7 million;

**Whereas**, EKPC’s self build proposal for this incremental base load power was evaluated as the lowest cost option;

**Whereas**, At the December 2004 EKPC Board Meeting, authorization was given to negotiate with the Gilbert 3 contractors in an attempt to obtain a reasonable price for equipment or construction for Spurlock Unit 4;

**Whereas**, If negotiations are not successful, these contracts will go out for bid;

**Whereas**, Cherne Contracting Corporation (“Cherne”) was evaluated the lowest bid for the supply of the balance of plant required for the Gilbert Unit, therefore, on July 11, 2005, a request for proposal was sent to Cherne to provide a price for balance of plant for Spurlock Unit 4;

**Whereas**, A proposal was received from Cherne on October 31, 2005, with negotiating meetings held on November 1, 2005, November 18th, and again on December 15, 2005 where any increase in price was discussed and justified;

**Whereas**, Representatives from Cherne, EKPC, Stanley, and Mr. Gilbert of the EKPC Board were present at the meetings;

**Whereas**, The price for the materials and equipment needed for the balance of plant is \$23,950,557, which was approved by the EKPC Board on December 6<sup>th</sup>, while a price for the installation continued to be negotiated;

**Whereas**, The target price for installation of the equipment and materials supplied by Cherne under Contract F281A is \$62,762,458., with escalation of labor at cost estimated at \$3,661,917, plus a 10% contingency of \$6,642,438, and a 3.5% maximum exposure cost of \$2,557,338, for an estimated final contract price not to exceed \$75,624,151;

**Whereas**, Approximately \$3.6 million of this has been identified for items needed by Units 1, 2, and/or the Gilbert Unit and will be accounted for outside this project;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Cherne to install the balance of plant materials and equipment for Spurlock 4; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the award of a contract (F281B) with Cherne to install the balance of plant materials and equipment for Spurlock 4 at a target price of \$62,762,458, plus labor escalation estimated at \$3,661,917, contingency of \$6,642,438, and 3.5% maximum exposure, for a total exposure of \$75,624,151; approval is hereby given for the use of general funds, subject to reimbursement from loan funds, when and if such funds become available; and hereby authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to award this contract.

Limestone Scrubber for Unit No. 1 at Spurlock Power Station

After review and discussion of the applicable information, a motion was made by P. D. Depp, and, there being no further discussion, passed to approve the following:

**Whereas,** At the September 2005 East Kentucky Power Cooperative, Inc. ("EKPC") Board Meeting a new limestone scrubber was approved for Unit 2 at Spurlock Power Station ("Spurlock");

**Whereas,** Due to forecasted fuel and allowance prices, it was decided to proceed with an evaluation concerning a scrubber for Unit 1 at Spurlock, as well;

**Whereas,** An economic evaluation of the viability of the Spurlock Unit 1 scrubber focused on a comparison of the all-in cost of operating a scrubber burning high-sulfur coal versus burning low-sulfur compliance coal in the non-scrubbed unit;

**Whereas,** Factors included were projected fuel costs, scrubber capital costs, SO<sub>2</sub> allowance costs, maintenance costs, limestone costs, ash landfill costs, and other operating costs;

**Whereas,** An expected "worse case" project capital cost of \$145 million was used in the evaluation, and consists of the following:

Scrubber System (including Wet Electrostatic Precipitator)	\$107,000,000
Foundations	5,000,000
DCS Control System	400,000
New Stack	8,500,000

Electrical Upgrades	4,400,000
Engineering (Outside of Scrubber System)	2,000,000
Owner's Cost	2,600,000
Contingency (including IDC)	15,100,000
Total Estimated Cost	\$145,000,000

**Whereas,** The Wet Electrostatic Precipitator (“WESP”) is included for SO<sub>3</sub> reduction, the new stack due to expected incompatibility of the existing stack with the design of the new scrubber, and electrical upgrades are required due to the increased electrical loads not included in the original design of the unit;

**Whereas,** The project evaluation was run for a 30-year timeframe with Production’s scrubber cost model used and expanded to a multi-year analysis by the Finance Division;

**Whereas,** In this analysis, compliance fuel without a scrubber was compared to scrubbing and using one of two non-compliance fuel blends with the result of the analysis indicating the price spread of coals and the cost of SO<sub>2</sub> allowances are the determining factors in deciding whether to add a scrubber to Spurlock Unit 1;

**Whereas,** The 30-year net present savings of scrubbing versus burning compliance coal is \$206 million for the 75/25 blend, with the expected average allowance cost for the 30-year period being over \$700;

**Whereas,** The expected first year of operation is 2009, with a savings in that year of over \$14 million;

**Whereas,** Using a similar engineering and construction timeframe for the Unit 1 Scrubber as the Unit 2 Scrubber of 33 months, puts the award date for the Unit 1 Scrubber Contract at March 2006;

**Whereas,** EKPC recently went through a competitive bidding process for the Spurlock Unit 2 Scrubber and in that process Alstom Power, Inc. (“Alstom”) and Babcock & Wilcox (“B&W”) prepared proposals for the project and Alstom was awarded the contract in September 2005;

**Whereas,** Since Alstom was low bidder in this competitive bidding process for the Spurlock Unit 2 Scrubber by several million dollars, negotiation of a contract with Alstom is recommended for the Unit 1 Scrubber;

**Whereas,** To meet the January 1, 2009 start-up schedule for the Spurlock Unit 1 Scrubber, Alstom needs to begin the process of engineering in January 2006 to develop a target price for presentation to EKPC for award of a contract in March 2006;

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**Whereas,** It is recommended that a purchase order be written to Alstom in January for up to \$2 million to enable them to do preliminary engineering to develop a target price for a specified portion of this project;

**Whereas,** This project is not included in the 2006–2008 Budget and Work Plan, therefore, approval is requested to amend the Budget and Work Plan to include this project.

**Whereas,** This project should be funded with general funds, to be reimbursed with loan funds, should they become available;

**Whereas,** This project supports EKPC's key measure of supplying reliable and competitive energy; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the approval to engineer, provide, and construct a new limestone scrubber at a cost of \$145 million and the approval to request a Certificate of Public Convenience and Necessity from the Kentucky Public Service Commission, and approval to negotiate a contract with Alstom Power, Inc. to provide and install the scrubber; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves a new limestone scrubber for Spurlock Unit 1, with a wet precipitator, at a cost of \$145 million, and approves the request to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity, and authorizes the EKPC President and Chief Executive Officer or his designee to execute all documents required to submit the application for the certificate;

**Resolved,** That approval is hereby given for the use of general funds for this project, subject to reimbursement from loan funds, when and if such funds become available; and

**Resolved,** That the EKPC Board also approves the negotiation of a contract to Alstom Power, Inc. to engineer, provide, and construct a new limestone scrubber, with a wet precipitator, on Unit 1 at Spurlock Power Station.

## **FUEL & POWER SUPPLY (F&P) COMMITTEE INFORMATION ITEMS**

**Spot Coal Purchases** - F&P Committee Vice Chairman, P. D. Depp told the Board that the Committee approved spot coal purchases for the 1<sup>st</sup> through the 4<sup>th</sup> quarters of 2006 for Spurlock Power Station.

**Gilbert Unit Outage Update** – Randy Dials responded to a question as to the status of the Gilbert unit outage that occurred 1-1/2 weeks ago, explaining a tube leak was the problem creating a seven-day outage.

### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

No PD Committee action items were brought before the Board.

### **POWER DELIVERY (PD) COMMITTEE INFORMATION ITEMS**

PD Committee Vice Chairman Mike Adams reported that the Committee heard:

- Various Progress Reports, including transmission, by Mary Jane Warner,
- Progress Report on ECAR to SERP by George Carruba, and
- Telecommunication Update by Wes Moody.

### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

### **AGENDA ITEMS FOR NEXT AGENDA**

A motion was made by Rick Stephens, seconded by Mike Adams, and passed to recommend a resolution of appreciation for Bill Duncan for his service, with the resolution set for Board action in February 2006.

### **OTHER BUSINESS**

#### **EXECUTIVE SESSION**

At 12:10 p.m. the Board Chairman asked for the meeting to go into Executive Session. A motion was made by P. D. Depp, seconded by Lonnie Vice, and passed, to go into Executive Session. There being no objection, Licking Valley RECC's new General Manager/CEO Kerry Howard remained for the Executive Session (Mr. Howard has not yet been seated on the EKPC Board). Senior Staff was also asked to remain.

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The minutes of the remainder of the **Executive Session** are included in the separate January 10, 2006, Executive Session Minutes of the regular Board meeting.  
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No other business was brought before the Board.

There being no objection, Chairman Stratton adjourned the Executive Session as well as the Board meeting at 12:47 p.m.

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A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton  
Chairman of the Board

Date: Feb. 7, 2006

January 27, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, February 7, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EST**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**AGENDA**

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. SEATING OF ALTERNATE DIRECTOR FROM LICKING VALLEY RECC
- V. ACTION ON PREVIOUS BOARD MINUTES
- VI. ADOPTION OF AGENDA
- VII. REPORT OF OFFICERS
- VIII. AUDIT COMMITTEE ITEMS  
Wayne Stratton, Chairman
  - A. **Board Action Requested:**
    1. Approval of Property Insurance Renewal – EAMES/OLIVA
  - B. **Information and Discussion Items:**

**IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**

Donnie Crum, Chairman

**A. Board Action Requested:**

1. Approval of Twenty-Year Financial Forecast 2006-2025 – EAMES (*Financial Forecast binders were distributed to Directors and Alternate Directors and discussed at the January 10 committee-of-the-whole meeting – Please bring your binders to the February meeting.*)
2. Approval of Resolution to Honor Bill Duncan - PALK
3. Authorization to Execute Contract with Alliance For Cooperative Energy Services Power Marketing, LLC (“APM”) - PALK

**B. Information and Discussion Items:**

**X. FUEL & POWER SUPPLY COMMITTEE ITEMS**

Jimmy Longmire, Chairman

**A. Board Action Requested:**

None.

**B. Information and Discussion Items:**

**XI. POWER DELIVERY COMMITTEE ITEMS**

Fred Brown, Chairman

**A. Board Action Requested:**

None.

**B. Information and Discussion Items:**

**XII. MEMBER SYSTEM NEEDS**

**XIII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Finance & Planning  
Governmental Affairs  
Human Resources and Support Services

Legal  
Member Services  
Power Delivery  
Power Production

XIV. AGENDA ITEMS FOR NEXT AGENDA

XV. OTHER BUSINESS

XVI. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
FEBRUARY 7, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, February 7, 2006, at 11:50 a.m. EST, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Carol Fraley gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Allen Anderson, Alternate	South Kentucky
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
Neil Pendencygraft	Farmers
A. L. Rosenberger	Nolin
William Shearer	Clark Energy
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

Cumberland Valley was not represented.

**ANNOUNCEMENTS**

Chairman Stratton:

- Welcomed Gerald Hayes, Donna White, B. W. Lyons, and Gary Dillard of Warren RECC; and Mike Norman of RUS; and
- Acknowledged an expression of thanks to EKPC and Touchstone Energy from Kelsey Bartlett, All "A" Classic.

**SEATING OF ALTERNATE DIRECTOR**

A motion was made by E. A. Gilbert, seconded by Wade May, and passed to approve seating Kerry Howard as Alternate Director representing Licking Valley RECC (replacing Bill Duncan who has retired).

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## **BOARD MINUTES**

On motion of Danny Divine, seconded by P. D. Depp, the minutes of the January 10, 2006, regular board meeting were approved.

## **ADOPTION OF AGENDA**

On motion of P. D. Depp, seconded by Wade May, and passed, the agenda was adopted as amended with the addition of an item under the Fuel and Power Supply Committee pertaining to Contract G101 for alloy piping for Smith Unit 1.

## **REPORT OF THE OFFICERS**

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

### Report of the Board Chairman

Pre-Conference Training - Board Chairman Wayne Stratton authorized Directors' attendance at the pre-conference training for those attending the upcoming NRECA Directors' Conference.

## **AUDIT COMMITTEE ACTION ITEMS**

### Property Insurance Renewal

After review of the applicable information, a motion was made by Wayne Stratton and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc. ("EKPC") has evaluated the insurance market to determine the best course of action for property insurance coverage;

**Whereas**, FM Global is the only insurance carrier with the available capacity to underwrite EKPC's account without joining other carriers in a partnership arrangement on the coverage amount;

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**Whereas**, FM Global had issued membership contingency credits in the past, and there is potential for future credits;

**Whereas**, The Terrorism Risk Insurance Act of 2002, which provides a federal backstop for insurers in the event of future catastrophic terrorist attacks, has been extended to December 31, 2007;

**Whereas**, FM Global's quotation, with a \$1 million deductible coverage, is for \$0.0656 per \$100 valuation, for a premium of \$1,883,338, plus \$169,500 for terrorism coverage;

**Whereas**, FM Global has serviced EKPC's account satisfactorily since 1981, EKPC has an open claim with FM Global and EKPC management has determined that this quotation is the best and most economical alternative for EKPC's needs; and

**Whereas**, The Audit Committee recommends approval of the property insurance policy with FM Global, for an annual premium of \$2,052,838, plus taxes as applicable; now, therefore, be it

**Resolved**, That the Board of Directors ("Board") hereby approves the use of general funds to renew EKPC's property insurance policy for the period of March 1, 2006 to March 1, 2007, for an annual premium of \$2,052,838, plus applicable taxes; and

**Resolved**, That the Board hereby authorizes the President and CEO, or his designee, to execute all necessary documents on behalf of EKPC to bind this insurance coverage.

#### **AUDIT COMMITTEE INFORMATION ITEMS**

No Audit Committee information items were brought before the Board.

#### **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

##### Twenty-Year Financial Forecast & Equity Development Plan

After review of the applicable information, a motion was made by Donnie Crum and passed to approve the following:

**Whereas**, The Rural Utilities Service requires that East Kentucky Power Cooperative, Inc., ("EKPC") maintain a current long-range financial forecast as a guide to managing costs while maintaining reliability and competitive rates; and

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**Whereas**, EKPC Management and the Operations, Services and Support Committee recommend approval of the Twenty-Year Financial Forecast and Equity Development Plan 2006-2025, a copy having been provided to each director and alternate director prior to presentation at the January Board of Directors ("Board") meeting; now, therefore, be it

**Resolved**, That the EKPC Board of Directors hereby approves the Twenty-Year Financial Forecast and Equity Development Plan 2006-2025.

Resolution for Bill Duncan

After review of the applicable information, a motion was made by Donnie Crum and passed to approve the following:

**Whereas**, The East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") expresses its appreciation for the many contributions made by Bill Duncan for his support of EKPC's many programs and projects; for his years of guidance as General Manager/Chief Executive Officer of Licking Valley RECC; and his efforts in building a strong rural electric program in Kentucky; now, therefore, be it

**Resolved**, That the EKPC Board does hereby convey upon Bill Duncan its most sincere thanks and best wishes for his future health and contentment.

ACES PM Agreement

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc. ("EKPC") is a signatory to an Alliance For Cooperative Energy Services Power Marketing LLC ("APM") Operating Agreement dated as of January 26, 1999, as amended, under which EKPC is eligible to receive service from APM at or near cost; and

**Whereas**, EKPC desires that APM provide the services selected by it in a Bilateral Agreement, to include one or more of the following: (1) trading and counter-party controls and risk policies; (2) portfolio management; (3) settlements; (4) portfolio modeling risk and analyses; and (5) ad hoc consulting and other services requested, on a fee for services basis, all in addition to EKPC's entitlement to core services for an annual membership fee of approximately \$1.8 million; and

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**Whereas**, APM agrees to provide such services to EKPC pursuant to the terms and conditions set forth in the Bilateral Agreement; and

**Whereas**, Management and the Operations, Services & Support Committee recommend that EKPC's President and Chief Executive Officer ("President & CEO") be authorized to enter into said Bilateral Agreement which is acceptable in form and substance to the best interest of EKPC; now, therefore, be it

**Resolved**, That the EKPC President and CEO be and is hereby authorized to execute a Bilateral Agreement with APM which is acceptable in form and substance to the best interest of the organization.

#### **OSS COMMITTEE INFORMATION ITEMS**

OSS Committee Chairman Donnie Crum called attention to the following:

- Page O13 – Schedule of 2005 Property Taxes, and
- Page M8 under the Monthly Reports showing an added schedule listing the Gilbert Unit project costs.

#### **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

##### Contract G101 – Alloy Piping for Smith Power Station Unit 1

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, On November 9, 2004, the East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") approved the construction of a circulating fluidized bed base-load unit of 278 MW at Smith Power Station at an estimated cost of \$533 million;

**Whereas**, EKPC's self build proposal for this incremental base load power was evaluated as the lowest cost option;

**Whereas**, At the December 2004 EKPC Board Meeting, authorization was given to negotiate with the Gilbert Unit contractors in an attempt to obtain a reasonable price for equipment or construction for Spurlock Unit 4 and Smith Unit 1;

**Whereas**, Since BendTec, Inc. ("BendTec") was evaluated the lowest bid for the supply of the alloy piping for the Gilbert Unit and a contract was negotiated with them for Spurlock

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Unit 4, on January 6, 2006, a request for proposal was sent to BendTec to provide a price for alloy piping for Smith Unit 1;

**Whereas,** A proposal was received from BendTec on January 30th, with the negotiating meeting held on February 3, 2006, where any increase in price was discussed and justified;

**Whereas,** Representatives from BendTec, EKPC, Stanley Consultants, Inc., and Mr. Gilbert of the EKPC Board were present at the meeting;

**Whereas,** The lead time on this material is approximately 14 months and there are only two mills that produce the raw material required, therefore, it is imperative that we give this contractor a limited letter of intent as soon as possible to preserve our scheduled delivery date and price on raw material;

**Whereas,** A full letter of intent releasing manufacturing will be given to BendTec as soon as the Certificate of Need is received from the Kentucky Public Service Commission ("KPSC");

**Whereas,** BendTec's price quoted for providing the alloy piping for Smith Unit 1 is \$4,099,932.92, which was the engineer's estimate;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to BendTec to supply the alloy piping for Smith Unit 1; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the award of a contract, with the release for manufacturer contingent upon project approval by the KPSC, with BendTec to provide the alloy piping for Smith Unit 1, at a price of \$4,099,932.92, plus a 5% contingency of \$204,996.65, for a total approved price of \$4,304,929.57, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to award this contract.

#### **F&PS COMMITTEE INFORMATION ITEMS**

No F&P information items were brought before the Board.

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**POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

No PD Committee action items were brought before the Board.

**PD COMMITTEE INFORMATION ITEMS**

PD Committee Chairman Fred Brown reported that Mary Jane Warner is meeting today with several senators in Frankfort on current topics.

**MEMBER SYSTEM NEEDS**

Report from Inter-County Energy – Jim Jacobus reported that an Inter-County employee was fired upon while performing a disconnect for non-payment. The employee was not injured and the customer was arrested.

**EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

**AGENDA ITEMS FOR NEXT AGENDA**

No agenda items for the next agenda were brought before the Board.

**OTHER BUSINESS**

No other business was brought before the Board.

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There being no further business, the regular Board meeting was adjourned at 12:10 p.m.

  
A. L. Rosenberger, Secretary

Approved:

  
R. Wayne Stratton  
Chairman of the Board

Date: March 14, 2006

March 3, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on **Tuesday, March 14, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EST**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**AGENDA**

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. ACTION ON PREVIOUS BOARD MINUTES
- V. ADOPTION OF AGENDA
- VI. REPORT OF OFFICERS
- VII. AUDIT COMMITTEE ITEMS  
Wayne Stratton, Chairman

A. **Board Action Requested:**

None.

B. **Information and Discussion Items:**

**VIII. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**  
Donnie Crum, Chairman

**A. Board Action Requested:**

1. Execution of CFC e-Pay/Paying Agent Service - EAMES
2. Approval to Renew CFC Line of Credit – EAMES  
(ADDED TO AGENDA)

**B. Information and Discussion Items:**

**IX. FUEL & POWER SUPPLY COMMITTEE ITEMS**  
Jimmy Longmire, Chairman

**A. Board Action Requested:**

1. Approval to Award a Contract to Brandenburg Industrial Service Company for the Demolition of the Existing Scrubber at Spurlock Power Station Unit No. 2 - DIALS
2. Approval to Expand the Existing Landfill at Spurlock Power Station - DIALS
3. Approval to Close Out Contract E211 with Sedgman, LLC for Construction of the Coal-Handling Equipment for the Gilbert Unit and Spurlock Power Station Units 1 and 2 - DIALS
4. Approval to Close Out Contract E103 with METSO Minerals for Coal-Handling Equipment for the Gilbert Unit and Spurlock Power Station Units 1 and 2 – DIALS
5. Approval to Award a Contract to Pennsylvania Transformer Technology, Inc., for Furnishing and Installing One Two-Winding Generator Step-up Unit Transformer for Combustion Turbine No. 8 at J.K. Smith Power Station - DIALS
6. Approval to Award a Contract to Pennsylvania Transformer Technology, Inc., for Furnishing and Installing Two Three-Winding Generator Step-Up Unit Transformers for Combustion Turbine No. 9, No. 10, No. 11 and No. 12 at J.K. Smith Power Station - DIALS

**B. Information and Discussion Items:**

**X. POWER DELIVERY COMMITTEE ITEMS**

Fred Brown, Chairman

**A. Board Action Requested:**

1. Approval of Campbellsville #2 Substation and Tap Project, Beattyville #2 Substation and Tap Project, Line Upgrade Projects, Line Reconductor Projects, Terminal Upgrade Projects and Amendment of EKPC Three Year Work Plan (November 2005-October 2008) - WARNER
2. Authorization for the President & Chief Executive Officer, or his designee, to award and execute two (2) contracts for Engineering, Procurement, and Construction for the J.K. Smith 345 kV CT transmission Substation and North Clark 345 kV Transmission Station - WARNER
3. Approval to Sell 0.082 Acre in Fee Simple and 0.106 Acre as a Temporary Construction Easement to the Kentucky Department of Transportation - WARNER

**B. Information and Discussion Items:**

**XI. MEMBER SYSTEM NEEDS**

**XII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Finance  
Governmental Affairs  
Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIII. AGENDA ITEMS FOR NEXT AGENDA**

**XIV. OTHER BUSINESS**

**XV. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary  
c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
MARCH 14, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, March 14, 2006, at 11:45 a.m. EST, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Carol Fraley gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
Neil Pendencygraft	Farmers
A. L. Rosenberger	Nolin
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

Cumberland Valley was not represented.

**ANNOUNCEMENTS**

Chairman Stratton:

- Welcomed Gerald Hayes, Donna White, Tom Martin, and Director Joe Neely from Warren RECC; and Mike Norman of RUS.
- Many persons in need of remembrance were mentioned.

**BOARD MINUTES**

The February 7, 2006, board meeting minutes were approved.

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## **ADOPTION OF AGENDA**

On motion of P. D. Depp, seconded by Danny Divine, and passed, the agenda was adopted as amended with the addition of three items under the Operations, Services & Support Committee and pertaining to:

- CFC line of credit,
- National Bio and Agro-Defense facility, and
- Chief Operating Officer Position.

## **REPORT OF THE OFFICERS**

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

### Report of the Board Chairman

ACES PM will hold its annual Members Conference in June. Board Chairman Stratton authorized EKPC Directors to attend at EKPC's expense.

## **AUDIT COMMITTEE ACTION ITEMS**

No Audit Committee action items were brought before the Board.

## **AUDIT COMMITTEE INFORMATION ITEMS**

Audit Committee Chairman Wayne Stratton informed the Board that the Committee met today to discuss the financial impacts on fiscal 2005 as a result of the Notice of Violation from the Environmental Protection Agency on Dale Units 1 and 2. This material was also reviewed during the morning's Committee Meeting of the Whole.

## **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

### CFC e-Pay/Paying Agent Service

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

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**Whereas**, East Kentucky Power Cooperative, Inc., (“EKPC”) desires to have National Rural Utilities Cooperative Finance Corporation (“CFC”) act as its Paying Agent in certain transactions in which EKPC is obligated to make payments to others; and

**Whereas**, EKPC, in designating the funds with which CFC may make such payments on the organization’s behalf, desires to use those funds due EKPC as a result of the maturity on the investment in CFC Commercial Paper, advances on a Line of Credit established with CFC, or such other funds (“Other Authorized Funds”) on deposit with CFC as shall be deemed eligible by CFC, from time-to-time, to make such payments; now, therefore, be it

**Resolved**, That the following persons:

David Eames, Vice President of Finance and Planning, and  
Frank Oliva, Manager of Finance, Planning and Risk Management, and  
Thea Kamber, Treasury Management Supervisor, and  
Susan Mefford, Budget and Financial Planning Supervisor, and  
Elsie Mathews, Senior Analyst, and  
Margaret Caywood, Senior Analyst, and  
Fran Garrett, Senior Analyst

are each individually authorized hereby to direct CFC to make payments on behalf of EKPC to the following creditors or accounts:

**EKPC - Our Organization**: for the purpose of reinvestment(s) in Commercial Paper and other eligible CFC investment products; or

**National Rural Utilities Cooperative Finance Corporation (“CFC”)**; or

**National Rural Utilities Cooperative Finance Corporation (“CFC”)**:  
such payments are to be made by wire transfer to its Account:  
(number) 01419647 at (bank name) Deutsche Bank Trust Company Americas,  
Corporate Trust Agency Services, located in (city) New York City, (state) NY,  
ABA# 021001033; or

**National Rural Utilities Cooperative Finance Corporation (“CFC”)**:  
such payments are to be made by wire transfer to its Account:  
(number) 180121167365 at (bank name) US Bank National Association, US Bank  
Trust National Association, located in (city) St Paul, (state) MN, ABA# 091000022;  
or

**National Rural Utilities Cooperative Finance Corporation (“CFC”)**:  
such payments are to be made by wire transfer to its Account:

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(number) 910-2-711273 at (bank name) Chase Manhattan Bank, located in (city) New York City, (state) NY, ABA# 021000021; or

**National Rural Utilities Cooperative Finance Corporation ("CFC"):**  
such payments are to be made by wire transfer to its Account:  
(number) 642-270-326 at (bank name) JPMorgan Chase, located in (city) New York City, (state) NY, ABA# 021000021; or

**Rural Utilities Service ("RUS") / Federal Financing Bank ("FFB"):** such payments to be made by wire transfer to the Department of Treasury account of RUS at the Federal Reserve Bank of New York (in accordance with RUS Bulletin 20-9, Exhibit N; for this purpose EKPC's ID Number is KY 059).

**Resolved,** That the EKPC Board of Directors hereby approves the execution of the CFC e-Pay/Paying Agent Service Agreement by the President and Chief Executive Officer or his designee;

**Resolved,** That CFC is hereby authorized and directed to make such payments on behalf of EKPC as directed by any one of the individuals named above;

**Resolved,** That CFC is hereby authorized and directed to (i) use the proceeds of maturing CFC Commercial Paper, purchased by EKPC, in order to make said payments; (ii) to draw on a Line of Credit, now or hereafter established with CFC, in order to make such payments; (iii) or to use Other Authorized Funds in order to make such payments;

**Resolved,** That this resolution shall remain in full force effect until CFC is otherwise notified in writing by EKPC; and

**Resolved,** That the Secretary is hereby authorized and directed to furnish a certified copy of this resolution to CFC.

#### CFC Line of Credit

After review of the applicable information, a motion was made by Donnie Crum, and, there being no further discussion, passed to approve the following:

**Whereas,** East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors (the "Board") having been advised that an application is to be made to National Rural Utilities Cooperative Finance Corporation ("CFC") for a revolving line of credit, together with the execution of an agreement as authorized by the Board, that will constitute valid and binding obligations of EKPC, enforceable by and against EKPC, in accordance with the terms of these documents; now, therefore, be it

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**Resolved**, That the Board hereby authorizes EKPC to establish a line of credit and authorizes borrowing from CFC in an amount which shall not at any one time exceed \$10,000,000 (the "Line of Credit Amount") for a term expiring September 1, 2006, subject to the provisions of a Line of Credit Agreement ("Agreement") to be negotiated with CFC, and to pay such interest rate or rates as shall be prescribed in the Agreement;

**Resolved**, That either the President and Chief Executive Officer or the Vice President of Finance of EKPC be and is hereby authorized to execute an Agreement on behalf of EKPC, to execute any future amendments to said Agreement as either individual may deem appropriate within the Line of Credit Amount so authorized, and to execute such further documents as may be necessary or appropriate in order to comply with CFC requirements;

**Resolved**, That it is the intent of the Board that upon execution and delivery of the Agreement to CFC, and when executed by CFC, the Agreement shall constitute a valid and binding agreement between CFC and the Borrower, enforceable in accordance with its terms without further action of this Board;

**Resolved**, That the President and Chief Executive Officer, Vice President of Finance or their designee is authorized on behalf of EKPC to request and receive funds pursuant to the Agreement;

**Resolved**, That CFC is hereby authorized to receive, review and to make copies of any financial statements, documents, reports, contracts, or other materials as CFC may reasonably request from time to time in connection with the Agreement; and

**Resolved**, That the appropriate officers are authorized to take all other actions they deem advisable to carry out the purposes of these resolutions.

Support for National Bio and Agro-Defense Facility—Pulaski County, KY

After review of the applicable information, a motion was made by Donnie Crum and passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc. ("EKPC") is actively engaged in the economic development of our service area;

**Whereas**, A new laboratory facility is proposed for Kentucky, to conduct research on diseases associated with livestock and their transmittal to humans;

**Whereas**, The pathogens being researched could pose a threat to our national security, if utilized by terrorists;

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**Whereas,** The positive economic impact of this facility will be substantial, employing 410 fulltime positions with an annual payroll of \$30.5 million, and involving \$500 million in construction capital costs, \$262 million in construction payroll, and a 500,000 square foot building;

**Whereas,** The ultimate location of the new National Bio and Agro-Defense Facility, proposed for Pulaski County, depends on the support of the public; and

**Whereas,** EKPC has been asked to support this project, now, therefore, be it

**Resolved,** That the EKPC Board of Directors expresses its support for the construction of the National Bio and Agro-Defense Facility in Pulaski County; and

**Resolved,** That the President and Chief Executive Officer, or his designee, is authorized to notify the Secretary of the U. S. Department of Homeland Security of the support of the Board in the recruitment of this laboratory.

#### Chief Operating Officer

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas,** The operational demands of East Kentucky Power Cooperative, Inc. ("EKPC") require the position of a Chief Operation Officer ("COO");

**Whereas,** The position of COO is anticipated to include: (1) Accountability for Day-to-Day Controls; (2) A Strong Focus on Cost Reduction and Key Cost Drivers; (3) Manage Oversight of Major Expansion Efforts; (4) Be Responsive to Member System Suggestions/Concerns; and (5) Expand Reporting/Communications with Member Systems;

**Whereas,** This position is a non-budgeted position, and is not a part of the existing Wage & Salary Program and therefore requires Board approval; and

**Whereas,** Management and the Operations, Services & Support Committee recommend creation of said position; now, therefore, be it

**Resolved,** That the position of COO is hereby authorized with such duties to be defined in an appropriate job description.

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## OSS COMMITTEE INFORMATION ITEMS

No OSS Committee information items were brought before the Board.

## FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

### Contract to Brandenburg Industrial—Demolish Existing Scrubber—Spurlock Unit No. 2

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** The Spurlock Power Station ("Spurlock") Unit 2 is equipped with a scrubber built in 1982;

**Whereas,** This equipment has been maintained with minimal effort and no upgrades made for over twenty years, therefore, an extensive upgrade would be necessary to operate the existing scrubber;

**Whereas,** An economic evaluation of the viability of the Spurlock Unit 2 scrubber focused on a comparison of the all-in cost of operating a scrubber burning high-sulfur coal versus burning low-sulfur compliance coal in the non-scrubbed unit;

**Whereas,** Factors included were projected fuel costs, scrubber capital costs, SO<sub>2</sub> allowance costs, maintenance costs, limestone costs, ash landfill costs, and other operating costs;

**Whereas,** Three scrubber options were analyzed: (1) a refurbished lime scrubber; (2) conversion of lime to limestone scrubber; and (3) a new limestone scrubber;

**Whereas,** The operating and maintenance ("O&M") costs would be expected to be higher with refurbished and rebuilt equipment, with O&M costs and potential for outages lower with the new equipment;

**Whereas,** As the new scrubber proposals were significantly lower in cost and risk than the refurbished, it was decided to only evaluate the bids for the new scrubber;

**Whereas,** Requests for proposals were mailed to three contractors with bids received on February 16, 2006 and opened on February 20<sup>th</sup> with the following results:

- North American Dismantling \$3,450,000
- O'Rourke Construction \$3,939,000
- Brandenburg Industrial Service Company ("Brandenburg") \$1,935,150

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**Whereas,** This project is included in the 2006 Budget and Work Plan;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Brandenburg to demolish the existing Unit 2 Scrubber at Spurlock for \$1,935,150; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the award of a contract to Brandenburg to demolish the existing Spurlock Unit 2 Scrubber at a cost of \$1,935,150, contingent upon the approval of this project by the Kentucky Public Service Commission, and authorizes the EKPC President and Chief Executive Officer or his designee to execute all documents required to award this contract; and

**Resolved;** That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Landfill Expansion Project—Spurlock Power Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** The existing landfill at Spurlock Power Station ("Spurlock") is nearly full and must be expanded to receive and store combustion waste, ash and/or scrubber sludge from the boilers at Spurlock;

**Whereas,** As additional generating units and scrubbers are being built at Spurlock, the current landfill is in need of expansion;

**Whereas,** Work to be performed includes: clearing and grubbing, stripping and stockpiling soil, installation of the underdrain system, soil liner construction, trenching and temporary erosion control in accordance with the Kentucky State approved Design Plan;

**Whereas,** This work will be done over the next two or three years in stages as the areas being filled progress and is included in the 2006 Budget and Work Plan;

**Whereas,** It is recommended that this work be performed by the contractor operating the landfill services at Spurlock as in doing so it can be scheduled as needed to support landfill operations;

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**Whereas,** This contractor, Trans-Ash, has provided a price of \$1,500,000 to perform this expansion;

**Whereas,** Along with a purchase order to Trans-Ash, a purchase order of \$100,000 should be issued to Kenvirons for construction management, and \$250,000 for the cost of a building at the landfill;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the approval of the Landfill Expansion Project at Spurlock; now, therefore, be it;

**Resolved,** That the EKPC Board of Directors hereby approves the Landfill Expansion Project at Spurlock at an estimated cost of \$1,850,000, approves issuing a purchase order to Trans-Ash for \$1,500,000 for this expansion, a purchase order to Kenvirons for construction management, and \$250,000 for a building at the landfill site, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the completion of this project; and

**Resolved,** That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Contract E211 Close Out with Sedgman, LLC—Construction of Coal Handling Equipment—  
Spurlock Units 1, 2, and Gilbert

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** At the June 2003 East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") Meeting a contract was awarded to Sedgman, LLC ("Sedgman") for construction of the coal-handling equipment for the Gilbert Unit at Spurlock Power Station ("Spurlock");

**Whereas,** The original approved contract amount was \$19,825,000;

**Whereas,** In January 2004, the EKPC Board approved an amendment to this contract for Sedgman to construct two reclaimers, provided by EKPC for Spurlock Units 1 and 2;

**Whereas,** Change orders were obtained for an increase of \$6,424,906.81, which includes the above amendment, with a final contract price of \$26,249,906.81;

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**Whereas,** This work has been completed satisfactorily, therefore, it is recommended that this contract be closed out and final payment made of \$422,683.84;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E211; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the close out and final payment of \$422,683.84 be made for Contract E211 with Sedgman for construction of the coal-handling equipment for the Gilbert Unit and Units 1 and 2 at Spurlock Station for a final contract price of \$26,249,906.81, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Contract E103 Close Out with METSO Minerals—Coal Handling Equipment for Spurlock Units 1, 2, and Gilbert

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** At the April 2003 East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") Meeting a contract was awarded to METSO Minerals ("Metso") for providing coal-handling equipment for the Gilbert Unit and Units 1 and 2 at Spurlock Power Station ("Spurlock");

**Whereas,** The original approved contract amount was \$1,815,500;

**Whereas,** One change order for a combination of a reduction in electrical work, an increase for a change in software, and extra field service representative's time was obtained for an increase of \$141,170.68;

**Whereas,** An amendment was approved by the Board in January 2004 for coal-handling equipment for Spurlock Units 1 and 2 for \$2,772,700, with a final contract price of \$4,729,370.68;

**Whereas,** This equipment has been installed and tested satisfactorily, therefore, it is recommended that this contract be closed out and final payment made of \$50,000;

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**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E103; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the close out and final payment of \$50,000 be made for Contract E103 with Metso for providing coal-handling equipment for the Gilbert Unit and Units 1 and 2 at Spurlock Station for a final contract price of \$4,729,370.68, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Contract to Pennsylvania Transformer Technology, Inc.—One Two-Winding Generator Step-Up Unit Transformer for CT No. 8 at Smith Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** On December 14, 2004, the East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") approved the filing of an application with the Kentucky Public Service Commission ("KPSC") for Certificates of Public Convenience and Necessity and Site Compatibility "(Certificates") for combustion turbines No. 8, No. 9, No. 10, No. 11, and No. 12 located at the J.K. Smith Power Station;

**Whereas,** On March 8, 2005, the Board approved the execution of necessary agreements for the purchase and construction of five new combustion turbines, subject to necessary KPSC approval;

**Whereas,** Five LMS100 combustion turbine will be purchased from General Electric Company, as a result of the RFP issued in April of 2004;

**Whereas,** One two-winding generator step-up transformer is required for Unit No. 8;

**Whereas,** Invitations to bid were sent to four suppliers: Pauwels Canada ("Pauwels"); Waukesha Electric Systems/MidStates ("Waukesha"); ABB, Inc. ("ABB"); and Pennsylvania Transformer Technology, Inc., ("PTTI") with all returning bids;

**Whereas,** Bids were opened in the presence of Mr. E. A. Gilbert of the Negotiation Subcommittee on February 14, 2006;

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**Whereas**, When evaluated the bids were PTTI at \$1,681,642; Pauwels at \$1,688,092; ABB at \$1,923,565; and Waukesha at \$2,286,671; and

**Whereas**, Management recommends that PTTI, low bidder, be awarded this contract at an estimated price of \$1,066,342 plus 10% contingency of \$106,634 for a total of \$1,172,976; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the award of a contract to Pennsylvania Transformer Technology, Inc., for furnishing and installing one generator step-up unit transformer for J.K. Smith Power Station combustion turbine unit No. 8, at an estimated price of \$1,172,976, upon approval by the KPSC, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents; and

**Resolved**, That PTTI shall only be released to perform engineering work for this contract until the necessary construction certificates for the combustion turbines are granted by the KPSC; and

**Resolved**, That approval is hereby given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Contract to Pennsylvania Transformer Technology, Inc.—Two Three-Winding Generator Step-Up Unit Transformers for CTs 9, 10, 11, & 12 at Smith Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, On December 14, 2004, the East Kentucky Power Cooperative, Inc., (“EKPC”) Board of Directors (“Board”) approved the filing of an application with the Kentucky Public Service Commission (“KPSC”) for Certificates of Public Convenience and Necessity and Site Compatibility (“Certificates”) for combustion turbines No. 8, No. 9, No. 10, No. 11, and No. 12 located at the J.K. Smith Power Station;

**Whereas**, On March 8, 2005, the Board approved the execution of necessary agreements for the purchase and construction of five new combustion turbines, subject to necessary KPSC approval;

**Whereas**, Five LMS100 combustion turbines will be purchased from General Electric Company, as a result of the RFP issued in April of 2004;

**Whereas**, Two three-winding generator step-up transformers are required for No. 9, No. 10, No. 11, and No. 12;

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**Whereas**, Invitations to bid were sent to four suppliers: Pauwels Canada (“Pauwels”); Waukesha Electric Systems/MidStates (“Waukesha”); ABB, Inc. (“ABB”); and Pennsylvania Transformer Technology, Inc., (“PTTI”) with all returning bids, except for Waukesha;

**Whereas**, Bids were opened in the presence of Mr. E. A. Gilbert of the Negotiation Subcommittee on February 14, 2006;

**Whereas**, When evaluated the bids were PTTI at \$4,757,525; Pauwels at \$5,079,052; ABB at \$4,992,448; and Waukesha did not bid; and

**Whereas**, Management recommends that PTTI, low bidder, be awarded this contract at an estimated price of 3,801,525 plus ten percent contingency of \$380,152 for a total of \$4,181,677; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the award of a contract to Pennsylvania Transformer Technology, Inc., for furnishing and installing two generator step-up unit transformers for J.K. Smith Power Station combustion turbine unit No. 9, No. 10, No. 11, and No. 12, at an estimated price of \$4,181,677, upon approval by the KPSC, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents; and

**Resolved**, That PTTI shall only be released to perform engineering work for this contract until the necessary construction certificates for the combustion turbines are granted by the KPSC; and

**Resolved**, That approval is hereby given for the use of general funds for this contract, subject to reimbursement from loan funding, when and if such funds become available.

#### **F&PS COMMITTEE INFORMATION ITEMS**

No F&P Committee information items were brought before the Board.

#### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

##### Transmission Projects

After review of the applicable information, a motion was made by Fred Brown and, there being no further discussion, passed to approve the following:

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**Whereas**, East Kentucky Power Cooperative, Inc., ("EKPC") engineering studies have confirmed the necessity and advisability of the following projects included in the March 14, 2006 Amendment to the EKPC Rural Utilities Service ("RUS") approved Three-Year Work Plan (November 2005-October 2008):

Campbellsville #2 11.2/14MVA, 69-12.5kV Substation Addition	\$456,000
Campbellsville #2 69kV Tap	\$50,000
Beattyville #2 11.2/14MVA, 69-12.5kV Substation Addition	\$506,000
Beattyville #2 69kV Tap	\$50,000
Baker Lane-Holloway Line Upgrade	\$8,000
Bedford-Milton Line Upgrade	\$33,000
Clay Lick Jct-Van Arsdell Line Upgrade	\$9,000
EKPC Office-EKPC Office Jct Line Upgrade	\$1,000
Hunters Bottom Jct-Milton Line Upgrade	\$18,000
Magnolia-Summersville Line Upgrade	\$57,000
Radcliff-Vine Grove Line Upgrade	\$2,000
Owens Illinois Jct-Woodlawn Line Upgrade	\$17,000
Smithersville-Smithersville Junction Line Upgrade	\$3,000
Davis Jct-Fayette Line Reconductor	\$331,000
Davis Jct-Nicholasville Line Reconductor	\$424,000
Tharp Jct Terminal Upgrade (Line Switches)	\$25,000
Crooksville Jct Terminal Upgrade (Line Switches)	\$25,000
West Berea Jct Terminal Upgrade (Line Switches)	\$13,000;

**Whereas**, Review by the Power Delivery ("PD") Committee and approval of the EKPC Board of Directors ("Board") is required for the construction and financing of these projects pursuant to Board Policies No. 103 and 106;

**Whereas**, The current EKPC Three-Year Work Plan (November 2005-October 2008) dated November 2005, has been submitted to RUS for approval, which requires that any amendment thereto be approved by the Board and;

**Whereas**, EKPC management and the PD Committee recommend that the Board amend the current EKPC RUS approved Three Year Work Plan and approve construction of these projects, the acquisition of all real property and easement rights, by condemnation if necessary, and the obtaining of permits and approvals necessary and desirable for these projects and include the financing of these projects with general funds, subject to reimbursement from construction loan funds should they become available and the Board will act upon said recommendation this date; and

**Whereas**, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality; now, therefore, be it

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**Resolved**, That EKPC management is authorized to amend the current EKPC RUS approved Three-Year Work Plan to include the above projects summarized in more detail in the attached Executive Summary;

**Resolved**, That approval is hereby given for construction of said projects included in the March 14, 2006 Amendment to the EKPC Three-Year Work Plan (November 2005-October 2008), at an estimated total cost of \$2,028,000 and for the acquisition of all real property and easement rights, by condemnation if necessary, as well as all necessary permits and approvals for these projects; and

**Resolved**, That approval is hereby given to amend the EKPC Annual Budget and Work Plan to include the projects and to finance them with general funds, subject to reimbursement from construction loan funds should they become available.

**J. K. Smith CT Transmission Station and North Clark Transmission Station**

After review of the applicable information, a motion was made by Fred Brown and passed to approve the following:

**Whereas**, On July 12, 2005, the Board of Directors (“Board”) approved an Amendment to the East Kentucky Power Cooperative’s (“EKPC”) Rural Utilities Service (“RUS”) required Three-Year Work Plan (November 2002 – October, 2005) for the J. K. Smith Transmission outlet plan which included the J. K. Smith – Sideview 345 kV transmission line and associated substation facilities. On November 8, 2005, another plan was taken to the Board which authorized EKPC management to accelerate the transmission line and associated substation facilities independent of the addition of generation at J. K. Smith;

**Whereas**, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer (“President and CEO”), or his designee, to award and execute two (2) EPC contracts, to Beta Engineering LLC (“Beta”) in the total amount of \$14,616,361 exclusive of owner furnished materials; and

**Whereas**, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it

**Resolved**, That the President & Chief Executive Officer (“President and CEO”), or his designee, is authorized to award these contracts and execute all documents necessary for the proposed contract price of \$14,616,361 for these contracts, exclusive of owner furnished materials, for the complete design, procurement of equipment and construction of

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both J. K. Smith CT 345 kV Transmission Substation and the North Clark 345 kV Transmission Substation.

Sale of Property and Grant of Temporary Easement to KY DOT – Pulaski County, KY

After review of the applicable information, a motion was made by Fred Brown and passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc. (“EKPC”) is the record owner of approximately 1.1 acres, located in Pulaski County, Kentucky, which is subject to the Rural Utilities Service (“RUS”) blanket mortgage. This site was purchased for the purpose of constructing the Norwood Substation;

**Whereas**, EKPC has now constructed the needed Norwood Substation on this property and recorded its deed;

**Whereas**, The conveyance of this property to the Kentucky Department of Transportation (“DOT”) will have no impact on present or future operations of EKPC;

**Whereas**, It is the opinion of Management that the purchase price represents a fair and reasonable approximation of the fair market value of the property;

**Whereas**, EKPC Management and the Power Delivery Committee recommend that said property be conveyed to DOT; and

**Whereas**, EKPC also proposes to grant to DOT a temporary construction easement of 0.106 acre for the purpose of making improvements for the I-66 Corridor in Somerset, Kentucky and specifically for the widening of Racetrack Road; said easement terminates and reverts to EKPC upon completion of same; now, therefore, be it

**Resolved**, That the EKPC Board of Directors hereby approves the conveyance of 0.082 acre of real property to the Kentucky Department of Transportation for \$6,325.00 from EKPC; and a temporary construction easement of 0.106 acre for the purpose of making improvements for the I-66 Corridor in Somerset, Kentucky and specifically for the widening of Racetrack Road; said easement terminates and reverts to EKPC upon completion of same. The President & Chief Executive Officer of EKPC, or his designee, shall have the authority to execute any and all documents or take other steps as necessary to consummate this conveyance; and

**Resolved**, That EKPC will seek a release for the subject property from the RUS blanket mortgage.

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## PD COMMITTEE INFORMATION ITEMS

PD Committee Chairman Fred Brown reported that the Committee heard from Jim Lamb regarding upcoming items for Summer 2006.

## MEMBER SYSTEM NEEDS

### EXECUTIVE SESSION

At approximately 12:20 p.m., Director Jimmy Longmire requested the Board go into an Executive Session of Directors only. The Chairman so ordered without objection.

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There are no written minutes for the **Executive Session** portion of this Board meeting.

-----  
Chairman Stratton adjourned the Executive Session and the regular Board meeting at 1:00 p.m.

  
A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton  
Chairman of the Board

Date: *April 11, 2006*

## Board Agenda Item

MARCH

**TO:** Power Delivery Committee and Board of Directors

**FROM:** Roy M. Palk *Roy M. Palk*

**DATE:** March 3, 2006

**SUBJECT:** Approval of Campbellsville #2 Substation and Tap Project, Beattyville #2 Substation and Tap Project, Line Upgrade Projects, Line Reconductor Projects, Terminal Upgrade Projects and Amendment of EKPC Three Year Work Plan (November 2005-October 2008)  
(Construction and Finance)  
(Executive Summary)

**KEY MEASURE(S)** This action supports the delivery of facilities at a competitive cost, on time and of good quality.

### Background

An Amendment to the East Kentucky Power Cooperative's ("EKPC") Rural Utilities Service ("RUS")-required Three-Year Work Plan (November 2005-October 2008) identifies additional transmission facilities and modifications needed by EKPC to economically and reliably serve projected load growth. This work plan amendment was developed from the results of load flow and economic analysis using input from EKPC member system work plans, EKPC's Market Research Process, Power Delivery Maintenance Process and Power Delivery Expansion Process.

This amendment generally includes two categories of projects:

- (1) Transmission Line Additions
- (2) New Substations, Substation Additions and/or Modifications

### Justification and Strategic Analysis

Categories (1) and (2) above consist of facilities related to member system distribution substations and improvements to the transmission system.

- A. Taylor County Rural Electric Cooperative Corporation ("TCRECC") is experiencing significant load growth in the vicinity of Campbellsville Substation in Taylor County.

## Board Agenda Item

MARCH

The 2004 Power Requirements Study ("PRS") projects Campbellsville Substation to reach 13.9 MVA under extreme 2007 summer conditions. The existing transformer has a maximum summer rating of 13.6 MVA and would experience a 2.2 percent overload under these conditions. A joint planning study between EKPC and TCRECC has confirmed the need and justification for constructing Campbellsville #2 69-12.5 kV, 11.2/14 MVA Substation Addition. The total project cost is \$506,000 with a target in service date of May 2007.

- B. Jackson Energy Cooperative ("JEC") is experiencing significant load growth in the vicinity of Beattyville Substation in Lee County. The 2004 PRS projects Beattyville Substation to reach 14.1 MVA under extreme 2007 summer conditions. The existing transformer has a maximum summer rating of 13.6 MVA and would experience a 3.7 percent overload under these conditions. A joint planning study between EKPC and JEC has confirmed the need and justification for constructing Beattyville #2 69-12.5 kV, 11.2/14 MVA Substation Addition. The total project cost is \$556,000 with a target in service date of May 2007.
- C. Load flow studies have been performed to determine which lines in the EKPC transmission system may exceed their maximum conductor thermal ratings in the next three-year period. The following line sections are projected for an upgrade to higher operating temperatures:

Baker Lane-Holloway 69 kV Line	\$8,000
Bedford-Milton 69 kV Line	\$33,000
Clay Lick Jct-Van Arsdell 69 kV Line	\$9,000
EKPC Office-EKPC Office Jct 69 kV Line	\$1,000
Hunters Bottom Jct-Milton 69 kV Line	\$18,000
Magnolia-Summersville 69 kV Line	\$57,000
Radcliff-Vine Grove 69 kV Line	\$2,000
Owens Illinois Jct-Woodlawn 69 kV Line	\$17,000
Smithersville-Smithersville Junction 69 kV Line	\$3,000

The total estimated cost of these line upgrades is \$148,000.

- D. Load flow studies indicate that the Fayette – Davis 69 kV line will experience loading in excess of its emergency rating, in 2006 summer, for an outage of the LG&E Energy ("LGEE") Avon – Loudon Avenue 138 kV line with the LGEE Brown Unit #3 off line. It is recommended that the Fayette – Davis 69 kV line be reconducted with 556.5 MCM to eliminate the potential overload. The total project cost is \$755,000 with a target in service date of May 2007.
- E. Load flow studies indicate that the terminal ratings at numerous EKPC substations and distribution substation tap points will be exceeded, for normal and single contingency outage conditions. It is expected that most of these exceeded ratings would occur only

## Board Agenda Item

MARCH

during single contingency outage conditions. The following terminal facilities are projected for an upgrade:

Tharp Jct Terminal Upgrade (Line Switches)	\$25,000
Crooksville Jct Terminal Upgrade (Line Switches)	\$25,000
West Berea Jct Terminal Upgrade (Line Switches)	\$13,000

The total estimated cost of these line upgrades is \$63,000.

RUS requires approval of the Board for amendment of the current EKPC RUS-approved Three-Year Work Plan. Construction of the added projects requires review by the Power Delivery Committee and approval pursuant to Board Policies No. 103 and 106.

### Recommendation

Management recommends that the EKPC Board approve an Amendment of the current EKPC RUS approved Three-Year Work Plan (November 2005-October 2008) dated November 2005, to include those projects identified above at an estimated total cost of \$2,028,00 and to approve construction of these projects along with authorization to acquire necessary permits, approvals, real property and associated easements necessary and desirable to implement these projects.

GM

March 31, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, April 11, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**A G E N D A**

- I. CALL TO ORDER**
- II. INVOCATION**
- III. ROLL CALL**
- IV. ACTION ON PREVIOUS BOARD MINUTES**
- V. ADOPTION OF AGENDA**
- VI. REPORT OF OFFICERS**
  - A. Report of Secretary-Treasurer on Directors' Fees and Expenses for the First Quarter of 2006.
- VII. AUDIT COMMITTEE ITEMS**  
Wayne Stratton, Chairman
  - A. **Board Action Requested:**
    - 1. Approval of Authority Matrices - LAMB

2. Review and Take Appropriate Action on 2005 Audit Reports as prepared by Crowe, Chizek and Company - STRATTON

**B. Information and Discussion Items:**

**VIII. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**

Donnie Crum, Chairman

**A. Board Action Requested:**

1. Amendment to Resolution Expressing Official Intent and Authorizing Borrowing Regarding Certain Capital Expenditures to be Reimbursed with Proceeds of Clean Renewable Energy Bonds - CRAWFORD

**B. Information and Discussion Items:**

**IX. FUEL & POWER SUPPLY COMMITTEE ITEMS**

Jimmy Longmire, Chairman

**A. Board Action Requested:**

1. Approval for Closeout of Contract E1 with General Electric for Providing and Installing the Turbine Generator for Gilbert Unit at Spurlock Power Station - DIALS
2. Approval to Award Contract F211 to Dearborn Mid-West Conveyor Company to Design, Engineer, Manufacture, Supply, and Install Coal and Limestone Handling Equipment for Spurlock Power Station Unit No. 4 - DIALS
3. Approval to Award Contract C204 to Alstom Power, Inc., to Engineer, Purchase, and Construct a Limestone Scrubber for Spurlock Power Station Unit No. 1 - DIALS

**B. Information and Discussion Items:**

**X. POWER DELIVERY COMMITTEE ITEMS**

Fred Brown, Chairman

**A. Board Action Requested:**

None.

**B. Information and Discussion Items:**

**XI. MEMBER SYSTEM NEEDS**

**XII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Coordinated Planning  
Finance  
Governmental Affairs  
Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIII AGENDA ITEMS FOR NEXT AGENDA**

**XIV. OTHER BUSINESS**

**XV. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary  
c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
APRIL 11, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, April 11, 2006, at 12:40 a.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Jackie Browning gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Hope Kinman	Owen
Elbert Hampton	Cumberland Valley
Jimmy Longmire	Salt River
Wade May	Big Sandy
Neil Pandygraft	Farmers
A. L. Rosenberger	Nolin
William Shearer	Clark Energy
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

South Kentucky was not represented.

#### **ANNOUNCEMENTS**

- Chairman Stratton welcomed Gerald Hayes and Pete Dotson of Warren RECC.
- EKPC's Beth Crouch's mother passed away.
- Grayson RECC—Carol Fraley mentioned two active and retired employees who are ill.
- Hayden Timmons' 11 year old grandson is to have extensive surgery.
- Jackson Energy Director Ed Stamper passed away.
- A card of appreciation from the family of Eddie Hatchett was acknowledged.

#### **BOARD MINUTES**

On motion of Neil Pandygraft, seconded by Wade May, the minutes of the March 14, 2006, board meeting minutes were approved.

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## **ADOPTION OF AGENDA**

The Agenda was adopted as mailed.

## **REPORT OF THE OFFICERS**

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

### Report of the Secretary-Treasurer

Secretary/Treasurer A. L. Rosenberger reported on his review of directors' fees and expenses for the first quarter of 2006, which indicated that all fees and expenses were in compliance with Board Policy No. 111, Compensation of Directors. The written report was included in each Director's Board book.

## **AUDIT COMMITTEE ACTION ITEMS**

### ACES Authority Matrices

After review of the applicable information, a motion was made by Wayne Stratton, and, there being no further discussion, passed to approve the following:

**Whereas**, From time to time, East Kentucky Power Cooperative, Inc. ("EKPC") must purchase energy, transmission, electricity options, physical gas, future physical gas, and financial gas in order to meet member loads;

**Whereas**, ACES Power Marketing ("APM") serves as EKPC's agent for these transactions and executes the trades for EKPC;

**Whereas**, In order to ensure that only prior approved trades are made, APM has requested an Authority Matrix designating levels of authority for persons requesting APM to execute certain trades; and

**Whereas**, EKPC wants to limit these authorities and ensure that proper controls exist to ensure that only authorized trades be made by APM;

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**Whereas**, Management and the Audit Committee recommend this action; now, therefore, be it

**Resolved**, That the EKPC Board of Directors approves the Authority Matrix for energy, transmission, electricity options, physical gas, future physical gas, and financial gas and that EKPC and APM set up the appropriate internal controls to ensure these authorities are enforced.

#### 2005 Audit Reports

After review of the applicable information, a motion was made by Wayne Stratton, and, there being no further discussion, passed to accept the following:

**Whereas**, At the May 10, 2005 meeting, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") selected Crowe Chizek and Company LLC ("Crowe Chizek") to conduct the audit the EKPC financial records for 2005; and

**Whereas**, After review and discussions of the 2005 Audit Reports as presented by a representative of Crowe Chizek, the Audit Committee recommends acceptance of said reports; now, therefore, be it

**Resolved**, That the EKPC Board accepts the 2005 Audit Reports prepared by Crowe Chizek, including the following documents: Reports on Audits of Consolidated Financial Statements, and various reports contained in the Audit Committee Communication.

#### **AUDIT COMMITTEE INFORMATION ITEMS**

No Audit Committee information items were brought before the Board.

#### **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

##### Amend Resolution On Clean Renewable Energy Bonds

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc. (the "Borrower"), a cooperative electric company described in Section 501(c)(12) of the Internal Revenue Code of 1986, as amended (the "Code"), desires to acquire, construct, renovate, remodel or equip certain capital projects (the "Project") described in Exhibit A hereto, and the expenditures relating

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to the Project (the "Expenditures") have not been paid prior to the adoption of this Resolution or will be paid on or after the adoption of this Resolution;

**Whereas**, On December 6, 2005, the Borrower approved a resolution for certain projects under construction and a future project totaling \$18,000,000;

**Whereas**, The Borrower desires to Amend this resolution to update cost estimates and include certain additional future projects described in Exhibit A – Attachment I, in the amount of \$20,985,551.75: and

**Whereas**, The Borrower reasonably expects to reimburse all or a portion of the Expenditures with proceeds from Clean Renewable Energy Bonds issued pursuant to Section 54 of the Code;

**Resolved**, NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Borrower that:

Section 1. The Borrower reasonably expects to reimburse all or a portion of the Expenditures with proceeds from Clean Renewable Energy Bonds.

Section 2. The maximum principal amount of funds from the proceeds of Clean Renewable Energy Bonds to be used for the Project is amended to \$20,985,551.75.

Section 3. The Borrower is authorized (i) to borrow from National Rural Utilities Cooperative Finance Corporation ("CFC"), as issuer of the Clean Renewable Energy Bonds, a principal amount up to the maximum principal amount set forth in Section 2 herein, (ii) to pay interest thereon, (iii) to secure the such borrowing with substantially all of the Borrower's assets, (iv) to purchase in connection therewith Loan Capital Term Certificates as required by CFC policy, and (v) to pay all other fees, charges costs and expenses as may be set forth in the terms, conditions and provisions of the documentation to be executed as authorized herein.

Section 4. Each of the individuals listed below (each, an "Authorized Person") is authorized, in the name and on behalf of the Borrower, to negotiate, to execute and to deliver to CFC one or more credit agreements, promissory notes and security instruments (including any future amendments thereto) in such form and containing such terms, conditions and provisions as the Authorized Person or Authorized Persons so acting may determine, including but not limited to interest rate provisions and maturity dates, *provided, however*, that such documents and any amendments shall not increase the maximum principal amount set forth in Section 2 herein.

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Section 5. Each Authorized Person is further authorized in the name and on behalf of the Borrower to negotiate, to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, and to do all such other acts as the Authorized Person or Authorized Persons so acting may deem necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Printed Name</u>
President and CEO	Roy M. Palk
Chairman, Board of Directors	R. Wayne Stratton
Vice President, Finance	David G. Eames

Section 6. All actions of the officers, agents and employees of the Borrower that are in conformity with the purposes and intent of this Resolution, whether taken before or after the adoption hereof, are hereby ratified, confirmed and adopted.

Section 7. CFC shall be entitled to rely upon the authority granted herein without further action of this Board.

Section 8. This Resolution shall be in full force and effect immediately upon its adoption.

#### **OSS COMMITTEE INFORMATION ITEMS**

OSS Chairman Donnie Crum informed the Board that landfill gas was briefly discussed. Also, a landfill gas dedication is upcoming; invitations have been mailed.

#### **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

##### Closeout Contract E1 with General Electric – Spurlock Station's Gilbert Unit

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the September 2001 East Kentucky Power Cooperative, Inc. ("EKPC") Board Meeting a contract was awarded to General Electric Company ("GE") for providing and installing the turbine generator for the Gilbert Unit at Spurlock Power Station ("Spurlock");

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**Whereas,** The original contract amount was \$32,345,247;

**Whereas,** Six change orders for miscellaneous hardware changes and minor controls changes were for an increase of \$257,243.19, with a final contract price of \$32,602,490.19;

**Whereas,** This equipment has been installed and tested satisfactorily, therefore, it is recommended that this contract be closed out and final payment made of \$562,087.81;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E1; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the close out and final payment of \$562,087.81 be made for Contract E1 with GE for providing and installing the turbine generator for the Gilbert Unit at Spurlock Station for a final contract price of \$32,602,490.19, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Award Contract F211 to Dearborn Mid-West Conveyor Co. – Spurlock Station's Unit No. 4

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** On September 14, 2004, the East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW at Spurlock Power Station at an estimated cost of \$469.7 million;

**Whereas,** EKPC's self build proposal for this increment of base load power was evaluated as the lowest cost option;

**Whereas,** On October 7, 2005 requests for proposals were sent to the following companies for the coal and limestone handling system for Spurlock 4:

- Lincoln Contracting & Equipment, Inc.
- Dearborn Mid-West Conveyor Company
- Wolf Material Handling Systems
- Sedgman, LLC;

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**Whereas,** A proposal was received from Dearborn Mid-West Conveyor Company (“Dearborn”) on January 16, 2006, with the other companies declining to bid;

**Whereas,** Due to the current inflationary price spiral in industrial equipment and construction services, and the heavy work load in the power industry, an effort to re-bid the contract would likely result in even higher pricing, hence, it was decided to evaluate the one bid that was received;

**Whereas,** The bid was opened on January 17, 2006 with representatives from EKPC, Stanley Consultants, Inc. (“Stanley”), and Mr. Gilbert of the EKPC Contracting Subcommittee attending;

**Whereas,** The original base price quoted by Dearborn for engineering, supplying and construction of the coal and limestone handling system for Spurlock 4 is \$13,660,000, with the engineer’s estimate being \$12,006,000;

**Whereas,** Some alternates were not accepted with the final firm price being \$12,078,400 and the engineer’s estimate for this scope of work being \$11,090,700;

**Whereas,** Dearborn just satisfactorily completed a coal-handling system for Spurlock Units 1 and 2;

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Dearborn to engineer, provide, and construct a coal and limestone handling system at a cost of \$12,078,400;

**Whereas,** The engineering, purchase and installation of this coal and limestone handling system supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

**Resolved,** That the EKPC Board hereby approves the award of a contract (F211) to Dearborn for \$12,078,400 to engineer, supply and construct a coal and limestone handling system for the Spurlock 4 Unit, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract; and

**Resolved,** That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Award Contract C204 to Alstom Power, Inc. – Spurlock Station's Unit No. 1

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

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**Whereas**, At the September 2005 East Kentucky Power Cooperative, Inc. ("EKPC") Board Meeting a new limestone scrubber was approved for Unit 2 at Spurlock Power Station ("Spurlock");

**Whereas**, Due to forecasted fuel and allowance prices, it was decided to proceed with an evaluation concerning a scrubber for Unit 1 at Spurlock, as well;

**Whereas**, An economic evaluation of the viability of the Spurlock Unit 1 scrubber focused on a comparison of the all-in cost of operating a scrubber burning high-sulfur coal versus burning low-sulfur compliance coal in the non-scrubbed unit;

**Whereas**, Factors included were projected fuel costs, scrubber capital costs, SO<sub>2</sub> allowance costs, maintenance costs, limestone costs, ash landfill costs, and other operating costs;

**Whereas**, An expected "worse case" project capital cost of \$145 million was used in the evaluation, including an estimated \$107 million for the scrubber system with the wet electrostatic precipitator;

**Whereas**, The expected first year of operation is 2009, with a savings in that year of over \$14 million;

**Whereas**, Using a similar engineering and construction timeframe for the Unit 1 Scrubber as the Unit 2 Scrubber of 33 months, puts the award date for the Unit 1 Scrubber Contract at April 2006;

**Whereas**, EKPC recently went through a competitive bidding process for the Spurlock Unit 2 Scrubber and in that process Alstom Power, Inc. ("Alstom") and Babcock & Wilcox ("B&W") prepared proposals for the project and Alstom was awarded the contract in September 2005;

**Whereas**, Since Alstom was low bidder in this competitive bidding process for the Spurlock Unit 2 Scrubber by several million dollars only 5 months ago, negotiation of a contract with Alstom was recommended for the Unit 1 Scrubber;

**Whereas**, Additionally, Alstom will have personnel on site working on the other Scrubber project and Unit 4 and can coordinate these projects without additional mobilization costs;

**Whereas**, EKPC has recently filed an Application with the Kentucky Public Service Commission ("KPSC") for a Certificate of Public Convenience and Necessity for the Unit 1 scrubber, which is required before construction of the project can begin;

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**Whereas**, This project supports EKPC's key measure of supplying reliable and competitive energy; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Alstom to engineer, provide, and construct a new limestone scrubber, with a wet electrostatic precipitator, at a target price of \$97,020,000, and a possible exposure cost of \$103,802,000; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the award of Contract C204 to Alstom to engineer, provide, and install a new limestone scrubber, with a wet electrostatic precipitator, for Spurlock Unit 1 at a target price of \$97,020,000, with a possible exposure price of \$103,802,000, subject to the approval of the KPSC prior to release for manufacturing or procurement, and authorizes the EKPC President and Chief Executive Officer or his designee to execute all documents required to award the contract.

#### **F&PS COMMITTEE INFORMATION ITEMS**

No F&P Committee information items were brought before the Board.

#### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

No PD Committee action items were brought before the Board.

#### **PD COMMITTEE INFORMATION ITEMS**

PD Committee Chairman Fred Brown reported that the Committee heard from Mary Jane Warner regarding outages due to storms, as well as transmission line updates.

#### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

#### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

#### **AGENDA ITEMS FOR NEXT AGENDA**

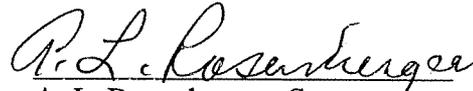
No agenda items for the next agenda were brought before the Board.

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April 11, 2006

**OTHER BUSINESS**

Golf Outing – A golf outing is being planned following the May Board meeting. Lonnie Vice and Dave Eames will coordinate. Anyone wishing to attend should contact Della Damron.

No other business was brought before the Board.

-----  
  
A. L. Rosenberger, Secretary

Approved:

  
R. Wayne Stratton  
Chairman of the Board

Date: May 9, 2006

**EKPC Board Minutes for 4/11/2006  
Attachment A, Page 1 of 5**

**CONFIDENTIAL**

**East Kentucky Power Cooperative  
Electric Energy and Related Transmission  
Trading Authority Matrix and Policy  
Effective 5/1/2006**

Title	Product	Per Transaction Limits (up to)			Per Trading Day Limits (up to)	
		Term	MW Size	\$/MWh	Total MWh's	Total \$
EKPC Board of Directors	"	No Limit	No Max.	No Max.		
EKPC CEO with recommendation from Portfolio Management Committee	"	Hourly	No Max.	No Max.	No Max.	\$50 million
	"	Daily	No Max.	No Max.	No Max.	\$50 million
	"	Weekly	No Max.	No Max.	No Max.	\$50 million
	"	Monthly / Seasonal - Up To 9 Months	1000 MW	\$150	400,000	\$20 million
	"	1 Year	400 MW	\$100	3,504,000	\$50 million
Portfolio Management Committee	"	Hourly	No Max.	No Max.	No Max.	\$25 million
	"	Daily	No Max.	No Max.	No Max.	\$25 million
	"	Weekly	1200 MW	\$400	96,000	\$25 million
	"	Monthly / Seasonal - Up To 9 Months	500 MW	\$150	200,000	\$10 million
VP - Coordinated Planning or VP - Power Production	"	Hourly	1000 MW	No Max.	25,000	\$10 million
	"	Daily	1000 MW	\$400	35,000	\$10 million
	"	Weekly	1000 MW	\$300	80,000	\$10 million
	"	Monthly / Seasonal - Up To 6 Months	300 MW	\$150	100,000	\$5 million
Generation Dispatch Supervisor	"	Hourly	800 MW	\$250	24,000	\$1 million
	"	Daily	750 MW	\$150	24,000	\$1 million
	"	Weekly	300 MW	\$100	24,000	\$1 million
System Operator	"	Emergency Hourly	No Max.	No Max.	No Max.	No Max.
	"	Hourly	500 MW	\$200	12,000	\$500,000

Portfolio Management Committee consists of: VP - Finance; VP - Production; VP - Coordinated Planning Manager - Production Engineering; Manager - Finance; Generation Dispatch Supervisor

Note: Transactions to be completed with input and consultation from ACES Power Marketing.

**EKPC Board Minutes for 4/11/2006  
Attachment A, Page 2 of 5**

**CONFIDENTIAL**

**East Kentucky Power Cooperative, Inc.  
Transmission Authority Matrix  
Limits Per Transaction  
Effective 5/1/2006**

<b>Title</b>	<b>Product</b>	<b>Quantity MW/Month</b>	<b>Price \$/kW/Mo</b>	<b>Total Dollars</b>
Board of Directors	Transmission \$/kW/M	Unlimited	Unlimited	Unlimited
F&PS Committee	Transmission \$/kW/M	1,000 MW ≤ 3 years	\$7.50	\$50,000,000
President and CEO	Transmission \$/kW/M	750 MW ≤ 3 years	\$5.00	\$25,000,000
VP - Coordinated Planning and VP - Production	Transmission \$/kW/M	500 MW ≤ 1 year	\$4.00	\$15,000,000
Generation Dispatch Supervisor	Transmission \$/kW/M	500 MW ≤ 3 months	\$4.50	\$2,500,000
Generation Dispatch Supervisor	Transmission \$/kW/M	300 MW ≤ 1 month	\$4.00	\$500,000

Note: Transactions to be completed with input and consultation from ACES Power Marketing.

**CONFIDENTIAL**

**East Kentucky Power Cooperative, Inc.  
Electricity Options Authority Matrix  
Limits Per Transaction  
Effective 5/1/2006**

<b>Title</b>	<b>Product</b>	<b>Quantity MW/Month</b>	<b>Price \$/MWh</b>	<b>Total Dollars</b>
Board of Directors	Electricity Options	Unlimited	Unlimited	Unlimited
F&PS Committee	Electricity Options	800 MW <= 3 years	\$15.00	\$50,000,000
President and CEO	Electricity Options	500 MW <= 3 years	\$10.00	\$20,000,000
VP - Finance & Manager - Finance	Electricity Options	300 MW <= 1 year	\$5.00	\$5,000,000

Note: Transactions to be completed with input and consultation from ACES Power Marketing.

## EKPC Board Minutes for 4/11/2006

## Attachment A, Page 4 of 5

**CONFIDENTIAL**

**East Kentucky Power Cooperative, Inc.  
Natural Gas Authority Matrix  
Daily Gas Purchases**

Title	Product	Per Day Limits (up to)		
		Quantity MMBtu/Day	Price \$/MMBtu	Total Dollars
President and CEO	Natural Gas \$/MMBtu	Unlimited	Unlimited	Unlimited
V.P. Production	Natural Gas \$/MMBtu	Daily 250,000	Unlimited	\$10,000,000
Production Service Mgr.	Natural Gas \$/MMBtu	Daily 250,000	Unlimited	\$5,000,000
Generation Dispatch Supervisor or Senior Fuel Buyer	Natural Gas \$/MMBtu	Daily 250,000	\$15.00	\$3,000,000
Generation Dispatcher	Natural Gas \$/MMBtu	Daily 250,000	\$10.00	\$1,000,000
		Emergency No Limit	No Limit	No Limit

**Note:** With input from Constellation Energy and ACES Power Marketing.

**CONFIDENTIAL**

**East Kentucky Power Cooperative, Inc.  
Natural Gas Authority Matrix  
Future Physical & Financial Gas Purchases  
Per Calendar Year**

<b>Title</b>	<b>Product</b>	<b>Quantity MMBtu/Day</b>	<b>Price \$/MMBtu</b>	<b>Total Dollars</b>	<b>Approval/Review</b>
Board of Directors	Natural Gas \$/MMBtu	Unlimited	Unlimited	Unlimited	Unlimited
F&PS Committee	Natural Gas \$/MMBtu	800,000/mo. ≤ 3 years	Unlimited	\$48,000,000	Review by Board of Directors
President and CEO	Natural Gas \$/MMBtu	500,000/mo. ≤ 3 years	Unlimited	\$24,000,000	Review by F&PS Committee and Board of Directors
V.P. - Finance	Natural Gas \$/MMBtu	500,000/mo. ≤ 1 year	Unlimited	\$10,000,000	Review by President & CEO, F&PS
Finance Mgr.	Natural Gas \$/MMBtu	300,000/mo. ≤ 3 mos.	Unlimited	\$5,000,000	Review by V. P. Production, V. P. Finance, President &

**Note:** With input from Constellation Energy and ACES Power Marketing.

**EKPC Board Minutes for 4/11/2006  
Attachment B, Page 1 of 2****EXHIBIT A**

The Project consists of real estate, equipment and facilities to be acquired, constructed, renovated, remodeled or equipped by the Borrower, located in Laurel, Hardin, Pendleton, Montgomery, Mason and Franklin County or Counties, Kentucky [State(s)], to be used for the following purposes (check all that apply):

a facility using wind to produce electricity;

a facility using closed-loop biomass to produce electricity or, if owned by the taxpayer prior to January 1, 2008, a facility using closed-loop biomass to produce electricity which is modified to use closed-loop biomass to co-fire with coal, with other biomass, or with both, but only if the modification is approved under the Biomass Power for Rural Development Programs or is part of a pilot project of the Commodity Credit Corporation;

a facility using open-loop biomass to produce electricity and in the case of a facility using agricultural livestock waste nutrients, the nameplate capacity rating of which is not less than 150 kilowatts;

a facility using geothermal energy or solar energy to produce electricity

a facility using small irrigation power to produce electricity;

a facility producing electricity from gas derived from the biodegradation of municipal solid waste;

a facility that burns municipal solid waste to produce electricity;

a facility producing refined coal ; or

a qualified hydropower facility

The components of the Project will include, but are not limited to, the following items:

Caterpillar 3516 LE Engine/Generator sets each rated at 800kW, Gas Compressor, Switchgear, Transformers, Building, Electrical Interconnect and Communications Equipment.

**Clean Renewable Energy Bonds ("CREB's)**

**EKPC Board Attachment I (April 11, 2006)**

**Landfill Gas to Electric Generation Development Summary**  
(as of March 20, 2006)

<u>Under Construction</u>	<u>Total Est Cost</u>	<u>Amount paid prior to 12/06/05</u>	<u>CREB's Requested</u>
Laurel Ridge Unit # 5	561,750.00	441,201.53	120,548.47
Hardin County LFGTE Project	4,974,900.00	1,230,147.72	3,744,753.28
Pendleton County LFGTE Project	5,329,800.00	0.00	5,329,800.00
 <b><u>Potential Future LFGTE Projects</u></b>			
Maysville-Mason County	1,391,250.00	0.00	1,391,250.00
Montgomery County	5,199,600.00	0.00	5,199,600.00
Benson Valley	<u>5,199,600.00</u>	<u>0.00</u>	<u>5,199,600.00</u>
Totals	\$22,656,900.00	\$1,671,349.25	\$20,985,551.75

April 28, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on **Tuesday, May 9, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**AGENDA**

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. ACTION ON PREVIOUS BOARD MINUTES
- V. ADOPTION OF AGENDA
- VI. REPORT OF OFFICERS
- VII. BUSINESS MANAGEMENT PLAN
- VIII. AUDIT COMMITTEE ITEMS  
Wayne Stratton, Chairman
  - A. **Board Action Requested:**
    1. Selection of Auditor to Conduct the Audit of EKPC Financial Records for 2006 - EAMES
  - B. **Information and Discussion Items:**

**IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**  
Donnie Crum, Chairman

**A. Board Action Requested:**

1. Execution of CFC e-Pay/Paying Agent Service—  
Re-enactment of EKPC Board Resolution – EAMES  
(ADDED TO AGENDA)

**B. Information and Discussion Items:**

**X. FUEL & POWER SUPPLY COMMITTEE ITEMS**  
Jimmy Longmire, Chairman

**A. Board Action Requested:**

1. Approval of Coal Supply Contract Amendment No. 3 with  
Appalachian Fuels, LLC for Spurlock Power Station Units  
No. 1 and No. 2 - DIALS

**B. Information and Discussion Items:**

**XI. POWER DELIVERY COMMITTEE ITEMS**  
Fred Brown, Chairman

**A. Board Action Requested:**

None.

**B. Information and Discussion Items:**

**XII. MEMBER SYSTEM NEEDS**

**XIII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Coordinated Planning  
Finance  
Governmental Affairs  
Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIV AGENDA ITEMS FOR NEXT AGENDA**

**XV. OTHER BUSINESS**

**XVI. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
MAY 9, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, May 9, 2006, at 11:35 a.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Dudley Bottom gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Jim Jacobus, Alternate	Inter-County
E. A. Gilbert	Blue Grass
Hope Kinman	Owen
Elbert Hampton	Cumberland Valley
Jimmy Longmire	Salt River
Wade May	Big Sandy
Neil Pendencygraft	Farmers
A. L. Rosenberger	Nolin
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

**ANNOUNCEMENTS**

- Welcomed Gerald Hayes, Terry Garmon, and Donna White of Warren RECC, and Randy Sexton, Director at Farmers RECC.
- Several cooperative members and family in need of remembrance were mentioned

**BOARD MINUTES**

On motion of Mike Adams, seconded by Donnie Crum, the minutes of the April 11, 2006, board meeting were approved.

**ADOPTION OF AGENDA**

The Agenda was adopted as amended with the addition of an agenda item under the Operations, Services & Support Committee pertaining to re-enactment of a resolution for the CFC e-Paying Agent Service.

EKPC Board Meeting Minutes  
Page 2  
May 9, 2006

## REPORT OF THE OFFICERS

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

## BUSINESS MANAGEMENT PLAN

Gary Crawford updated and fielded questions on this item included in the Board book.

## AUDIT COMMITTEE ACTION ITEMS

### Selection of Auditor for 2006

After review of the applicable information, a motion was made by Wayne Stratton and, there being no further discussion, passed to approve the following:

**Whereas**, Crowe Chizek and Company LLC ("Crowe Chizek") has provided an audit agreement outlining the terms of its engagement to audit the financial records of East Kentucky Power Cooperative, Inc. ("EKPC") for 2006;

**Whereas**, Crowe Chizek meets the Rural Utilities Service qualifications to perform an audit;

**Whereas**, Crowe Chizek performed the previous audit in a satisfactory and professional manner and at a reasonable cost; and

**Whereas**, The Audit Committee has considered the qualifications and proposed fees of Crowe Chizek, and has voted that the Board of Directors ("the Board") select Crowe Chizek to perform the EKPC audit for 2006; now, therefore, be it

**Resolved**, That the EKPC Board hereby awards the 2006 EKPC audit engagement to Crowe Chizek, for an audit fee of \$78,500, plus expenses, and an SFAS 106 valuation of \$7,500, and authorizes the President and Chief Executive Officer, or his designee, to execute any required agreements relating to such services.

## AUDIT COMMITTEE INFORMATION ITEMS

No Audit Committee information items were brought before the Board.

EKPC Board Meeting Minutes  
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**OPERATIONS, SERVICES AND SUPPORT (“OSS”) COMMITTEE ACTION ITEMS**

CFC e-Pay/Paying Agent Service Agreement—Re-enactment of Resolution

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., (“EKPC”) desires to have National Rural Utilities Cooperative Finance Corporation (“CFC”) act as its Paying Agent in certain transactions in which EKPC is obligated to make payments to others; and

**Whereas**, EKPC, in designating the funds with which CFC may make such payments on the organization’s behalf, desires to use those funds due EKPC as a result of the maturity on the investment in CFC Commercial Paper, advances on a Line of Credit established with CFC, or such other funds (“Other Authorized Funds”) on deposit with CFC as shall be deemed eligible by CFC, from time-to-time, to make such payments; now, therefore, be it

**Resolved**, That the following persons:

David Eames, Vice President of Finance and Planning, and  
Frank Oliva, Manager of Finance, Planning and Risk Management, and  
Thea Kamber, Treasury Management Supervisor, and  
Susan Mefford, Budget and Financial Planning Supervisor, and  
Elsie Mathews, Senior Analyst, and  
Margaret Caywood, Senior Analyst, and  
Fran Garrett, Senior Analyst

are each individually authorized hereby to direct CFC to make payments on behalf of EKPC to the following creditors or accounts:

**EKPC - Our Organization**: for the purpose of reinvestment(s) in Commercial Paper and other eligible CFC investment products; or

**National Rural Utilities Cooperative Finance Corporation (“CFC”)**; or

**Deutsche Bank**:

such payments are to be made by wire transfer to its Account:  
(number) 01419647 at (bank name) Deutsche Bank Trust Company Americas,  
Corporate Trust Agency Services, located in (city) New York City, (state) NY, ABA#  
021001033; or

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**US Bank:**

such payments are to be made by wire transfer to its Account:  
(number) 180121167365 at (bank name) US Bank National Association, US Bank Trust National Association, located in (city) St Paul, (state) MN, ABA# 091000022; or

**National Cooperatives Services Corp (“NCSC”):**

such payments are to be made by wire transfer to its Account:  
(number) 910-2-711273 at (bank name) JPMorgan Chase, located in (city) New York City, (state) NY, ABA# 021000021; or

**National Rural Utilities Cooperative Finance Corporation (“CFC”):**

such payments are to be made by wire transfer to its Account:  
CFC Admin Account – EKPC, (number) 642-270-326 at (bank name) JPMorgan Chase, located in (city) New York City, (state) NY, ABA# 021000021; or

**Rural Utilities Service (“RUS”) / Federal Financing Bank (“FFB”):** such payments to be made by wire transfer to the Department of Treasury account of RUS at the Federal Reserve Bank of New York (in accordance with RUS Bulletin 20-9, Exhibit N; for this purpose EKPC’s ID Number is KY 059).

**Resolved,** That the EKPC Board of Directors hereby approves the execution of the CFC e-Pay/Paying Agent Service Agreement by the President and Chief Executive Officer or his designee; and

**Resolved,** That CFC is hereby authorized and directed to make such payments on behalf of EKPC as directed by any one of the individuals named above;

**Resolved,** That CFC is hereby authorized and directed to (i) use the proceeds of maturing CFC Commercial Paper, purchased by EKPC, in order to make said payments; (ii) to draw on a Line of Credit, now or hereafter established with CFC, in order to make such payments; (iii) or to use Other Authorized Funds in order to make such payments;

**Resolved,** That this resolution shall replace the related resolution enacted by the EKPC Board on March 14, 2006 and remain in full force effect until CFC is otherwise notified in writing by EKPC; and

**Resolved,** That the Secretary is hereby authorized and directed to furnish a certified copy of this resolution to CFC.

EKPC Board Meeting Minutes  
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May 9, 2006

## OSS COMMITTEE INFORMATION ITEMS

During this portion of the meeting, Roy Palk answered questions regarding the COO position. Mr. Palk said an announcement is expected before the end of May.

## FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

### Amendment 3 to Contract with Appalachian Fuels, LLC, Spurlock Station Units Nos. 1 & 2

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., ("EKPC") has an existing coal supply contract with Appalachian Fuels, LLC, ("Appalachian") that began January 1, 2002;

**Whereas**, By July 2002 Appalachian began to fall behind on shipments, and EKPC renegotiated and amended the contract in June 2005 ("Amendment No. 2") to allow Appalachian to ship makeup tons at a coal quality suitable for Spurlock Power Station Unit No. 1;

**Whereas**, After meeting tonnage requirements under the amended contract, Appalachian began to fall behind again in November 2005;

**Whereas**, EKPC received notification from Appalachian on December 9, 2005, that they were incurring significant losses by shipping this coal, and without a price increase of \$24 per ton on Unit No. 2 coal, Appalachian would terminate shipments January 1, 2006;

**Whereas**, EKPC management began negotiating with Appalachian immediately, and after failing to reach an agreement, EKPC sent Appalachian a notice of material default on February 6, 2006;

**Whereas**, Negotiations then resumed, and an agreement has been reached to reduce the monthly commitment for Spurlock Power Station Unit No. 1 from 23,000 tons per month to 15,000 tons per month, and extend the term through June 30, 2009; and to reduce the monthly commitment for Spurlock Power Station Unit No. 2 from 35,000 tons per month to 15,000 tons per month for the remainder of 2006 and raise the monthly tonnage to 21,000 tons per month beginning January 1, 2007, and extending the term through December 31, 2009;

**Whereas**, Pricing for the new agreement will remain the same as Amendment No. 2, which is \$7 per ton below the Nymex market price for Spurlock Power Station Unit No. 1, and is

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May 9, 2006

approximately \$30 per ton below the current market for the coal for Spurlock Power Station Unit No. 2;

**Whereas,** On the effective date of Amendment No. 3, the notice of material default will be withdrawn;

**Whereas,** The recommended contract amendment will enable EKPC to generate power for the lowest cost possible for its Member Systems and supports EKPC's key measures for reliable and competitive energy costs; and

**Whereas,** EKPC management and the Fuel and Power Supply Committee have reviewed the contract terms and conditions, find them to be reasonable, and recommend the approval of a coal supply contract amendment with Appalachian; now, therefore, be it

**Resolved,** That the EKPC Board of Directors approves a contract amendment with Appalachian as described hereinabove and in the attached Executive Summary, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute said amendment based on the terms presented herein and in the Executive Summary.

#### **F&PS COMMITTEE INFORMATION ITEMS**

During this portion of the meeting and in response to a question regarding fuel savings, Jerry Bordes called attention to and briefly discussed the Coal Stockpile Target Levels item as included in the Board book.

#### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

No PD Committee action items were brought before the Board.

#### **PD COMMITTEE INFORMATION ITEMS**

During this portion of the meeting Mary Jane Warner provided an update on the following projects: Cranston-Rowan, Smith-North Clark, Smith-West Garrard, and Warren Projects.

#### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

#### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

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#### AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.

#### OTHER BUSINESS

##### EXECUTIVE SESSION

At 12:35 p.m., Chairman Stratton called for an Executive Session of the Directors and Alternate Directors. At this time, everyone except those designated left the room.

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Approval of Past Executive Session Minutes – Upon motion of Neal Pendygraft, seconded by Donnie Crum, the minutes of the following Executive Sessions were approved:

- Board Meeting Executive Session of January 11, 2005,
- Board Meeting Executive Session of October 11, 2005,
- Board Meeting Executive Session of January 10, 2006,
- Committee-of-the-Whole Executive Session of May 10, 2005,
- Committee-of-the-Whole Executive Session of December 6, 2005, and
- Committee-of-the-Whole Executive session of March 14, 2006.

No other minutes were taken or recorded.

Chairman Stratton adjourned the Executive Session and the regular Board meeting at 1:35 p.m.

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A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton  
Chairman of the Board

Date: June 12, 2006

## Board Agenda Item

MAY

**TO:** Fuel and Power Supply Committee and Board of Directors

**FROM:** Roy M. Palk *Roy M. Palk*

**DATE:** April 28, 2006

**SUBJECT:** Approval of Coal Supply Contract Amendment No. 3 to Appalachian Fuels, LLC—Spurlock Power Station Unit Nos.1 & 2 (Executive Summary)

**KEY MEASURE(S)** This Supports Reliable and Competitive Energy Costs

### Background

East Kentucky Power Cooperative, Inc., (“EKPC”) entered into the above referenced coal supply contract with Appalachian Fuels, LLC, (“Appalachian”) on December 4, 2001, with deliveries to begin January 1, 2002. Appalachian began having problems meeting their committed tonnage in July of 2002 and attributed much delays to permitting problems. During the fall of 2004, the EKPC fuel process began negotiations with Appalachian about making up the tonnage deficits with a different quality coal. Amendment No. 2 to the Appalachian coal contract was executed on June 14, 2005, allowing Appalachian to ship their deficient tons to Spurlock Power Station Unit No. 1 at pricing significantly below current market pricing in order for EKPC to recover the remaining value of the contract.

Appalachian began shipments on the amended agreement in June of 2005 and kept commitments current through October of that year. Shipments began to decline in November, and Appalachian informed the fuel process that they were having production problems due to the shortage of “Amfo,” the blasting agent used in strip mining.

On December 9, 2005, EKPC received a letter from Appalachian stating that if EKPC did not give Appalachian a price increase of \$24 per ton on the Spurlock Power Station Unit No. 2 contract, Appalachian would terminate shipments as of January 1, 2006. This letter stated that significant cost increases in the mining industry had dictated this demand. The fuel process began trying immediately to negotiate a settlement with Appalachian that would keep EKPC whole on this contract. After being unable to reach an agreement of this type, EKPC sent Appalachian a letter on February 6, 2006, declaring Appalachian to be in material default of the contract. Appalachian then responded to EKPC that they did want to work out a solution to the situation, and negotiations resumed.

## Board Agenda Item

MAY

An agreement has been reached with Appalachian that provides for EKPC to receive all the committed tons of the contract at the committed pricing. Appalachian's monthly tonnage requirement for Spurlock Power Station Unit No. 1 will be reduced from 23,000 tons per month to 15,000 tons per month, and the term will be extended through June 30, 2009. The pricing on this coal, as agreed to in amendment No. 2, shall be \$7 per ton below the Nymex monthly settlement prices and will be adjusted every six months. Appalachian's monthly tonnage requirement for Spurlock Power Station Unit No. 2 will be reduced from 35,000 tons per month to 15,000 tons per month, for the remainder of 2006, and will increase to 21,000 tons per month in January 2007. The term will be extended through December 31, 2009. The pricing of this coal will also remain at the price agreed to in amendment No. 2, which is currently \$30 per ton below the market for 1.15 lbs. SO<sub>2</sub>/MMBtu coal.

### Justification and Strategic Analysis

This negotiated settlement will allow EKPC to receive the entire tonnage originally committed by Appalachian at a price significantly lower than current market pricing, saving EKPC over \$30 million during the next three and one-half years. This purchase will provide an adequate fuel supply source for EKPC's generating units and will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems. This recommendation supports EKPC's key measures for reliable and competitive energy costs.

### Recommendation

Management recommends that the Board of Directors approve the coal supply contract amendment with Appalachian under the terms herein described.

eh/gv

June 2, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on **Monday, June 12, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**A G E N D A**

- I.       **CALL TO ORDER**
- II.       **INVOCATION**
- III.       **ROLL CALL**
- IV.       **ACTION ON PREVIOUS BOARD MINUTES**
- V.        **ADOPTION OF AGENDA**
- VI.       **REPORT OF OFFICERS**
- VII.       **BUSINESS MANAGEMENT PLAN**
- VIII.      **AUDIT COMMITTEE ITEMS**  
Wayne Stratton, Chairman
  - A.   **Board Action Requested**  
  
None.
  - B.   **Information and Discussion Items**

**IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**

Donnie Crum, Chairman

**A. Board Action Requested**

1. Approval of Workers Compensation Letter of Credit Application – EAMES/OLIVA

**B. Information and Discussion Items**

**X. FUEL & POWER SUPPLY COMMITTEE ITEMS**

Jimmy Longmire, Chairman

**A. Board Action Requested**

1. Approval to Award Contract D252 to Richard Goettle, Inc., to Install Piling for the Spurlock Power Station Unit No. 2 Scrubber Project - DIALS
2. Approval to Award Contract C212 to Alstom Power, Inc. to Install PC1 Conveyor System Structural Modifications Used by Spurlock Power Station Units No. 1 and No. 2 Coal Handling System - DIALS

**B. Information and Discussion Items**

**XI. POWER DELIVERY COMMITTEE ITEMS**

Fred Brown, Chairman

**A. Board Action Requested**

1. Authorization for the President & Chief Executive Officer or his designee to award and execute two (2) contracts for Construction of the J.K. Smith-(Sideview) N. Clark 345 kV Transmission Line (North and South Sections) 18 miles - TWITCHELL

**B. Information and Discussion Items**

**XII. MEMBER SYSTEM NEEDS**

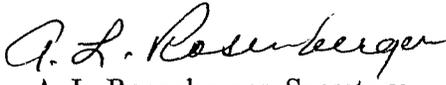
**XIII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Coordinated Planning  
Finance  
Governmental Affairs

Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

- XIV. AGENDA ITEMS FOR NEXT AGENDA**
- XV. OTHER BUSINESS**
- XVI. RECESS FOR ANNUAL MEETING AND ELECTION OF OFFICERS**
- XVII. RECONVENE AND ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**

  
A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
JUNE 12-13, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Monday, June 12, at 11:10 a.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Dudley Bottom gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Larry Hicks, Alternate	Salt River
Hope Kinman	Owen
Wade May	Big Sandy
Neil Pendencygraft	Farmers
A. L. Rosenberger	Nolin
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

**ANNOUNCEMENTS**

- Welcomed Gerald Hayes, Mike McGuirk, Donna White, and Mike Eastridge of Warren RECC; Mike Norman of RUS; and Randy Sexton of Farmers RECC.
- Several cooperative members and family in need of remembrance were mentioned.

**BOARD MINUTES**

On motion of Wade May, seconded by P. D. Depp, the minutes of the May 9, 2006, board meeting minutes were approved.

## **ADOPTION OF AGENDA**

On motion of E. A. Gilbert, seconded by Donnie Crum, the Agenda was adopted as amended with the addition of an agenda item under the Power Delivery Committee pertaining to property exchange at the North Clark Transmission Substation site.

## **REPORT OF THE OFFICERS**

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

## **BUSINESS MANAGEMENT PLAN**

Gary Crawford reviewed and fielded questions on the Business Management Plan as included in the Board book. With regard to comparison of average costs between EKPC and KU, a request was made to provide a rate comparison of average residential rates for EKPC versus KU. Regarding savings in fuel and purchased power, show the savings that will affect the bottom line margin, as well as those passed along to the members. Chairman Stratton confirmed that this reporting should continue.

Another request was made concerning the PSC-required *Management Audit* performed by the Liberty Consulting Group and which began in 2001. It was requested that those recommendations be made available by way of a quick summary presentation, how many issues were started with, settled, not settled and why not. This will be provided in July.

## **AUDIT COMMITTEE ACTION ITEMS**

No Audit Committee items were brought before the Board.

## **AUDIT COMMITTEE INFORMATION ITEMS**

No Audit Committee information items were brought before the Board.

## **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

### New Workers Compensation Letter of Credit

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc. ("EKPC") has in place a Letter of Credit with the National Rural Utilities Cooperative Finance Corporation ("CFC") pledged to the

Commonwealth of Kentucky, Office of Workers' Claims (the "Office"), held as collateral in lieu of a surety, as a condition for EKPC to remain as a self-insured employer for workers' compensation obligations;

**Whereas,** The Office has increased the amount to be pledged;

**Whereas,** EKPC management and the Operation, Service and Support Committee recommend that EKPC be authorized to apply for a new Letter of Credit with CFC, as Administrative Agent to the Revolving Credit Agreement (the "RCA"); now, therefore, be it

**Resolved,** That EKPC is hereby authorized to apply to CFC as Administrative Agent for the RCA, in accordance with the terms and conditions of a Letter of Credit Application and Agreement as specified in the RCA, provided that such letter of credit shall be issued to the Commonwealth of Kentucky, Office of Workers' Claims, as Beneficiary thereof (or such other Beneficiary as may hereafter be required by the Commonwealth of Kentucky), shall be in an aggregate principal amount not to exceed \$ 5,000,000, shall renew automatically annually, and shall provide for repayment with such interest as shall be prescribed in the Letter of Credit Application and Agreement to be executed by and on behalf of EKPC and delivered to CFC; and

**Resolved,** That the Chairman of the Board or President and Chief Executive Officer of EKPC is hereby authorized, in the name and on behalf of EKPC, to execute and to deliver the Letter of Credit Application and Agreement, and all such other documents and instruments as may be necessary or appropriate, to make payments, to execute any future amendments to said agreement as such individual may deem appropriate within the amount and term so authorized, and to do all such acts, as in the opinion of such authorized individual acting, may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions, without further action of this Board.

#### **OSS COMMITTEE INFORMATION ITEMS**

No OSS Committee information items were brought before the Board.

#### **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

##### Contract D252 to Richard Goettle, Inc.—Piling for Spurlock Unit No. 2 Scrubber Project

After review of the applicable information, a motion was made by P. D. Depp, and, there being no further discussion, passed to approve the following:

**Whereas,** At the September 2005, East Kentucky Power Cooperative, Inc. ("EKPC") Board Meeting a new limestone scrubber was approved for Unit No. 2 at Spurlock Power Station ("Spurlock");

**Whereas**, During the process of compiling the bidder's list to send out Requests for Proposals for the piling contract, Stanley Consultants, Inc., contacted 16 contractors and only two expressed an interest in bidding the piling required for building the Spurlock Power Station Unit No. 2 Scrubber;

**Whereas**, A pre-bid meeting was held on April 27, 2006, with only one bidder (Goettle) attending and attendance at this meeting of those intending to bid is required;

**Whereas**, One proposal was received on May 8, 2006, and a bid opening was held on May 9<sup>th</sup>, with Mr. Gilbert of the Contracting Subcommittee in attendance;

**Whereas**, The firm price bid from Richard Goettle, Inc. ("Goettle") for this work is \$4,204,000;

**Whereas**, Goettle is the piling contractor who had the low bid on the Gilbert Unit No. 3 Project and the contractor with whom a negotiated contract was awarded for driving piling on Spurlock Power Station Unit No. 4;

**Whereas**, The engineer's estimate for this work is \$4,250,000;

**Whereas**, This project supports EKPC's key measure of supplying reliable and competitive energy; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the approval to award a contract with Goettle to provide and install the piling required for the Spurlock Power Station Unit No. 2 Scrubber; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the award of Contract D252 to Goettle for providing and installing piling for the Spurlock Power Station Unit No. 2 Scrubber at a firm price of \$4,204,000; and authorizes the EKPC President and Chief Executive Officer or his designee to execute all documents required to award the contract; and

**Resolved**, That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Contract C212 to Alstom Power, Inc.—PC1 Conveyor System Structural Modifications, for Spurlock Units Nos. 1 and 2 Coal-Handling System

After review and discussion of the applicable information, a motion was made by P. D. Depp and, there being no further discussion, passed to approve the following:

**Whereas**, The Spurlock Power Station Units No. 1 and No. 2 Conveyor on PC1 is the original equipment and is now in need structural modifications;

**Whereas,** Three Requests for Proposals were sent out on March 15, 2006, with two bids received on May 15<sup>th</sup>;

**Whereas,** These two bids were opened on May 23, 2006, with Mr. E. A. Gilbert of the Contracting Subcommittee in attendance;

**Whereas,** A firm bid of \$3,957,735 was received from MMIC, Inc., (formerly McDonald Meg-A-Lift) with a firm price bid of \$3,150,500 received from Alstom Power, Inc. ("Alstom");

**Whereas,** The option of using the Alliance Agreement to govern the contract and a target price instead of a firm price was offered by Alstom as an alternate for EKPC's consideration;

**Whereas,** This project supports EKPC's key measure of supplying reliable and competitive energy; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Alstom to install PC1 conveyor system structural modifications used on Spurlock Power Station Units No. 1 and No. 2 at a cost of \$3,150,500; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the award of Contract C212 to Alstom to provide and install PC1 Conveyor structural modifications for Spurlock Power Station Units No. 1 and No. 2 Coal Handling System at a cost of \$3,150,500, and authorizes the EKPC President and Chief Executive Officer or his designee to execute all documents required to award the contract; and

**Resolved,** That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

#### **F&PS COMMITTEE INFORMATION ITEMS**

No F&PS Committee information items were brought before the Board

#### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

##### **J. K. Smith-(Sideview) North Clark 345 kV Transmission Line—North & South Sections**

After review of the applicable information, a motion was made by Fred Brown and, there being no further discussion, passed to approve the following:

**Whereas**, On July 12, 2005, the Board of Directors ("Board") approved an Amendment to the East Kentucky Power Cooperative's ("EKPC") Rural Utilities Service ("RUS") required Three-Year Work Plan (November 2002 – October, 2005) for the J.K. Smith Transmission outlet plan which included the J. K. Smith – (Sideview) North Clark 345kV transmission line and associated substation facilities. On November 8, 2005, another plan was taken to the Board which authorized EKPC management to accelerate the transmission line and associated substation facilities independent of the addition of generation at J.K. Smith;

**Whereas**, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer ("President and CEO"), or his designee, to award and execute two (2) Construction contracts, one to Irby Construction Company, Inc. in the amount of \$3,420,846.65 for the north section and to Davis H. Elliot Company, Inc. in the amount of \$3,138,064.15 for the south section exclusive of owner furnished materials; and

**Whereas**, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it

**Resolved**, That the President & Chief Executive Officer ("President and CEO"), or his designee, is authorized to award these contracts and execute all documents necessary for the proposed contract price of \$3,420,846.65 for the north section and the proposed contract price of \$3,138,064.15 for the south section exclusive of owner furnished materials, for the construction of 18 miles of 345kV transmission line.

#### Real Property Exchange – Clark County

After review of the applicable information, a motion was made by Fred Brown and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., ("EKPC") is the record owner of approximately 1.73 acres, located in Clark County, Kentucky, which was purchased for the purpose of constructing North Clark (Sideview) 345 kV Transmission Substation and proposes to exchange 1.54 acres of acquired adjacent property to Joseph Ed Starnes and Therese M. Starnes;

**Whereas**, EKPC management and the Power Delivery Committee recommend that the Board authorize the conveyance of this property acquired from Joey and Gulena Reffett and Janet Belcher Smallwood and Timothy Smallwood to Joseph Ed Starnes and Therese M. Starnes;

**Whereas**, The conveyance of 1.73 acres of land in exchange for 1.54 acres will have no impact on present or future operations of EKPC;

**Whereas,** It is the opinion of management that the exchange of property represents a fair and reasonable approximation of the fair market value of the property; and

**Whereas,** EKPC management and the Power Delivery Committee in compliance with the corporate goals and objectives to strategically manage costs and optimize use of assets recommended that said property be conveyed to Joseph Ed Starnes and Therese M. Starnes; now therefore, be it

**Resolved,** That the EKPC board of Directors hereby approves the conveyance of 1.73 acres of real estate, being a part of the property know as the North Clark (Sideview) Substation site in exchange for 1.54 acres. The President and Chief Executive Officer of EKPC or his designee shall have the authority to execute any and all documents or take other steps as necessary to consummate this conveyance.

#### **PD COMMITTEE INFORMATION ITEMS**

PD Committee Chairman Fred Brown reported that the Committee heard a report by Jim Lamb on generation and transmission facilities. Also presented to the Committee was an update by John Twitchell on NERC standards. Mr. Brown suggested that at some future time, Mr. Twitchell provide the same presentation to the whole Board.

#### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

#### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

#### **AGENDA ITEMS FOR NEXT AGENDA**

No agenda items for the next agenda were brought before the Board.

#### **OTHER BUSINESS**

Directors' Per Diem -- Director Rick Stephens made a suggestion that the Board of Directors review Directors' per diem to consider reducing same until certain equity or margins are met. Chairman Stratton said that would be taken under advisement and reviewed.

## RECESS FOR ANNUAL MEETING

The Chairman declared the meeting recessed at 12:00 noon, with the Board to reconvene for an organizational meeting on Tuesday, June 13, 2006, immediately following the adjournment of the Annual Meeting of Members.

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## RECONVENING AND ELECTION OF OFFICERS

At the Annual Meeting of Members held June 13, 2006, during the Board recess, the following directors and alternate directors were elected:

<u>Cooperative</u>	<u>Director</u>	<u>Alternate Director</u>
Big Sandy RECC	Wade May	Bobby Sexton
Blue Grass ECC	E. A. Gilbert	Daniel Brewer
Clark EC	William P. Shearer	Paul G. Embs
Cumberland Valley EI	Elbert Hampton	Ted Hampton
Farmers RECC	Randy Sexton	Jackie Browning
Fleming-Mason EC	Lonnie Vice	Anthony Overbey
Grayson RECC	Donnie Crum	Carol H. Fraley
Inter-County E	Daniel Divine	James Jacobus
Jackson EC	Fred Brown	Donald R. Schaefer
Licking Valley RECC	Michael Adams	Bill Duncan
Nolin RECC	A. L. Rosenberger	Michael Miller
Owen EC	Hope Kinman	Robert Marshall
Salt River EC	Jimmy Longmire	Larry Hicks
Shelby EC	R. Wayne Stratton	Dudley Bottom, Jr.
South Kentucky RECC	Richard Stephens	Allen Anderson
Taylor County RECC	P. D. Depp	Barry Myers

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By consensus of the Board, and for purposes of conducting the election of officers, General Counsel Dale Henley acted as Temporary Chairman and reconvened the regular meeting back to order at 10:55 a.m. on Tuesday, June 13, 2006, at the Clark County Cooperative Extension Office, 1400 Fortune Drive, Winchester, and directed that the newly elected Directors and Alternate Directors be listed in the minutes of the meeting. All systems were represented. After reviewing the customary procedures for the election of officers, Mr. Henley then continued with election of officers for Chairman of the Board, Vice Chairman of the Board, and Secretary-Treasurer.

Chairman of the Board – R. Wayne Stratton

Fred Brown nominated Wayne Stratton for Chairman of the Board, with the motion seconded by E. A. Gilbert and, there being no other nominations, the motion was passed unanimously and the temporary Chairman declared Wayne Stratton elected as Chairman of the Board.

Vice Chairman of the Board – Lonnie Vice

Danny Divine nominated Lonnie Vice for Vice Chairman of the Board, with the motion seconded by Hope Kinman and, there being no other nominations, the motion was passed unanimously and the temporary Chairman declared Lonnie Vice elected as Vice Chairman of the Board.

Secretary-Treasurer – A. L. Rosenberger

E. A. Gilbert nominated A. L. Rosenberger for Secretary-Treasurer of the Board, with the motion seconded by Mike Adams and, there being no other nominations, the motion was passed unanimously and the temporary Chairman declared A. L. Rosenberger elected as Secretary-Treasurer of the Board.

Board Chairman Wayne Stratton came forward to conduct the remainder of the meeting.

Each elected officer thanked the members of the Board and pledged to serve to the best of his ability.

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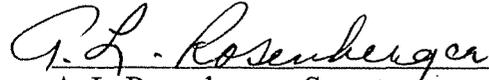
**OTHER BUSINESS**

No other business was brought before the Board.

There being no further business, the EKPC Board meeting was adjourned at 10:56 a.m.

EKPC Board Meeting Minutes  
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June 12-13, 2006

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A. L. Rosenberger, Secretary

Approved:

  
R. Wayne Stratton  
Chairman of the Board

Date: 7/11/06

June 30, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on **Tuesday, July 11, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**A G E N D A**

- I. **CALL TO ORDER**
- II. **INVOCATION**
- III. **ROLL CALL**
- IV. **ACTION ON PREVIOUS BOARD MINUTES**
- V. **ADOPTION OF AGENDA**
- VI. **REPORT OF OFFICERS**
  - A. Report of Directors' Fees and Expenses for the Second Quarter of 2006 by Secretary-Treasurer Rosenberger.
- VII. **BUSINESS MANAGEMENT PLAN**
- VIII. **AUDIT COMMITTEE ITEMS**

William Shearer, Chairman

  - A. **Board Action Requested:**
    1. Acceptance of Depreciation Study and Authorization to Submit the Depreciation Study to RUS and KY PSC – EAMES/OLIVA
  - B. **Information and Discussion Items:**

**IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**

\_\_\_\_\_, Chairman

**A. Board Action Requested:**

1. Approval of Resolution to Honor Neil Pendygraft - PALK
2. Approval for Severance Bonus for Neil Pendygraft - PALK

**B. Information and Discussion Items:**

**X. FUEL & POWER SUPPLY COMMITTEE ITEMS**

\_\_\_\_\_, Chairman

**A. Board Action Requested:**

1. Approval to Close Out Contract E17 and E21 with Flowserve Corporation for Condensate Pumps and Boiler Feed Pumps, respectively, for Gilbert Unit at Spurlock Power Station - DIALS
2. Approval to Close Out Contract E6 with Yuba Heat Transfer, LLC for Feedwater Heaters for Gilbert Unit at Spurlock Power Station - DIALS
3. Approval to Close Out Contract E8 with Ecodyne Limited for the Deareator for Gilbert Unit at Spurlock Power Station - DIALS
4. Approval to Close Out Contract E16 with ITT Industries for the Circulating Water Pump for Gilbert Unit at Spurlock Power Station - DIALS
5. Approval to Close Out Contract E222 with Marley Cooling Towers for the Cooling Tower for Gilbert Unit at Spurlock Power Station - DIALS
6. Approval to Close Out Contract E212 with Dearborn Midwest for Coal Handling Modifications to Units No. 1 and 2 at Spurlock Power Station - DIALS
7. Approval to Award Contract D262 to Baker Concrete Company for Substructure for the unit No. 2 Scrubber at Spurlock Power Station - DIALS

8. Approval of Coal Supply Contracts with Massey Coal Sales Company, Inc., and B&N Coal, Inc., for Gilbert Unit at Spurlock Power Station - DIALS
9. Approval of Coal Supply Contract Amendment with National Coal Corporation for Cooper Power Station - DIALS

**B. Information and Discussion Items:**

**XI. POWER DELIVERY COMMITTEE ITEMS**

\_\_\_\_\_, Chairman

**A. Board Action Requested:**

1. Approval of Marion County 161-138 kV, 140 MVA transformer replacement with a new 200 MVA transformer, and subsequent rewind of the existing 140 MVA transformer, to serve as an EKPC system spare and Amendment of EKPC Three Year Work Plan (November 2005-October 2008) - LAMB

**B. Information and Discussion Items:**

**XII. MEMBER SYSTEM NEEDS**

**XIII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Coordinated Planning  
Finance  
Governmental Affairs  
Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIV. AGENDA ITEMS FOR NEXT AGENDA**

**XV. OTHER BUSINESS**

**XVI. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary  
c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
JULY 11, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday July 11, at 12:25 p.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Carol Fraley gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire+	Salt River
Bobby Sexton, Alternate	Big Sandy
A. L. Rosenberger	Nolin
William Shearer	Clark Energy
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

Farmers and South Kentucky were not represented.

**BOARD MINUTES**

On motion of P. D. Depp, seconded by Elbert Hampton, the minutes of the June 12-13, 2006, board meeting were approved.

**ADOPTION OF AGENDA**

On motion of Elbert Hampton, seconded by Jimmy Longmire, the Agenda was adopted as mailed.

**REPORT OF THE OFFICERS**

Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

EKPC Board Meeting Minutes  
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July 11, 2006

Report of the Secretary-Treasurer

Secretary/Treasurer A. L. Rosenberger reported on his review of directors' fees and expenses for the second quarter of 2006, which indicated that all fees and expenses were in compliance with Board Policy No. 111, Compensation of Directors. The written report was included in each Director's Board book.

**BUSINESS MANAGEMENT PLAN**

Gary Crawford reviewed and fielded questions on the Business Management Plan as included in the Board book. Mr. Crawford also referenced the following reports included in the Board book:

- Generation & Transmission Coordinated Schedules under Power Delivery Committee information items, and
- The E. A. Gilbert generation project costs and the Spurlock No. 4 generation projects costs within the Finance Division Monthly Report.

**AUDIT COMMITTEE ACTION ITEMS**

Depreciation Study

After review of the applicable information, a motion was made by Bill Shearer and, there being no further discussion, passed to approve the following:

**Whereas**, As part of the Settlement Agreement contained in the Kentucky Public Service Commission ("Commission") Order implementing the Environmental Surcharge, East Kentucky Power Cooperative, Inc. ("EKPC") agreed to have a depreciation study performed on all its assets within two years from the date of the Order;

**Whereas**, EKPC also agreed to file an application seeking approval of the Commission for the rates contained in the depreciation study for accounting and ratemaking purposes, and to seek Rural Utilities Service ("RUS") approval;

**Whereas**, EKPC selected Gannett Fleming, Inc. ("Gannett Fleming") to perform the depreciation study and has received the final report;

**Whereas**, EKPC agrees with the findings contained in the Gannett Fleming depreciation study and needs approval from the Commission and RUS to implement the asset life extensions contained in this study;

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Page 3  
July 11, 2006

**Whereas**, EKPC has submitted the depreciation study to the Commission and RUS for approval, and RUS has requested that the study be accepted by the EKPC Board of Directors (the "Board"); and

**Whereas**, The Audit Committee has considered the results of this study, and recommends that the Board accept the findings contained in the Gannett Fleming depreciation study and ratify EKPC's submission of the depreciation study for RUS and Commission approval; now, therefore, be it

**Resolved**, That the EKPC Board hereby accepts the findings contained in the Gannett Fleming depreciation study and ratifies EKPC's submission of the depreciation study for RUS and Commission approval.

#### **AUDIT COMMITTEE INFORMATION ITEMS**

No Audit Committee information items were brought before the Board.

#### **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

##### Honoring Pendencygraft

After review of the applicable information, a motion was made by Donnie Crum and passed to approve the following:

**Whereas**, The East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") expresses its appreciation for the many contributions made by Neil Pendencygraft for his leadership and support of EKPC's many programs and projects; for his guidance as a director representing Farmers Rural Electric Cooperative Corporation; for his untiring efforts in building a strong rural electric program in Kentucky; and for his total commitment toward a better community, state, and nation; now, therefore, be it

**Resolved**, That the EKPC Board does hereby convey upon Neil Pendencygraft its most sincere thanks and best wishes.

##### Pendencygraft Severance

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas**, The East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") deems it fitting to recognize the distinguished service of its members to EKPC;

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July 11, 2006

**Whereas**, Neil Pendygraft, as a member from June 8, 2004, to June 13, 2006, and representing Farmers Rural Electric Cooperative Corporation, has given this Board two years of dedicated and distinguished service;

**Whereas**, Pursuant to its original resolution of May 9, 1995, and most recent modification on March 19, 2002, the Board has determined that upon cessation of service from the Board, a regular director may receive a severance bonus in an amount commensurate with such director's service to the Board; and

**Whereas**, Management and the Operations, Services and Support Committee recommend that the Board set the severance bonus for Mr. Pendygraft in accordance with said resolutions; now, therefore, be it

**Resolved**, That the Board hereby awards a severance bonus of \$1,600.00 to Neil Pendygraft for his service to EKPC.

#### **OSS COMMITTEE INFORMATION ITEMS**

OSS Committee Chairman Donnie Crum noted that in response to several questions, Ann Wood briefly discussed Net Margins and end-of-year projections.

In response to a question regarding the 2006 budget, Ann Wood reviewed the Net Margins report included in the Board book and the Forecast Update included in the Business Management Plan. She reviewed the depreciation study recommendations with the Committee, noting that the depreciation study recommendations are not incorporated into the Forecast Update

#### **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

##### Close-Out of Contracts E17 & E21 with Flowserve Corp. – Gilbert Unit at Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the February 2002 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting the Board of Directors ("Board") approved the award of a contract to Flowserve Corporation ("Flowserve") to provide condensate pumps (Contract E17) and boiler feed pumps (Contract E21) required for the Gilbert Unit at the H. L. Spurlock Power Station;

**Whereas**, The original Contract E17 price was \$232,610 for the condensate pumps;

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July 11, 2006

**Whereas,** One change order was added to the original contract for \$3,446, for a total contract price of \$236,056;

**Whereas,** As this material has been installed and tested, it is recommended that this contract be closed out;

**Whereas,** The original Contract E21 price was \$1,721,929 for the boiler feed pumps;

**Whereas,** Two change orders were added to the original contract for a net decrease of \$13,848, for a total contract price of \$1,708,081;

**Whereas,** As this material has been installed and tested, it is recommended that this contract be closed out;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the close out of Contract E17 and E21; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the close out of Contract E17 and E21 with Flowserve for providing the condensate pumps for a total of \$236,056 and the boiler feed pumps at a total of \$1,708,081, respectively, for the Gilbert Unit at Spurlock Station, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out these contracts.

**Close-Out of Contract E6 with Yuba Heat Transfer, LLC – Gilbert Unit at Spurlock Station**

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** At the December 2001 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting, the Board of Directors ("Board") approved the award of a contract to Yuba Heat Transfer ("Yuba") to provide feedwater heaters required for the Gilbert Unit at the H. L. Spurlock Power Station;

**Whereas,** The original Contract E6 price was \$728,185 for the feedwater heaters;

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**Whereas,** Three change orders were added to the original contract for a total of \$9,704, for a total contract price of \$737,889;

**Whereas,** As this material has been installed and tested, it is recommended that this contract be closed out;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the close out of Contract E6; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the close out of Contract E6 with Yuba for providing the required feedwater heaters for a total of \$737,889 for the Gilbert Unit at Spurlock Station, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Close-Out of Contract E8 with Ecodyne Limited -- Gilbert Unit at Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** At the December 2001 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting, the Board of Directors ("Board") approved the award of a contract to Ecodyne Limited ("Ecodyne") to provide a deaerator required for the Gilbert Unit at the H. L. Spurlock Power Station;

**Whereas,** The original Contract E8 price was \$192,500 for the deaerator;

**Whereas,** There were no change orders added to the original contract;

**Whereas,** As this material has been installed and tested, it is recommended that this contract be closed out;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the close out of Contract E8; now, therefore, be it

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**Resolved**, That the EKPC Board hereby approves the close out of Contract E8 with Ecodyne for providing the required deaerator for a total of \$192,500 for the Gilbert Unit at Spurlock Station, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

**Close-Out of Contract E16 with ITT Industries -- Gilbert Unit at Spurlock Station**

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the February 2002 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting, the Board of Directors ("Board") approved the award of a contract to ITT Industries ("ITT") to provide circulating water pumps required for the Gilbert Unit at the H. L. Spurlock Power Station;

**Whereas**, The original Contract E16 price was \$611,700 for the circulating water pumps, with no change orders added;

**Whereas**, As this material has been installed and tested, it is recommended that this contract be closed out;

**Whereas**, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the close out of Contract E16; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the close out of Contract E16 with ITT Industries for providing the required circulating water pumps for a total of \$611,700 for the Gilbert Unit at Spurlock Station, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

**Close-Out of Contract E222 with Marley Cooling Tower -- Gilbert Unit at Spurlock Station**

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the February 2002 East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") Meeting a contract was awarded to Marley Cooling Tower

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("Marley") to provide and construct a cooling tower for the Gilbert Unit at Spurlock Power Station ("Spurlock");

**Whereas**, The original approved contract amount was \$2,382,600;

**Whereas**, One change order was obtained for an increase of \$949, with a final contract price of \$2,383,549;

**Whereas**, This cooling tower has been constructed and is in operation, therefore, it is recommended that this contract be closed out;

**Whereas**, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E222; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the close out of Contract E222 with Marley for providing and constructing the cooling tower for the Gilbert Unit at Spurlock Station for a final contract price of \$ 2,383,549, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Close-Out of Contract 212 with Dearborn Mid-West Conveyor – Gilbert Unit at Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the February 2005 East Kentucky Power Cooperative, Inc. ("EKPC") Board Meeting a contract was awarded to Dearborn Mid-West Conveyor Company ("Dearborn") for modifications to the coal-handling equipment on Units 1 and 2 at Spurlock Power Station ("Spurlock");

**Whereas**, The original approved contract amount was \$4,887,900;

**Whereas**, Change orders, required primarily for modifications to controls and additional work in the surge bin area, were obtained for an increase of \$987,533, with a final contract price of \$5,875,433;

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**Whereas**, This work has been completed satisfactorily, therefore, it is recommended that this contract be closed out and final payment made of \$299,701.27;

**Whereas**, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E212; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the close out and final payment of \$299,701.27 be made for Contract E212 with Dearborn for modifications to the coal-handling system for Units 1 and 2 at Spurlock Station for a final contract price of \$5,875,433, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Award of Contract D262 to Baker Concrete Construction, Inc. – Construction & Financing for Substructure for Unit No. 2 Scrubber at Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the July 2005 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting the EKPC Board of Directors ("Board") approved the engineering, purchase, and construction of a Limestone Scrubber at Spurlock Power Station on Unit 2 at an estimated cost of \$175.6 million;

**Whereas**, On May 15, 2006 requests for proposals were sent to Kokosing of Westerville, Ohio and to Baker Concrete Construction, Inc. ("Baker") of Monroe, Ohio to provide substructures for the Spurlock Scrubber Unit 2 Project;

**Whereas**, A letter was received from Kokosing on May 22, 2006 declining to bid;

**Whereas**, A proposal was received from Baker on June 9<sup>th</sup> and the bids were opened on June 12<sup>th</sup> with Mr. Gilbert of the Contracting Subcommittee attending;

**Whereas**, Baker's base bid was \$5,370,000 with the engineer's estimate being \$5,250,000;

**Whereas**, We asked for a price (Alternate 1) to furnish and install 4' diameter HDPE ash settling basin drain line and Baker's quoted price was \$60,000 with the engineer's estimate being \$80,000;

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**Whereas**, This project is in the 2006 Budget and Work Plan and the latest Three Year Construction Work Plan;

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Baker provide and install the substructure required for the Spurlock Unit 2 Scrubber at a firm price of \$5,430,000, including Alternate 1; and

**Whereas**, The purchase and installation of this substructure supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

**Resolved**, That the EKPC Board hereby approves the award of a contract (D262) to Baker for \$5,430,000 to supply and install substructure for the Spurlock Unit 2 Scrubber Project, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract; and

**Resolved**, That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Coal Supply Contracts with Massey Coal Sales Co., Inc. and B&N Coal, Inc. for Gilbert Unit of Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., ("EKPC") had a coal supply contract with Charolais Coal Sales, LLC, for the Gilbert Unit at Spurlock Power Station with a market reopener between January 1, 2006, and March 31, 2006;

**Whereas**, EKPC issued an invitation for competitive proposals on December 21, 2005, seeking to obtain coal pricing and availability for this reopener;

**Whereas**, Contract supply proposals for the Gilbert Unit were opened on January 27, 2006, with Director E. A. Gilbert in attendance and were reviewed and evaluated;

**Whereas**, Management negotiated with Charolais for the continuation of their coal supply contract at the pricing obtained from the December 21, 2005, solicitation;

**Whereas**, An acceptable price with Charolais could not be obtained, and the contract was terminated by mutual agreement;

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July 11, 2006

**Whereas**, Management has negotiated with the two most competitive suppliers from the solicitation to arrive at the best contract terms & conditions to replace tons being received from Charolais;

**Whereas**, The recommended contracts will enable EKPC to generate power for the lowest cost possible for its Member Systems and supports EKPC's key measures for reliable and competitive energy costs; and

**Whereas**, EKPC management and the Fuel and Power Supply Committee have reviewed the contract terms and conditions, find them to be reasonable, and recommend the approval of coal supply contracts with Massey Coal Sales Company, Inc., ("Massey") and B & N Coal, Inc. ("B & N"); now therefore, be it

**Resolved**, That the EKPC Board of Directors hereby approves a coal supply contract with Massey for 10,000 tons of coal per month at a beginning delivered price of \$1.147/MMBtu and a coal supply contract with B & N for 10,000 tons of coal per month at a beginning delivered price of \$1.136/MMBtu, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute said contract based on the terms presented herein and in the Executive Summary.

Amendment to Coal Supply Contract with National Coal Corporation—Cooper Power Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., ("EKPC") has a coal supply contract with National Coal Corporation ("National") with a market price reopener between June 1, 2006, and July 31, 2006;

**Whereas**, Invitations for competitive proposals were requested on March 29, 2006, seeking to obtain coal pricing and availability for this reopener;

**Whereas**, Contract supply proposals for Cooper Power Station were opened on May 4, 2006, with Director E. A. Gilbert in attendance and were reviewed and evaluated;

**Whereas**, Management has negotiated with competitive suppliers to arrive at the best contract terms and conditions;

**Whereas**, Management has negotiated a coal supply contract amendment with National to cover a term from October 1, 2006, through September 30, 2010, with a market price reopener in June 2008;

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July 11, 2006

**Whereas,** The recommended coal contract amendment will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems and supports EKPC's key measures for reliable and competitive energy costs; and

**Whereas,** EKPC management and the Fuel and Power Supply Committee have reviewed the contract amendment terms and conditions, find them to be reasonable, and recommend the approval of a coal supply contract amendment with National; now, therefore, be it

**Resolved,** That the EKPC Board of Directors hereby approves a coal contract amendment with National based on the terms presented herein and in the Executive Summary; and the President and Chief Executive Officer, or his designee, is hereby authorized to execute said coal contract amendment and make minor revisions if needed.

#### **F&PS COMMITTEE INFORMATION ITEMS**

No F&PS Committee information items were brought before the Board

#### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

##### Marion County Transformer

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

**Whereas,** East Kentucky Power Cooperative, Inc., ("EKPC") engineering studies have confirmed the necessity and advisability of the following projects included in the July 11, 2006 Amendment to the EKPC Rural Utilities Service ("RUS") approved Three-Year Work Plan (November 2005-October 2008):

Marion County 161/138 kV, 140 MVA transformer replacement with 200 MVA transformer. \$1,061,000

Marion County 161/138 kV, 140 MVA transformer rewind, subsequent to replacement with 200 MVA transformer as outlined above. \$371,000

**Whereas,** Review by the Power Delivery ("PD") Committee and approval of the EKPC Board of Directors ("Board") is required for the construction and financing of these projects pursuant to Board Policies No. 103 and 106;

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**Whereas,** The current EKPC Three-Year Work Plan (November 2005-October 2008) dated November 2005, has been submitted to RUS for approval, which requires that any amendment thereto be approved by the Board and;

**Whereas,** EKPC management and the PD Committee recommend that the Board amend the current EKPC RUS approved Three Year Work Plan; and approve the construction of these projects, the acquisition of all real property and easement rights, by condemnation if necessary, and the obtaining of permits and approvals necessary and desirable for these projects; and approve the financing of these projects with general funds, subject to reimbursement from construction loan funds, should they become available; and

**Whereas,** This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality; now, therefore, be it

**Resolved,** That EKPC management is authorized to amend the current EKPC RUS approved Three-Year Work Plan to include the above projects, summarized in more detail in the attached Executive Summary;

**Resolved,** That approval is hereby given for construction of said projects included in the July 11, 2006 Amendment to the EKPC Three-Year Work Plan (November 2005-October 2008), at an estimated total cost of \$1,432,000, and for the acquisition of all real property and easement rights, by condemnation if necessary, as well as all necessary permits and approvals for these projects; and

**Resolved,** That approval is hereby given to amend the EKPC Annual Budget and Work Plan to include the projects and to finance them with general funds, subject to reimbursement from construction loan funds, should they become available.

#### **PD COMMITTEE INFORMATION ITEMS**

PD Committee Chairman Mike Adams reported that Mary Jane Warner updated the committee regarding construction projects and John Twitchell reported on the June meeting on NERC standards.

#### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

#### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

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#### AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.

#### OTHER BUSINESS

##### EXECUTIVE SESSION

At 1:15 p.m. the Board Chairman asked for the meeting to go into Executive Session, and a motion was made, seconded, and passed to do so. Remaining for the Executive Session were Directors, Alternate Directors, Roy Palk, Richard Byrne, and Gerald Hayes. Della Damron stayed to assist with the minutes. The purpose of the Executive Session was for Consultant Richard Byrne to present his report.

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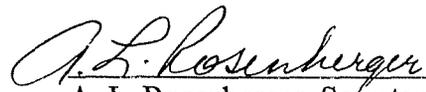
The minutes of the remainder of the **Executive Session** are included in the separate July 11, 2006, Executive Session Minutes of the regular Board meeting.

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No other business was brought before the Board.

There being no objection, the Chairman adjourned the Executive Session and the Board meeting at 2:10 p.m.

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A. L. Rosenberger, Secretary

Approved:

  
R. Wayne Stratton  
Chairman of the Board

Date: August 8, 2006

## Board Agenda Item

JULY

**TO:** Fuel and Power Supply Committee and Board of Directors

**FROM:** Roy M. Palk *Roy M. Palk*

**DATE:** June 30, 2006

**SUBJECT:** Approval of Coal Supply Contracts With Massey Coal Sales Company, Inc., and B & N Coal, Inc.—Gilbert Unit at Spurlock Power Station (Executive Summary)

**KEY MEASURE(S)** This Supports Reliable and Competitive Energy Costs

### Background

East Kentucky Power Cooperative, Inc., (“EKPC”) entered into a 69-month coal supply contract with Charolais Coal Sales, LLC, (“Charolais”) of Madisonville, Kentucky, for shipments of 240,000 tons of coal per year beginning April 1, 2005. This contract called for a market reopener to occur between January 1, 2006, and March 31, 2006.

EKPC issued an invitation for competitive proposals to determine the market price to be used in this reopener. These bids were received on January 25, 2006, and opened on January 27, 2006, with Director E. A. Gilbert in attendance. Negotiations then began between Charolais and EKPC to establish a price for the remaining five years of the contract. An acceptable price could not be reached between the two parties, and the contract was terminated by mutual agreement. The fuel process then began negotiations with competitive suppliers from the solicitation.

After carefully evaluating the suppliers, management elected to issue two contracts of 120,000 tons per year each to replace the 240,000 tons per year contract held by Charolais. Massey Coal Sales Company, Inc., (“Massey”) and B & N Coal, Inc., (“B & N”) submitted the two most competitive bids and are being recommended by management as the contract coal suppliers.

The negotiated coal contract with Massey will begin August 1, 2006, at a rate of 10,000 tons per month for 60 months. The delivered price will be \$1.147/MMBtu. The price shall be fixed through June 2008. A market reopener will occur between the dates of April 1, 2008, and June 30, 2008.

## Board Agenda Item

JULY

The negotiated coal contract with B & N will also begin August 1, 2006, at a rate of 10,000 tons per month for 60 months. The delivered price will be \$1.136/MMBtu. Eighty-five percent of the base price shall escalate in direct proportion to changes in the *Producer's Price Index for Industrial Commodities Less Fuels* on a yearly basis. Fifteen percent of the base price shall escalate in direct proportion to changes in the index for No. 2 diesel fuel as reported by the U. S. Department of Labor. The first fuel escalation shall be August 1, 2006, and each three succeeding months thereafter. A market reopener will occur between the dates of October 1, 2008, and November 30, 2008.

Both of these contracts will be shipped by barge.

### Justification and Strategic Analysis

These recommended contract purchases will provide EKPC with a dependable supply of contract coal for the Gilbert Unit. This recommendation supports EKPC's key measures for reliable and competitive energy costs.

### Recommendation

Management recommends that the Board of Directors approve the following coal supply contracts:

Massey Coal—120,000 tons per year starting August 1, 2006, for five years at a beginning delivered price of \$1.147/MMBtu loaded at the Mammoth Dock on the Kanawha River.

B & N Coal—120,000 tons per year starting August 1, 2006, for five years at a beginning delivered price of \$1.136/MMBtu. The coal will be loaded at the MIE Dock on the Ohio River.

eh/gv  
Attachment

Date: 06/13/2006  
Event Nbr: 61  
Bid End Date: 01/25/2006

**FUEL EVALUATION FOR GILBERT UNIT NO. 3**

**CONTRACT REOPENER**

Coal Supplier	Number	% Ash	Quality Btu % Sulfur	Tons	Term	Limestone Ash		Weekly Freight		Delivery		Evaluated Cost	
						Cost \$/Ton	% Sulfur	Cost \$/Ton	% Sulfur	Cost \$/Ton	% Sulfur	\$	MMBtu
B & N Coal Noble Weekly / Non-Union / Producer	2	20.00	11,000 5.50 20.00	20,000	60	2.336 3.126	0.424	22.000	0.110	2.986	24.986	1.136	30.983 1.408 <i>Recommended</i>
Massey Utility Boone Weekly / Non-Union / Producer	1	25.00	10,800 5.25 25.00	20,000	60	2.230 2.984	0.530	20.500	0.103	4.280	24.780	1.147	30.627 1.418 <i>Recommended</i>
Coalsales LLC Webster Monthly / Non-Union / Producer	5	14.00	11,800 4.08 14.00	15,000	24	1.733 2.319	0.297	28.650		5.300	33.950	1.439	38.299 1.623
Black Gold Belmont Weekly / Non-Union / Broker	11	30.00	9,000 4.50 30.00	20,000	24	1.912 2.558	0.636	21.060	0.105	3.647	24.707	1.373	29.918 1.662
Oxford Mining Belmont Weekly / Non-Union / Producer	3	18.00	11,400 5.60 18.00	10,000	36	2.379 3.183	0.382	28.500	0.143	3.647	32.147	1.410	38.233 1.677
Black Gold Belmont Weekly / Non-Union / Broker	12	30.00	9,000 4.50 30.00	20,000	57	1.912 2.558	0.636	22.100	0.111	3.647	25.747	1.430	30.963 1.720
Coalsales LLC Webster Monthly / Non-Union / Producer	4	22.00	10,000 4.62 22.00	15,000	24	1.963 2.626	0.466	25.570		5.490	31.060	1.553	36.115 1.806

**Cost Factors used in Gilbert Model**  
 Weekly Pay Factor: \$0.005  
 Price of Limestone: \$7.40  
 Limestone Reactivity: 87.00 %  
 Ash Landfill Cost: \$2.12  
 SO2 Cost/Ton: \$1,421.00



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Attachment A, Page 4 of 4

**FUEL EVALUATION FOR GILBERT UNIT NO. 3**

**CONTRACT REOPENER**

Date: 06/13/2006  
Event Nbr: 61  
Bid End Date: 01/25/2006

Coal Supplier	Number	% Ash	Quality Btu	Moins	Term	Limestone Sulfur Cost/Short Ton	Ash Landfill Cost/Short Ton	Weekly Freight Cost/Short Ton	Weekly Cost/Short Ton	Freight Cost/Short Ton	Delivery Cost/Short Ton	Delivery Cost/Short Ton	Estimated Cost/Short Ton
American Innovation Various KY	10	10,800	20,000	24	2.294	0.382	30,000	0.150	4.824	34.824	1.612	40.719	1.885
Weekly /Non-Union /Producer		5.40			3.069								
Coalsales, LLC Oakland IN	6	11,000	15,000	24	1.436	0.212	28,650		10,500	39.150	1.780	42.719	1.942
Monthly/Non-Union /Producer		3.38			1.921								
Providence Energy Williamson IL	8	11,600	20,000	12	1.139	0.212	37,200		5,427	42.627	1.837	45.501	1.961
Monthly/Non-Union /Producer		2.68			1.523								
Etta-Mae Inc Lawrence OH	13	11,000	3,200	36	1.593	0.254	37,450		1,706	39.156	1.780	43.135	1.961
Monthly/Non-Union /Producer		3.75			2.132								
Providence Energy Williamson IL	9	11,600	20,000	55	1.139	0.212	40,300		5,427	45.727	1.971	48.601	2.095
Monthly/Non-Union /Producer		2.68			1.523								
Coalsales, LLC Coulterville IL	7	11,000	15,000	24	1.317	0.212	30,750		14,000	44.750	2.034	48.041	2.184
Monthly/Non-Union /Producer		3.10			1.762								

**Cost Factors used in Gilbert Model**  
 Weekly Pay Factor: \$0.005  
 Price of Limestone: \$7.40  
 SO2 Cost/Ton: \$1,421.00  
 Limestone Reactivity: 87.00 %  
 Ash Landfill Cost: \$2.12

## Board Agenda Item

JULY

**TO:** Fuel and Power Supply Committee and Board of Directors

**FROM:** Roy M. Palk *Ray M. Palk*

**DATE:** June 30, 2006

**SUBJECT:** Approval of a Coal Supply Contract Amendment No. 1 with National Coal Corporation—Cooper Power Station (Executive Summary)

**KEY MEASURE(S)** This Supports Reliable and Competitive Energy Costs

### Background

East Kentucky Power Cooperative, Inc., (“EKPC”) entered into a four-year coal supply contract for Cooper Power Station with National Coal Corporation (“National”) of Knoxville, Tennessee, for shipments of 120,000 tons per year beginning October 2004. The contract called for a market reopener to occur between June 1, 2006, and July 31, 2006.

EKPC issued an invitation for competitive proposals to determine the market price to be used in the reopener. The proposals were received through April 28, 2006, and opened on May 4, 2006, with Director E. A. Gilbert in attendance. Negotiations then began between National and EKPC to establish a price for the final two years of the agreement. National has agreed to increase the base tonnage from 10,000 tons per month to 15,000 tons per month from its Turley, Elk Valley, and Smoky Junction operations at a delivered price of \$2.276/MMBtu or \$56 per ton. The contract price will be fixed except for a quarterly diesel fuel adjustment, which is approximately 5 percent of the delivered price. National has agreed to an additional two-year term on the contract beginning in October 2008 with a market price reopener in June 2008.

The coal will be delivered by truck. EKPC also has the option of rail deliveries via the Norfolk Southern Railroad. The responsive proposals have been evaluated, and the Fuel Evaluation Report is attached. The average projected SO<sub>2</sub> allowance of \$860 per ton for the term of the contract was used for this evaluation.

The recommended price for the National coal is well within the market price range for similar coals as the contract requires. ICG, LLC, the lowest proposal, was not recommended at this time because it is a high-ash, off-specification coal, and the plant is

## Board Agenda Item

JULY

not comfortable with the addition of more off-specification contract coal. They currently have a two-year contract at Cooper Power Station for 10,000 tons per month of off-specification coal.

### **Justification and Strategic Analysis**

This recommended contract amendment will provide an adequate fuel supply source for EKPC's generating units and will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems. This recommendation supports EKPC's key measures for reliable and competitive energy costs.

### **Recommendation**

Management recommends that the Board of Directors approve the coal supply contract amendment to National for 720,000 tons of coal beginning October 1, 2006, and continuing through September 30, 2010, at a beginning delivered price of \$2.276/MMBtu.

hr/gv  
Attachment

EKPC Board Minutes for 7/11/2006  
Attachment B, Page 3 of 4

Date: 06/22/2006  
Event Nbr: 68  
Bid End Date: 04/28/2006

FUEL EVALUATION FOR COOPER POWER STATION

**CONTRACT REOPENER**

Coal Supplier	Quantity / Month	% Ash	Boiler / Producer	Term	ASR / Boiler	SO <sub>2</sub> / Ton	Weekly Cost	Freight / Ton	Delivery Cost	Weekly Cost	Freight / Ton	Delivery Cost	Weekly Cost	Freight / Ton	Delivery Cost	Evaluated Cost
ICG LLC Perry Monthly / Non-Union / Producer	6	11,000	1.00	18.00	24	3.647	17,200	47,810	47,810	2.173	47,810	2.173	68,657	3.121	68,657	3.121
National Coal Scott Weekly / Non-Union / Producer	11	12,300	1.35	11.00	24	1.993	23,220	56,000	56,000	0.280	56,000	2.276	81,493	3.313	81,493	3.313
Dixie Fuel Co Brieville Weekly / Non-Union / Producer	5	12,000	1.30	12.00	12	2.229	22,360	56,500	56,500	0.283	56,500	2.354	81,371	3.390	81,371	3.390
Trinity Coal Perry Weekly / Non-Union / Broker	9	12,000	2.03	12.00	30	2.229	34,916	44,250	44,250	0.221	44,250	1.844	81,616	3.401	81,616	3.401
Century Coal LLC Bell Weekly / Non-Union / Producer	2	12,500	1.50	12.00	24	2.140	25,800	58,000	58,000	0.290	58,000	2.320	86,230	3.449	86,230	3.449
Logan & Kanawha Perry Weekly / Non-Union / Broker	7	12,500	2.50	12.00	24	2.140	43,000	45,900	45,900	0.230	45,900	1.836	91,269	3.651	91,269	3.651
CoalTrade LLC Knox Weekly / Non-Union / Producer	3	12,000	1.90	12.00	12	2.229	32,680	53,250	53,250	0.266	53,250	2.219	88,425	3.684	88,425	3.684
Cumberland Elkhorn Harlan Monthly / Non-Union / Broker	4	12,000	1.74	12.00	60	2.229	29,928	47,950	47,950	10,000	57,950	2.415	90,107	3.754	90,107	3.754

Cost Factors used in Model  
Weekly Pay Factor: 0.005  
SO<sub>2</sub> Cost/Ton: \$860.00  
Unit Boiler  
Maintenance Factor: 0.1938



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Attachment B, Page 4 of 4

Date: 06/22/2006  
Event Nbr: 68  
Bid End Date: 04/28/2006

FUEL EVALUATION FOR COOPER POWER STATION

**CONTRACT REOPENER**

Coal Supplier	Number	% Ash	Quality Bin	Tons	Term	Ash Disposed	SO <sub>2</sub>	Weekly Freight		Delivery		Evaluated Cost	
								Cost	/Ton	Cost	/Ton	Cost	/Ton
ICG LLC Perry Monthly / Non-Union / Producer	10	11,850	2.00	10,000	24	2,539	34.400	53.750	53.750	2.268	2.268	90.689	3.827
Massey Utility Martin Weekly / Non-Union / Producer	8	11,700	1.52	20,000	24	2,667	26.144	44.000	64.000	2.735	2.735	93.031	3.976
American Coal Saline Monthly / Non-Union / Producer	1	12,000	1.65	20,000	24	1,578	28.380	46.000	66.000	2.750	2.750	95.959	3.998

Cost Factors used in Model  
Weekly Pay Factor: 0.005 Unit Boiler  
SO<sub>2</sub> Cost/Ton: \$860.00 Maintenance Factor: 0.1938



## Board Agenda Item

JULY

**TO:** Power Delivery Committee and Board of Directors

**FROM:** Roy M. Palk *Roy M. Palk*

**DATE:** June 30, 2006

**SUBJECT:** Approval of Marion County 161-138 kV, 140 MVA transformer replacement with a new 200 MVA transformer, and subsequent rewind of the existing 140 MVA transformer, to serve as an EKPC system spare.

Amendment of EKPC Three Year Work Plan (November 2005-October 2008) (Construction and Finance) (Executive Summary)

**KEY MEASURE(S)** This action supports the delivery of facilities at a competitive cost, on time and of good quality.

### Background

An Amendment to the East Kentucky Power Cooperative ("EKPC")-Rural Utilities Service ("RUS") required Three-Year Work Plan (November 2005-October 2008) identifies the need to replace the existing 140 MVA, 161/138 kV transformer at Marion County Substation, with a new 200 MVA transformer. Subsequent to the replacement, it is proposed that the former 140 MVA transformer bank should be re-wound to serve as an EKPC system spare, in the event of a failure of either the Marion County or Powell County 161/138 kV transformer. These are unbudgeted projects.

This amendment covers the category of projects including:

- (1) New Substations, Substation Additions and/or Modifications

### Justification and Strategic Analysis

Category (1) above consists of facilities related to improvements to the EKPC transmission system.

- A. A field inspection of the existing Marion County 161/138 kV transformer was performed on May 10, 2006 by GE Energy. The results are summarized below:

## Board Agenda Item

JULY

### Work Done:

- Internal inspection of transformer
- Pictures taken

### Found:

- Phase 3 coil showing signs of mechanical failure.
- Paper insulation is split.
- Tubes moving up and down.
- Carbon build-up on bottom of tank, on cables, and core.

### Evaluation:

- Phase 3 coil has internal burning.
- Phase 3 coil showing deformation.

### Recommendation:

- Unit should be taken out of service.
- Unit may fail as soon as energized or within 6 months.
- The reliable life of this unit has been compromised.

In summary, it is judged that the Marion County transformer bank has a relatively high probability of failure and should be replaced.

B. Power Flow analyses were performed to assess the impact of a failure of the Marion County transformer. The results indicate that, if the transformer fails, Transmission Loading Relief procedures (TLR's) could increase. In addition, a subsequent transmission contingency could introduce new overloads on 69 kV facilities in the Marion County, Hodgenville, Stephensburg, and KU Lebanon Substation vicinities. The Marion County 161/138 kV transformer bank is in the path of North-to-South transfers, which occur on a regular basis. For these reasons, it is judged that the Marion County 161/138 kV transformer should be replaced as soon as possible.

C. Power Flow analyses indicate that, for a loss of KU's Brown-Pineville 345 kV Line, the existing 140 MVA transformer at Marion County could exceed its 180 MVA summer emergency rating. Furthermore, this transformer has been subject to TLR's recently based on this rating. For these reasons, it is proposed that the Marion County transformer should be replaced with a larger transformer, with a 200 MVA maximum nameplate rating. The larger 200 MVA transformer should eliminate any potential

## Board Agenda Item

JULY

overload within the foreseeable future. It is currently expected that this replacement can be performed no earlier than June 2007.

EKPC has two (2) 161/138 kV transformer banks (located at Marion County and Powell County substations) for which it does not have a system spare. Both of these transformers are in the path of North-to-South transfers. The Powell County transformer provides critical outlet capability for existing and planned future generation at J.K. Smith. Both transformers need to be in service to insure adequate EKPC transmission reliability. Therefore, following replacement of the Marion County 140 MVA transformer with a 200 MVA transformer (as outlined above), it is proposed that that the remaining 140 MVA transformer should be re-wound to act as a system spare, for a failure of either the Marion County or Powell County transformer. The rewind cost is expected to be no more than 70% of the cost of purchasing a new transformer. It is currently expected that the proposed rewind can be completed no earlier than June 2008.

### Recommendation

Management recommends that the EKPC Board approve an Amendment of the current EKPC RUS approved Three-Year Work Plan (November 2005-October 2008) dated November 2005, to include those projects identified above at an estimated total cost of \$1,432,000 and to approve construction of these projects along with authorization to acquire necessary permits and approvals necessary and desirable to implement these projects.

MS

July 28, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on ***Tuesday, August 8, 2006***, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**AGENDA**

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. ACTION ON PREVIOUS BOARD MINUTES
- V. ADOPTION OF AGENDA
- VI. REPORT OF OFFICERS
- VII. BUSINESS MANAGEMENT PLAN
- VIII. AUDIT COMMITTEE ITEMS  
William Shearer, Chairman
  - A. **Board Action Requested:**  
  
None.
  - B. **Information and Discussion Items:**

**IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**

Donnie Crum, Chairman

**A. Board Action Requested:**

1. RUS Approved Registered Engineers for Signing Inventory of Work Orders Form 219 - EAMES

**B. Information and Discussion Items:**

**X. FUEL & POWER SUPPLY COMMITTEE ITEMS**

Jimmy Longmire, Chairman

**A. Board Action Requested:**

1. Approval of Appointment of Contracting Subcommittee for the Fuel and Power Supply Committee - LILE
2. Approval to Close Out Contract E36 with ABB for Unit Controls for the Gilbert Unit at Spurlock Power Station - DIALS
3. Approval to Award Contract F36 to ABB for Providing Controls Required for Unit No. 4 at Spurlock Power Station - DIALS
4. Approval to Convey 100' Section of EKPC's Property to Cemetery Adjoining Spurlock Power Station's Property - DIALS
5. Approval to Award Contract G201 to Alstom Power, Inc., to Engineer and Furnish the Boiler Island and Associated Equipment for the Construction of a 278 MW Net Circulating Fluid Bed Boiler Unit at the J.K. Smith Power Station - DIALS
6. Approval of Coal Supply Contracts with Trinity Coal Marketing, LLC for Cooper Power Station - DIALS
7. Approval of Coal Supply Contract Amendment No. 8 with Argus Energy, LLC for Spurlock Power Station Units No. 2 and No. 2 - DIALS
8. Approval for Amendment #1 to Contract F251 with Richard Goettle, Inc. to Provide and Drive Piling for Spurlock 4 - DIALS

**B. Information and Discussion Items:**

**XI. POWER DELIVERY COMMITTEE ITEMS**

Mike Adams, Chairman

**A. Board Action Requested:**

1. Approval of 2006-2026 Load Forecast - LAMB

**B. Information and Discussion Items:**

**XII. MEMBER SYSTEM NEEDS**

**XIII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Coordinated Planning  
Finance  
Governmental Affairs  
Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIV. AGENDA ITEMS FOR NEXT AGENDA**

**XV. OTHER BUSINESS**

**XVI. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
AUGUST 8, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday August 8, at 11:45 p.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Donnie Crum gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Ted Hampton, Alternate	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

**BOARD MINUTES**

On motion of Jimmy Longmire, seconded by Lonnie Vice, the minutes of the July 11, 2006, board meeting were approved.

**ADOPTION OF AGENDA**

The Agenda was adopted as mailed.

**EXECUTIVE SESSION**

At 11:48 a.m. the Board Chairman asked for the meeting to go into Executive Session, and a motion was made by Wade May, seconded by Lonnie Vice, and passed to do so. Remaining for the Executive Session were Directors, Alternate Directors, and Roy Palk; as well as Gerald Hayes, and Becky Goad of Warren RECC. Della Damron stayed to assist with the

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minutes. The purpose of the Executive Session was for Consultant Richard Byrne to present his August 8 Progress report. The Executive Session was adjourned at 12:03 p.m.

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The minutes of the remainder of the **Executive Session** are included in the separate August 8, 2006, Executive Session Minutes of the regular Board meeting.

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**ANNOUNCEMENTS**

- Welcomed Mike Norman of RUS; Gerald Hayes, Becky Goad, and Gary Dillard of Warren RECC; and Sharon Carson of Jackson Energy.
- Phil R. Depp, former Farmers RECC Board Director and EKPC Director passed away August 3.
- Clark Energy Director Gale Means lost both his brother and mother in the past several weeks.

**REPORT OF THE OFFICERS**

Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

**BUSINESS MANAGEMENT PLAN**

Gary Crawford reviewed the Business Management Plan as included in the Board book, with the slide presentation containing several revisions. The Cost containment effort is ongoing; with other teams expected to soon make their reports and assimilate unidentified cost savings into the Business Management Plan.

**AUDIT COMMITTEE ACTION ITEMS**

No Audit Committee items were brought before the Board.

**AUDIT COMMITTEE INFORMATION ITEMS**

No Audit Committee information items were brought before the Board.

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## **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

### RUS-Approved Registered Engineers

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

**Whereas,** The Rural Utilities Service ("RUS") Bulletin 41-1, Engineering Services for Electric Borrowers, requires that the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors (the "Board") authorize the performance of engineering services for the inspection and certification of construction accounted for under work order procedures by a qualified licensed engineer with the selection of the engineers subject to RUS approval;

**Whereas,** At its March 1997 meeting, the Board authorized Paul Atchison, Ron Brown, Gary Crawford, Mary Jane Warner, Rick Drury, Jim Shipp and Craig Johnson to perform these engineering services; and

**Whereas,** Due to reorganization efforts of EKPC, retirements, and an addition of a new Vice President of Power Delivery, management recommends retaining the names of Mary Jane Warner, Rick Drury, Jim Shipp and Craig Johnson, removing the names of Paul Atchison, Ron Brown, and Gary Crawford, and adding John Twitchell to be designated to sign RUS Inventory of Work Orders (Form 219); now, therefore, be it

**Resolved,** That the EKPC Board hereby authorizes Mary Jane Warner, Rick Drury, Jim Shipp, Craig Johnson, and John Twitchell to perform these engineering services for the inspection and certification of construction accounted for under work order procedures for their responsibility areas; authorizes the submission to RUS of new RUS Forms 179 for each authorized engineer; and requests RUS approval of this selection of engineers.

## **OSS COMMITTEE INFORMATION ITEMS**

OSS Committee Chairman Donnie Crum noted that the Committee briefly reviewed and discussed the Net Margins schedule listed in the Board book.

## **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

### Contracting Subcommittee for the Fuel and Power Supply Committee

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

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**Whereas**, The Rural Utilities Service (“RUS”) regulations at 7 CFR part 1726, and East Kentucky Power Cooperative, Inc. (“EKPC”) Board Policy No. 401 (II)(3) require a Contracting Subcommittee (representing management, the Board of Directors (“Board”), and engineer) for contract clarifying discussions or negotiations under informal competitive bidding or multiparty negotiations;

**Whereas**, The Chairman of the Fuel and Power Supply Committee has appointed three directors and three alternate directors to said Contracting Subcommittee in compliance with Board Policy No. 401, with said representatives consisting of E. A. Gilbert, P. D. Depp, Jimmy Longmire, Bobby Sexton, Mickey Miller, and Jim Jacobus;

**Whereas**, This recommendation supports the EKPC key measure of supplying reliable and competitive energy; and

**Whereas**, Management and the Fuel and Power Supply Committee recommend this action; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the appointment of E. A. Gilbert, P. D. Depp, Jimmy Longmire, Bobby Sexton, Mickey Miller, and Jim Jacobus as members of the Contracting Subcommittee for the Fuel and Power Supply Committee.

Close-Out of Contract E36 with ABB Automation for Distributed Controls System—Gilbert Unit at Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the June 2003 East Kentucky Power Cooperative, Inc., (“EKPC”) Board Meeting the Board of Directors (“Board”) approved the award of a contract to ABB Automation (“ABB”) to provide the Distributed Control System (“DCS”) required for the Gilbert 3 Unit at Spurlock Power Station;

**Whereas**, The original target price was \$3,564,137.41;

**Whereas**, The actual final price of the DCS is \$3,151,324.65, thus overall savings are \$412,812.76;

**Whereas**, The Alliance Agreement that is set up with ABB is for the first 10% of savings to be shared by both ABB and EKPC, therefore, those savings are \$178,206.87 each, with any savings beyond the first 10% being all to EKPC and that amount is \$56,399.02;

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**Whereas,** The final cost of this contract is \$3,329,531.52 (the Target Price minus EKPC's savings);

**Whereas,** As this material has been installed and tested, it is recommended that this contract be closed out and final payment and retainage of \$493,339.30 be made at this time;

**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E36; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the close out and final payment of \$493,339.30 for Contract E36 with ABB for providing the DCS for Gilbert 3 at Spurlock Station for a total contract price of \$3,329,531.52, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Award Contract F36 to ABB Automation for Distributed Controls System—Unit No. 4, Spurlock Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** On September 14, 2004, the East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW at Spurlock Power Station at an estimated cost of \$469.7 million;

**Whereas,** EKPC utilizes the ABB Automation ("ABB") distributed control system ("DCS") at each of the EKPC generating stations and was used on the Gilbert Unit at Spurlock and the Spurlock Unit 4 DCS has been designed to use the ABB DCS as well;

**Whereas,** An Alliance Agreement, based on the RUS Contract Form 198 and approved by the EKPC Board in November 2002, will govern this contract with a target price provided;

**Whereas,** On July 10, 2006 a proposal was received from ABB for engineering and supplying the DCS for Spurlock Unit 4 at a target price of \$3,928,175.22;

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**Whereas**, A negotiating meeting was held on July 14, 2006 with representatives from EKPC, ABB, Stanley Consultants, Inc., and Mr. E.A. Gilbert of the EKPC Contracting Subcommittee in attendance;

**Whereas**, The major difference in Target Pricing between the Unit 3 & 4 Contracts is due to equipment being supplied directly to EKPC from ABB rather than through Contract E146 – Switchgear for Unit 3 which accounts for almost 80 percent of the increase;

**Whereas**, The balance of the cost increase between the contracts is due to escalated labor and material rates;

**Whereas**, EKPC management believes this is a reasonable increase for the target price and EKPC will pay the actual cost with the target price as a guide for shared savings or shared cost overages with a cap of \$4,124,583.98;

**Whereas**, Any cost overage up to 110% of the target price is shared, therefore, EKPC exposure is up to 105% of the target price, with savings shared from 90 – 100% between both ABB and EKPC and EKPC received all savings below the 90% level of the target price;

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to ABB to engineer and supply the DCS for Spurlock Unit 4 at a target price of \$3,928,175.22; and

**Whereas**, The engineer and purchase of this equipment supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets; now, therefore, be it;

**Resolved**, That the EKPC Board hereby approves the award of a contract (F36) to ABB Automation for a target price of \$3,928,175.22, with total exposure capped at \$4,124,583.98, to engineer and supply the DCS for the Spurlock 4 Unit, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract; and

**Resolved**, That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Conveyance of Property to Charleston Bottoms Cemetery—Mason County

Upon recommendation of the Fuel & Power Supply Committee and after review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

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**Whereas**, On November 7, 2003, a deed of conveyance was executed for East Kentucky Power Cooperative, Inc. ("EKPC") to purchase 50 acres of land at 1224 West Second Street, Maysville, KY 41056 for \$260,000;

**Whereas**, This property is on the south side of U. S. Highway 8 and across from the H. L. Spurlock Power Station;

**Whereas**, This property was purchased by EKPC during the building of the Stuart and Zimmer Transmission Lines and this property adjoins the Charleston Bottoms Cemetery;

**Whereas**, The cemetery is in need of additional space for burial purposes and EKPC management recommends giving 100' of frontage to the Charleston Bottom Cemetery;

**Whereas**, The subject land is 100' by 349' and the appraised fair market value is \$8,000;

**Whereas**, This is a small gesture of good will and being a good neighbor and EKPC will benefit from this in the community; and

**Whereas**, The conveying of this property to the Charleston Bottoms Cemetery and maintaining good relations in the community supports EKPC's key measure of supplying reliable and competitive energy, now, therefore, be it;

**Resolved**, That the EKPC Board hereby approves the transfer of the parcel of property (100' by 349') at the end of the property known as the Condon Property adjoining the Charleston Bottoms Cemetery on the South side of Highway 8 in Maysville, KY 41056, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the transfer and deeding of this property.

**Award Contract G201 to Alstom Power, Inc. for Boiler Island and Associated Equipment—  
Unit 1, J. K. Smith Station**

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the November 9, 2004, East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting the EKPC Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW at J.K. Smith Power Station ("Smith");

**Whereas**, The commercial operation date for this unit is anticipated to be March 2010, but is contingent upon Kentucky Public Service Commission ("KPSC") approval;

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**Whereas**, Building this recommended unit at Smith is part of the lowest cost power supply alternative available to EKPC, according to EKPC planning studies;

**Whereas**, There are very few manufacturers of this size and type of boiler and Alstom Power, Inc., (“Alstom”) has by far the most experience, has proposed a reasonable price, and can meet the required schedule;

**Whereas**, It is in best interest of EKPC to waive competitive bidding procedures, subject to the approval of Rural Utilities Service, and choose Alstom to engineer and furnish the boiler island and associated equipment in order to take advantage of the Gilbert and Spurlock 4 operation experience and shared inventory;

**Whereas**, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that the generating units of EKPC have sufficient power supply for our Members Systems in the future;

**Whereas**, This project is in the 2006 Budget and Work Plan and the latest Three Year Construction Work Plan; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to for approximately estimated cost of \$115,871,000; contingent upon KPSC approval of the project; now, therefore, be it;

**Resolved**, That the EKPC Board hereby approves the award of a contract (G201) to Alstom to Engineer and Furnish the boiler island equipment for No. 1 unit to be constructed at J.K. Smith Power Station for an estimated cost of \$115,871,000, contingent upon KPSC approval of the project, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute the necessary documents to award this contract; and

**Resolved**, That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Coal Supply Contract with Trinity Coal Marketing, LLC for Cooper Power Station

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., (“EKPC”) requires additional contract coal at Cooper Power Station to maintain its contract/spot diversification;

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**Whereas**, Invitations for competitive proposals were requested in writing, received, and evaluated;

**Whereas**, Management has negotiated a six-year coal supply contract with Trinity Coal Marketing, LLC, (“Trinity”) to cover a term from October 1, 2006, through September 30, 2012, with a fixed price plus escalation for diesel fuel for three years and a market price reopener for the final three years;

**Whereas**, Management has negotiated several options in the contract whereby EKPC will be able to move the coal to its Spurlock Power Station; change the transportation method to truck, rail, or barge; and increase or decrease the monthly tonnage;

**Whereas**, The recommended coal supply contract will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems and supports EKPC’s key measures for reliable and competitive energy costs; and

**Whereas**, Management and the Fuel and Power Supply Committee have reviewed the contract terms and conditions, find them to be reasonable, and recommend the approval of a coal contract with Trinity based upon the information presented herein and in the Executive Summary; now, therefore, be it

**Resolved**, That the EKPC Board of Directors hereby approves a coal supply contract with Trinity for deliveries to Cooper Power Station from October 1, 2006, through September 30, 2012, based on the information contained herein and in the Executive Summary, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute such contract on behalf of EKPC and to make minor revisions if required.

**Amendment No. 8 to Coal-Supply Contract with Argus Energy, LLC—Spurlock Power Station Units 1 and 2**

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, East Kentucky Power Cooperative, Inc., (“EKPC”) has a coal supply contract with Argus Energy, LLC, (“Argus”) for Unit Nos. 1 and 2 at Spurlock Power Station that continues through December 31, 2007;

**Whereas**, The contract had a market reopener in October 2005, and new prices of \$2.355/MMBtu at a rate of 20,000 tons of coal per month for Spurlock Power Station Unit

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No. 1 and \$2.564/MMBtu at a rate of 30,000 tons of coal per month for Spurlock Power Station Unit No. 2 were established;

**Whereas**, Tons that were in arrears at the time of the reopener for Spurlock Power Station Unit Nos. 1 and 2 were averaged into the new pricing and tonnage commitments for 2006 to arrive at 32,000 tons of coal per month at a price of \$1.991/MMBtu for Spurlock Power Station Unit No. 1 and 37,500 tons of coal per month for Spurlock Power Station Unit No. 2 at a price of \$2.361/MMBtu;

**Whereas**, Current coal specifications in the Argus contract for Spurlock Power Station Unit No. 1 are 12,000 Btu, 12 percent ash, and 1.6 lbs. SO<sub>2</sub>/MMBtu, and specifications for Spurlock Power Station Unit No. 2 are 12,000 Btu, 12 percent ash, and 1.15 lbs. SO<sub>2</sub>/MMBtu;

**Whereas**, Management has negotiated with Argus to lower the specifications on this contract for Spurlock Power Station Unit No. 1 to 11,500 Btu and 15 percent ash, while retaining the 1.6 lbs. SO<sub>2</sub>/MMBtu, in return for a price reduction of \$1.60 per ton; and to lower the specifications for Spurlock Power Station Unit No. 2 to 11,350 Btu and 16 percent ash, while retaining the 1.15 lbs. SO<sub>2</sub>/MMBtu, in return for a price reduction of \$2.40 per ton;

**Whereas**, These new amended prices will lower the f.o.b. barge price for Spurlock Power Station Unit No. 1 from \$1.991/MMBtu to \$1.924/MMBtu for 2006, and from \$2.355/MMBtu to \$2.288/MMBtu in 2007; and lower the f.o.b. barge price for Spurlock Power Station Unit No. 2 from \$2.361/MMBtu to \$2.261/MMBtu in 2006, and from \$2.564/MMBtu to \$2.464/MMBtu in 2007;

**Whereas**, This amendment can save EKPC \$1,954,000 in coal costs for the remaining term of the contract;

**Whereas**, This recommended contract amendment will enable EKPC to generate power for the lowest cost possible for its Member Systems and supports EKPC's key measures for reliable and competitive energy costs; and

**Whereas**, EKPC management and the Fuel and Power Supply Committee have reviewed the contract terms and conditions, find them to be reasonable, and recommend the approval of a coal supply contract amendment with Argus; now, therefore, be it

**Resolved**, That the EKPC Board of Directors approves coal supply contract amendment No. 8 with Argus, as described hereinabove and in the attached Executive Summary, and

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the President and Chief Executive Officer, or his designee, is hereby authorized to execute said amendment based on the terms presented herein and in the Executive Summary.

Amendment No. 1 to Contract F251 with Richard Goettle, Inc. for Piling—Spurlock Unit 4

Upon recommendation of the Fuel and Power Supply Committee and after review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** At the March 2005 EKPC Board Meeting, authorization was given to award a contract to Richard Goettle, Inc. ("Goettle") for \$6,247,757.15, plus a 5% contingency, to provide and install piling required for the Spurlock Unit 4 Project;

**Whereas,** It has been necessary to add a change authorization for \$2,999,185 to add some design and scope changes and the delay charges associated with this contract;

**Whereas,** The delay charges were \$1,889,235 of these charges;

**Whereas,** Approval of Amendment #1 for \$2,999,185 to this contract is recommended; and

**Whereas,** The purchase and installation of these piles supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets; now, therefore, be it;

**Resolved,** That the EKPC Board hereby approves Amendment #1 to Contract F251 with Goettle for \$2,999,185, for an amended total contract price of \$9,246,942.15, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for this amendment to the contract.

**F&PS COMMITTEE INFORMATION ITEMS**

No F&PS Committee information items were brought before the Board

**POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

EKPC Load Forecast for the period 2006-2026

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** Pursuant to East Kentucky Power Cooperative, Inc.'s ("EKPC") approved Load Forecast Work Plan, EKPC and its 16 member systems, (17 beginning April 2008 with the

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addition of Warren Rural Electric as a new member), have jointly developed a load forecast for the twenty year period of 2006-2026:

**Whereas**, This Load Forecast projects annual compound growth of energy requirements of 3.0 percent, growth in winter peak demand of 3.2\* percent and growth in summer peak demand of 3.0 percent;

**Whereas**, EKPC's load forecast represents the sum of EKPC's member systems' approved load forecasts, which are complete and have been approved by the 16 member systems or are in the process of final approval, plus the load forecast of Warren Rural Electric beginning April 1, 2008; and

**Whereas**, Management and the Power Delivery Committee recommend the approval of the 2006-2026 load forecast as EKPC's official load forecast; now, therefore, be it

**Resolved**, That the EKPC Board of Directors hereby approves and adopts the EKPC Load Forecast for the period of 2006-2026, a summary of which is attached hereto, as EKPC's official load forecast.

\*Represents growth over 2006 through 2026.

#### **PD COMMITTEE INFORMATION ITEMS**

PD Committee Chairman Mike Adams reported that among the information items presented to the PD Committee were the following:

- Mary Jane Warner reported on construction-in-progress, in particular, the Cranston line,
- John Twitchell reported on the roll of the liability coordinator, and
- Wes Moody reported on a survey sent to member systems regarding upgrading of two-way radio system.

#### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

#### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

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**AGENDA ITEMS FOR NEXT AGENDA**

No agenda items for the next agenda were brought before the Board.

**OTHER BUSINESS**

No other business was brought before the Board.

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There being no further business, the EKPC Board meeting was adjourned at 1:25 p.m.  
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A. L. Rosenberger, Secretary

Approved:

  
R. Wayne Stratton  
Chairman of the Board

Date: *Sept 12, 2006*

## Board Agenda Item

AUGUST

**TO:** Fuel and Power Supply Committee and Board of Directors

**FROM:** Roy M. Palk *Roy M. Palk*

**DATE:** July 28, 2006

**SUBJECT:** Coal Supply Contract with Trinity Coal Marketing, LLC—Cooper Power Station (Executive Summary)

**KEY MEASURE(S)** This Supports Reliable and Competitive Energy Costs

### Background

The Ikerd Coal Company, LLC's two-year term purchase order No. 51159 will expire and be complete in February 2007. East Kentucky Power Cooperative, Inc.'s ("EKPC") projected and budgeted contract requirements for 2007 through 2009 are approximately 360,000 tons for Cooper Power Station. EKPC requested proposals for contract deliveries in writing on March 29, 2006, and received them through April 28, 2006, for a two-year or longer term with price reopeners and deliveries of up to 20,000 tons per month. Trinity Coal Marketing, LLC, ("Trinity") Hazard, Kentucky, has offered EKPC a six-year term of 10,000 tons per month of 2 x 0 coal for Cooper Power Station at a price of \$1.844/MMBtu or \$44.25 per ton based on 12,000 Btu/lb.

The contract will escalate quarterly for changes in the price of diesel fuel and will contain a price reopener after the third year. EKPC will have an option to deliver the coal to Cooper and Spurlock Power Stations or the Rivereagle Dock on the Big Sandy River. EKPC's transportation options will be diversified under this contract with EKPC's contract option to have the coal by truck, rail, or ultimately by barge.

### Justification and Strategic Analysis

The Trinity proposed price of \$1.844/MMBtu (evaluated \$3.108/MMBtu), based on 12,000 Btu/lb. for Cooper Power Station, is the fourth lowest price on the evaluation report. ICG, LLC, Hazard, Kentucky, with the lowest evaluated price, proposed an off-specification blend coal and currently has a two-year contract. National Coal Corporation has already been issued an amendment to their current contract, and Dixie Fuel Company is not recommended, since they only submitted a 12-month proposal. Trinity will diversify Cooper Power Station's fuel supply and provide EKPC an option to

## Board Agenda Item

AUGUST

supply Spurlock Power Station from a central location, Hazard, Kentucky. The contract recommended by management will provide an adequate fuel supply source for EKPC's generating units and will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems. This recommendation supports EPKC's key measures for reliable and competitive energy costs.

### Recommendation

Management recommends that the Board of Directors approve the Trinity contract for 720,000 tons of coal beginning October 1, 2006, and continuing through September 30, 2012, with a market price reopener between June 1, 2009, and July 31, 2009, that takes effect on October 1, 2009, based on proposals received, mine inspection report, financial report, and the attached Fuel Evaluation Report.

hr/gv  
Attachment

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Date: 07/13/2006  
Event Nbr: 68  
Bid End Date: 04/28/2006

FUEL EVALUATION FOR COOPER POWER STATION

**CONTRACT REOPENER**

Coal Supplier	Number	% Ash	BTU's	Form	SO <sub>2</sub>	SO <sub>2</sub> Disposal	SO <sub>2</sub>	Weekly Freight	Delivery	Delivery	Estimated Cost
					Per Ton	Per Ton	Per Ton	Cost	Cost	Cost	
					\$/Ton	\$/Ton	\$/Ton	\$/Ton	\$/Ton	\$/Ton	\$/Ton
ICG LLC Perry Monthly Non-Union /Producer	6	11,000	6,900	24	3.647	17.200	47.810		47.810	2.173	68.657 3.121 <i>Not Recommended</i>
National Coal Scott Weekly / Non-Union /Producer	11	12,300 1.35 11.00	20,000	24	1.993	23.220	56.000	0.280	56.000	2.276	81.493 3.313 <i>Contract Issued</i>
Dixie Fuel Co Briceville Weekly / Non-Union /Producer	5	12,000 1.30 12.00	4,000	12	2.229	22.360	56.500	0.283	56.500	2.354	81.371 3.390 <i>Not Recommended</i>
Trinity Coal Perry Weekly / Non-Union /Broker	9	12,000 2.03 12.00	20,000	36	2.229	34.916	44.250	0.221	44.250	1.844	81.616 3.401 <i>Recommended</i>
Century Coal LLC Bell Weekly / Non-Union /Producer	2	12,500 1.50 12.00	10,000	24	2.140	25.800	58.000	0.290	58.000	2.320	86.230 3.449
Logan & Kanawha Perry Weekly / Non-Union /Broker	7	12,500 2.50 12.00	10,000	24	2.140	43.000	45.900	0.230	45.900	1.836	91.269 3.651
CoalTrade LLC Knox Weekly / Non-Union /Producer	3	12,000 1.90 12.00	20,000	12	2.229	32.680	53.250	0.266	53.250	2.219	88.425 3.684
Cumberland Elkhorn Harlan Monthly Non-Union /Broker	4	12,000 1.74 12.00	10,000	60	2.229	29.928	47.950		10.000	2.415	90.107 3.754

Cost Factors used in Model  
Weekly Pay Factor: 0.005 Unit Boiler  
SO<sub>2</sub> Cost/Ton: \$860.00 Maintenance Factor: 0.1938





## Board Agenda Item

AUGUST

**TO:** Fuel and Power Supply Committee and Board of Directors

**FROM:** Roy M. Palk *Roy M. Palk*

**DATE:** July 28, 2006

**SUBJECT:** Approval of Coal Supply Contract Amendment No. 8 with Argus Energy, LLC—Spurlock Power Station Unit Nos. 1 and 2 (Executive Summary)

**KEY MEASURE(S)** This Supports Reliable and Competitive Energy Costs

### Background

East Kentucky Power Cooperative, Inc., (“EKPC”) currently has a coal supply contract with Argus Energy, LLC, (“Argus”) for Unit Nos. 1 and 2 at Spurlock Power Station that continues through December 31, 2007. This contract had a market reopener that was negotiated in October of 2005 and became effective January 1, 2006. The pricing and tonnage established in this reopener was 30,000 tons of coal per month for Unit No. 2 at a base price of \$2.564/MMBtu, f.o.b. barge, and 20,000 tons of coal per month for Unit No. 1 at a base price of \$2.355/MMBtu, f.o.b. barge. Argus is currently shipping 37,500 tons of coal per month to Spurlock Power Station Unit No. 2 at an f.o.b. barge price of \$2.361/MMBtu and 32,000 tons of coal per month to Spurlock Power Station Unit No. 1 at an f.o.b. barge price of \$1.991/MMBtu. These prices and tonnages are an average of coal committed to EKPC prior to the January 1, 2006, and the coal committed for the year of 2006. Beginning January 1, 2007, the final year of the contract, prices and tonnages were to return to the amounts set forth in the reopener amendment previously described.

The fuel process has negotiated with Argus to lower the specifications of the contract for the remaining tons and terms along with a price reduction. Current coal specifications for Spurlock Power Station Unit No. 1 are 12,000 Btu, 12 percent ash, and 1.6 lbs. SO<sub>2</sub>/MMBtu. Specifications for Spurlock Power Station Unit No. 2 are 12,000 Btu, 12 percent ash, and 1.15 lbs. SO<sub>2</sub>/MMBtu. The new lower specifications for Spurlock Power Station Unit No. 1 will be 11,500 Btu and 15 percent ash. The SO<sub>2</sub> specification will remain the same. The lower specification for Spurlock Power Station Unit No. 2 will be 11,350 Btu and 16 percent ash. Again, the SO<sub>2</sub> specification will remain the same.

In return for the lower coal specifications, EKPC will receive a price reduction of \$1.60 per ton for the Spurlock Power Station Unit No. 1 coal and \$2.40 per ton for the Spurlock

## Board Agenda Item

AUGUST

Power Station Unit No. 2 coal. This new amended price will be reduced from \$1.991/MMBtu to \$1.924/MMBtu for the remainder of 2006 and from \$2.355/MMBtu beginning January 1, 2007, to \$2.288/MMBtu for Spurlock Power Station Unit No. 1. The Spurlock Power Station Unit No. 2 price for the remainder of 2006 will be reduced from \$2.361/MMBtu to \$2.261/MMBtu and from \$2.564/MMBtu beginning January 1, 2007, to \$2.464/MMBtu. All prices are f.o.b. barge.

### **Justification and Strategic Analysis**

EKPC has conducted a test burn of this lower quality coal with Argus under the pricing and specification described above since June 1, 2006, and has determined that the coal performed satisfactorily. This recommended coal supply contract amendment will yield EKPC a savings of \$2.40 per ton on the remaining 547,500 tons for Spurlock Power Station Unit No. 2 and \$1.60 per ton on the remaining 400,000 tons for Spurlock Power Station Unit No. 1. This is a total savings of \$1,954,000 over the remainder of this contract. This recommendation supports EKPC's key measures for reliable and competitive energy costs.

### **Recommendation**

Management recommends that the Board of Directors approve the coal supply amendment No. 8 with Argus as described herein.

eh/gv

## 2006 Load Forecast Summary

**Table 1**  
**Peak Demand and Energy Consumption**

Year	Firm Winter Peak Demand (MW)	Firm Summer Peak Demand (MW)	Total Requirements (MWh)	Annual Load Factor (%)
2003	2,568	1,996	11,568,314	51%
2004	2,610	2,052	11,865,797	52%
2005	2,719	2,180	12,527,829	53%
Forecast				
2006*	2,599	2,151	12,556,759	55%
2007	2,773	2,213	12,956,841	53%
2008	2,848	2,643	14,793,556	59%
2009	3,346	2,721	15,716,559	54%
2010	3,439	2,791	16,133,913	54%
2015	3,856	3,096	17,981,314	53%
2020	4,299	3,423	19,977,370	53%
2025	4,781	3,788	22,086,886	53%

*Note: 2006 Firm Winter Peak Demand is actual data.*

**Table 2**  
**Energy and Peak Growth Rates**

	2006-2011	2006-2016	2006-2026
Total Energy Requirements	5.6%	3.9%	3.0%
Residential Sales	4.7%	3.5%	2.9%
Total Commercial and Industrial Sales (Excluding Gallatin Steel)	8.2%	5.2%	3.6%
Firm Winter Peak Demand	6.3%	4.2%	3.2%
Firm Summer Peak Demand	5.8%	3.9%	3.0%

September 1, 2006

Board of Directors  
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, September 12, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

**AGENDA**

- I. CALL TO ORDER**
- II. INVOCATION**
- III. ROLL CALL**
- IV. ACTION ON PREVIOUS BOARD MINUTES**
- V. ADOPTION OF AGENDA**
- VI. REPORT OF OFFICERS**
- VII. BUSINESS MANAGEMENT PLAN**
- VIII. AUDIT COMMITTEE ITEMS**  
William Shearer, Chairman
  - A. Board Action Requested:**
    - 1. Certification of Authority to Submit or Grant Access to Rural Utilities Services Form 12 Data – Rural Development Utilities Program (RDUP) Form 674 – EAMES/WOOD
  - B. Information and Discussion Items:**

**IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS**  
Donnie Crum, Chairman

**A. Board Action Requested:**

None.

**B. Information and Discussion Items:**

**X. FUEL & POWER SUPPLY COMMITTEE ITEMS**  
Jimmy Longmire, Chairman

**A. Board Action Requested:**

1. Approval to Award Contract D132 to Contractor for Providing Transformers for the Spurlock Power Station Unit No. 2 Scrubber - DIALS
2. Approval to Close Out Contract D241 with Brandenburg Industrial Service Company for the Completion of Demolition of the Existing Scrubber at Spurlock Power Station Unit No. 2 - DIALS
3. Approval to Award Contract G21 to Flowserve Pump Division to Furnish the Boiler Feed Pumps as Required for J.K. Smith Unit No. 1 Power Station - DIALS
4. Approval to Award Contract G222 to Marley Cooling Tower to Engineer, Furnish, and Erect the Cooling Tower as Required for J.K. Smith Unit No. 1 Power Station - DIALS
5. Approval to Award Contract G3 to Allen Company to Perform Site Improvements for J.K. Smith Power Station Unit No. 1 - DIALS
6. Approval of Coal Supply Contract Amendment No. 5 with Gatliff Coal Company for Dale and Cooper Power Stations - BORDES

**B. Information and Discussion Items:**

**XI. POWER DELIVERY COMMITTEE ITEMS**

Mike Adams, Chairman

**A. Board Action Requested:**

1. Approval to Sell Approximately 23 Acres of Real Estate in Clark County, Kentucky - TWITCHELL

**B. Information and Discussion Items:**

**XII. MEMBER SYSTEM NEEDS**

**XIII. EKPC BUSINESS UNIT MONTHLY REPORTS**

Coordinated Planning  
Corporate Strategy & Technology Applications  
Finance  
Governmental Affairs  
Human Resources and Support Services  
Legal  
Member Services  
Power Delivery  
Power Production

**XIV. AGENDA ITEMS FOR NEXT AGENDA**

**XV. OTHER BUSINESS**

**XVI. ADJOURN**

**EAST KENTUCKY POWER COOPERATIVE, INC.**



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.  
MINUTES OF BOARD MEETING  
SEPTEMBER 12, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday September 12, at 1:00 p.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Wayne Stratton gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Allen Anderson, Alternate	South Kentucky
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

**ANNOUNCEMENTS**

- Recognized Gerald Hayes, Mike McGuirk, Donna White, and Tom Martin of Warren ECC; Dave Estep of Big Sandy; and, earlier, Mike Norman of RUS.

**BOARD MINUTES**

On motion of Wade May, seconded by Danny Divine, the minutes of the August 8, 2006, board meeting were approved.

**ADOPTION OF AGENDA**

The Agenda was approved as mailed.

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## REPORT OF THE OFFICERS

### Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

## BUSINESS MANAGEMENT PLAN

Gary Crawford reviewed the Business Management Plan as included in the Board book.

## AUDIT COMMITTEE ACTION ITEMS

### Rural Development Utilities Program Form 674

After review of the applicable information, a motion was made by William Shearer and, there being no further discussion, passed to approve the following:

**Whereas**, The Rural Development Utilities Program ("RDUP") initiated a replacement Data Collection System to be used for the collection of operating report information submitted on Form 12, utilizing electronic signature capability;

**Whereas**, The new system will require authorized employees to obtain a United States Department of Agriculture ("USDA") eAuthentication account;

**Whereas**, The authorizing of certain employees (a certifier and a security administrator) to obtain a USDA eAuthentication account requires the completion of, and submission to, the RDUP, of a new Form 674, "Certificate of Authority to Submit or Grant Access to Data";

**Whereas**, RDUP requires a Board of Directors (the "Board") resolution for this action; and

**Whereas**, The Audit Committee has reviewed the Form 674 and Secretary's Certificate and approves their content; now, therefore, be it

**Resolved**, That the Board hereby approves the completion and submission to RDUP of the new Form 674, along with the Secretary's Certificate, as attached.

## AUDIT COMMITTEE INFORMATION ITEMS

Audit Committee Chairman, Bill Shearer, informed the Board that the Audit Committee met today with EKPC's auditors, Crowe Chizek and Company, for the 2006 audit planning.

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## **OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS**

No OSS Committee action items were brought before the Board.

## **OSS COMMITTEE INFORMATION ITEMS**

OSS Committee Chairman Donnie Crum noted Doug Oliver reviewed the proposed Compensation plan, which will be presented to the full Board later today.

## **FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS**

### Award Contract D132 to Virginia Transformer Corp. for Transformers for Scrubber Project for Spurlock Station Unit 2

Upon recommendation of management and the Fuel and Power Supply Committee and after review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the September 2005 East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") meeting, approval was given to build a new Spurlock Power Station ("Spurlock") Unit No. 2 Scrubber at an estimated project cost of \$162,806,060;

**Whereas**, On July 28, 2006, a request for proposal was sent to Pauwells Canada, Inc. ("Pauwells"), ABB, Inc. ("ABB"); Virginia Transformer Corporation ("Virginia"), and Pennsylvania Transformer Technology, Inc. ("Pennsylvania") to provide a price for transformers required for the Spurlock Unit No. 2 Scrubber Project;

**Whereas**, Proposals were received on August 25, 2006, from Virginia and Pennsylvania, with Pauwells and ABB declining to bid;

**Whereas**, The bids were opened on August 28, 2006, with EKPC representatives and Mr. E.A. Gilbert of the Contracting Subcommittee attending;

**Whereas**, The base bid quoted by Virginia for this equipment was \$1,955,500, with a ten percent contingency to be added for the possible escalation on core steel, for a total price of \$2,151,050;

**Whereas**, Pennsylvania submitted a base bid of \$2,542,230, with escalation on copper and oil to be added;

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**Whereas,** The engineer's estimate is \$2,264,955;

**Whereas,** As the low bidder, it is recommended that Virginia be awarded the contract for the required transformers at a total price of up to \$2,151,050;

**Whereas,** This equipment is included in the 2006 Budget and Work Plan; and

**Whereas,** The purchase of this equipment supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

**Resolved,** That the EKPC Board hereby approves the award of a contract (D132) to Virginia Transformer Corporation for transformers required for the Spurlock Unit No. 2 Scrubber Project at a price of \$1,955,500, plus contingency of ten percent of \$195,550, for a total price of \$2,151,050, and hereby authorizes the President and Chief Office, or his designee, to execute all necessary documents for the award of this contract; and

**Resolved,** That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Close-Out of Contract D241 with Brandenburg Industrial Service for Demolition of Existing Scrubber at Spurlock Station Unit No. 2

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** At the September 2005 East Kentucky Power Cooperative, Inc. ("EKPC") Board of Director's ("Board") meeting, approval was given to demolish the existing Spurlock Unit No. 2 Scrubber and build a new scrubber;

**Whereas,** The EKPC Board approved Contract D241 with Brandenburg Industrial Service Company ("Brandenburg") at the March 2006 Board Meeting for demolition of the existing Unit No. 2 Scrubber for a price of \$1,935,150;

**Whereas,** Due to the delay in getting the Kentucky Public Service Commission Approval, the schedule was delayed by a couple of weeks at a cost of \$133,933.32 (primarily for equipment rental);

**Whereas,** It was necessary to perform some "out of sequence" work which cost \$240,420;

**Whereas,** After the proposal was received, EKPC management made a decision to require a performance bond at an added cost of \$23,950;

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**Whereas**, Extra work was required for unforeseen difficulties in demolition at a cost of \$260,009;

**Whereas**, The above four change authorizations total \$658,312.32 and make the final contract total \$2,593,462.32;

**Whereas**, Payments of \$1,676,482.32 have been made with a final payment of \$916,980 to be made at this time, since this work has now been performed satisfactorily;

**Whereas**, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

**Whereas**, The Fuel and Power Supply Committee and EKPC management recommend the closeout of Contract D241 to Brandenburg for demolishing the existing Unit No. 2 Scrubber at Spurlock for a final contract price of \$2,593,462.32, and final payment of \$916,980; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the close out of Contract D241 with Brandenburg to demolish the existing Spurlock Unit No. 2 Scrubber at a final cost of \$2,593,462.32 and approves final payment of \$916,980, and authorizes the EKPC President and Chief Executive Officer or his designee to execute any documents that may be required to close out this contract.

Award Contract G21 to Flowserve Pump Division for Boiler Feed Pumps for Smith Station Unit No. 1

Upon recommendation of management and the Fuel and Power Supply Committee and after review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, On November 9, 2004, the East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW at J.K. Smith Power Station ("Smith CFB Unit No. 1");

**Whereas**, EKPC's self build proposal for this increment of base load power was evaluated as the lowest cost option;

**Whereas**, At the December 2004 EKPC Board Meeting, authorization was given to negotiate with the Gilbert Unit contractors in an attempt to obtain a reasonable price for equipment or construction for Smith CFB Unit No. 1;

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**Whereas,** On February 10, 2006, a request for proposal was sent to Flowserve Pump Division ("Flowserve") to provide a price for the boiler feed pumps for Smith CFB Unit No. 1; as they were the lowest bidder for this equipment for the Gilbert Unit;

**Whereas,** A proposal was received on March 8, 2006, and a negotiating meeting was held on August 11<sup>th</sup>, with representatives from Flowserve, EKPC, Stanley Consultants, Inc. ("Stanley"), and Mr. Gilbert of the EKPC Contracting Subcommittee attending;

**Whereas,** Flowserve demonstrated that its manufacturing cost increased by 22% per year, and materials and component costs also escalated during this time frame, due partly to material escalation and foreign currency fluctuations, resulting in an increase in the original bid price;

**Whereas,** The price quoted by Flowserve for the boiler feed pumps for J.K. Smith Unit No. 1 is \$2,962,378, with the engineer's estimate at \$2,625,000;

**Whereas,** It is recommended that Flowserve be given a letter of intent for this equipment, contingent upon approval for this project by the Kentucky Public Service Commission ("KPSC");

**Whereas,** This equipment is included in the 2006 Budget and Work Plan; and

**Whereas,** The purchase of this equipment supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the award Contract G21 to Flowserve for \$2,962,378 to provide the boiler feed pumps for Smith CFB Unit No. 1, contingent upon the approval of the KPSC, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of these contracts; and

**Resolved,** That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Award Contract G222 to Marley Cooling Tower for Cooling Tower for Smith Station Unit No. 1

Upon recommendation of management and the Fuel and Power Supply Committee and after review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

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**Whereas**, On November 9, 2004, the East Kentucky Power Cooperative, Inc., (“EKPC”) Board of Directors (“Board”) approved the construction of a circulating fluidized bed base load unit of 278 MW at J.K. Smith Power Station (“Smith CFB Unit No. 1”);

**Whereas**, EKPC’s self build proposal for this increment of base load power was evaluated as the lowest cost option;

**Whereas**, At the December 2004 EKPC Board Meeting, authorization was given to negotiate with the Gilbert Unit contractors in an attempt to obtain a reasonable price for equipment or construction for Smith CFB Unit No. 1;

**Whereas**, On April 10, 2006, a request for proposal was sent to Marley Cooling Tower (“Marley”) to provide a price for the cooling tower for Smith CFB Unit No. 1; as they were the lowest bidder for this equipment for the Gilbert Unit;

**Whereas**, A proposal was received on May 1, 2006, and a negotiating meeting was held on August 11<sup>th</sup>, with representatives from Marley, EKPC, Stanley Consultants, Inc. (“Stanley”), and Mr. Gilbert of the EKPC Contracting Subcommittee attending;

**Whereas**, Marley demonstrated that its manufacturing cost increased by 11% per year that materials such as steel, wood, fiberglass, and the plastic fill material also increased by 11%; and that one design change is required due to more stringent air emissions, at a cost of \$138,100, resulting in an increase in the original bid price;

**Whereas**, The price quoted by Marley for the cooling tower for Smith Unit No. 1 is \$3,489,900, with the engineer’s estimate at \$3,330,000;

**Whereas**, It is recommended that Marley be given a letter of intent for this equipment, contingent upon approval for this project by the Kentucky Public Service Commission (“KPSC”);

**Whereas**, This equipment is included in the 2006 Budget and Work Plan; and

**Whereas**, The purchase of this equipment supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets; now, therefore, be it

**Resolved**, That the EKPC Board hereby approves the award Contract G222 to Marley for \$3,489,900 to provide and construct the cooling tower for Smith CFB Unit No. 1, contingent upon the approval of the KPSC, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of these contracts; and

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**Resolved**, That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Award Contract G3 to Allen Co. for Site Improvements for Smith Station Unit No. 1

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas**, At the November 9, 2004, East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting the EKPC Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW at J.K. Smith Power Station ("Smith CFB Unit No. 1");

**Whereas**, The commercial operation date for this unit is anticipated to be March 2010, but construction is contingent upon Kentucky Public Service Commission ("KPSC") approval;

**Whereas**, Building this recommended unit at Smith is part of the lowest cost power supply alternative available to EKPC, according to EKPC planning studies;

**Whereas**, During the process of compiling the bidder's list to send out Requests for Proposals for site improvements contract, Stanley Consultants, Inc., contacted five contractors and only two bids were received for the site improvements for Smith Power CFB Unit No. 1;

**Whereas**, Bids were received on July 28, 2006, from Allen Company ("Allen") and Hall Contracting ("Hall");

**Whereas**, Hall and Walker submitted a combined bid with Hall taking the lead;

**Whereas**, A bid opening was held on July 31, 2006, with Mr. Gilbert of the EKPC Board being present;

**Whereas**, Allen's initial base bid was \$5,540,375, and Hall submitted an initial base bid of \$9,565,000;

**Whereas**, A round of clarifying questions were sent to each bidder to ensure that the scope of the project was understood; as a result, Allen submitted a revised bid of \$5,008,375 and Hall a revised bid of \$6,711,974;

**Whereas**, The engineer estimate for this work is \$7,500,000;

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**Whereas,** In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that the generating units of EKPC have sufficient power supply for our Members Systems in the future;

**Whereas,** This project is in the 2006 Budget and Work Plan and the latest Three Year Construction Work Plan; and

**Whereas,** The Fuel and Power Supply Committee and EKPC management recommend the award of Contract G3 to Allen Company for \$5,008,375, with a contingency of five percent to cover unit price work for a total approved amount of \$5,258,794 to perform the site improvements for Smith CFB Unit No.1, contingent on the receipt of EPSC approval; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the award of a contract (G3) to Allen to Perform Site Improvements for J.K. Smith Power Station Unit No. 1 for an estimated cost of \$5,258,794, subject upon the approval of the KPSC, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute the necessary documents to award this contract; and

**Resolved,** That approval is given for use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Amendment No. 5 to Gatliff Coal Co. for Coal Contract for Dale and Cooper Power Stations

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

**Whereas,** East Kentucky Power Cooperative, Inc., (“EKPC”) has a coal supply contract with Gatliff Coal Company (“Gatliff”) with a market price reopener between August 1, 2006, and September 30, 2006;

**Whereas,** Invitations for competitive proposals were requested on March 29, 2006, seeking to obtain coal pricing and availability for this reopener;

**Whereas,** Contract supply proposals for Dale and Cooper Power Stations were opened on May 4, 2006, with Director E. A. Gilbert in attendance and were reviewed and evaluated;

**Whereas,** Management has negotiated with competitive suppliers to arrive at the best contract terms and conditions;

**Whereas,** Management has negotiated a coal supply contract amendment with Gatliff to cover a term from January 1, 2007, through December 31, 2012, with a fixed price for three

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years and a price reopener thereafter with different pricing that can be delivered to Dale, Cooper, J. K. Smith, and Spurlock Power Stations, at EKPC's option, all as described in more detail in the Executive Summary;

**Whereas,** The recommended coal contract amendment will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems and supports EKPC's key measures for reliable and competitive energy costs; and

**Whereas,** EKPC management and the Fuel and Power Supply Committee have reviewed the contract amendment terms and conditions, find them to be reasonable, and recommend the approval of a coal supply contract amendment with Gatliff; now, therefore, be it

**Resolved,** That the EKPC Board of Directors hereby approves a coal supply contract amendment (No. 5) with Gatliff for deliveries to Dale and Cooper Power Stations from January 1, 2007, through December 31, 2012, based on the information contained herein and in the Executive Summary, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute such contract amendment on behalf of EKPC and to make minor revisions if needed.

#### **F&PS COMMITTEE INFORMATION ITEMS**

No F&PS Committee information items were brought before the Board

#### **POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS**

##### Sale of Real Estate in Clark County, Kentucky

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

**Whereas,** East Kentucky Power Cooperative, Inc. ("EKPC") is the record owner of approximately 23 acres, located in Clark County, Kentucky, which is subject to the Rural Utilities Service ("RUS") blanket mortgage. The properties were purchased in early 2006 for the purpose of constructing the North Clark 345 kV Substation;

**Whereas,** EKPC is now constructing the needed substation and the appropriate deeds have been recorded;

**Whereas,** The conveyance of this property to qualified buyers will have no impact on present or future operations of EKPC;

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**Whereas,** It is the opinion of management that the minimum sales price represents a low, but acceptable approximation of the fair market value of the property;

**Whereas,** The EKPC Board of Directors (“Board”) directs management to negotiate the best deal to accomplish the Cooperative’s objectives; and

**Whereas,** EKPC Management and the Power Delivery Committee recommend that said properties be conveyed to the persons or parties having successfully negotiated a sales agreement with EKPC; now, therefore, be it

**Resolved,** That the EKPC Board hereby approves the conveyance of approximately 15 acres at 1744 Donaldson Road and the house, outbuildings and approximately 8 acres at 478 North Middletown Road in Clark County, Kentucky at minimum prices of \$330,000 and \$150,000 respectively, with the understanding that higher prices will be negotiated if possible, from EKPC to persons or parties having successfully negotiated a sales agreement with EKPC. The President and Chief Executive Officer of EKPC, or his designee, shall have the authority to execute any and all documents or take other steps as necessary to consummate this conveyance; and

**Resolved,** That EKPC will secure a release for the subject property from the RUS blanket mortgage.

#### **PD COMMITTEE INFORMATION ITEMS**

PD Committee Chairman Mike Adams reported that among the information items presented to the PD Committee were the following:

- Mary Jane Warner reviewed the Construction-in-Progress report, and
- John Twitchell reviewed the New Castle Substation fatality.

#### **MEMBER SYSTEM NEEDS**

No member system needs were brought before the Board.

#### **EKPC DIVISION MONTHLY REPORTS**

Chairman Stratton noted the monthly reports as included in the Board books.

#### **AGENDA ITEMS FOR NEXT AGENDA**

No agenda items for the next agenda were brought before the Board.

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**OTHER BUSINESS**

**EXECUTIVE SESSION**

At 1:35 p.m. the Board Chairman asked for the meeting to go into Executive Session, and a motion was made by P. D. Depp, seconded by E. A. Gilbert, and passed to do so. Remaining for the Executive Session were Directors, Alternate Directors, Roy Palk, Richard Byrne, and for a portion of the session, Doug Oliver. Gerald Hayes and Mike McGuirk of Warren RECC also remained. Della Damron stayed to assist with the minutes. The purpose of the Executive Session was for Consultant Richard Byrne to present his September 12 reports and for Doug Oliver of Human Resources to review the EKPC Employee Benefits Cost Reduction Proposal and the 2006-2007 proposed Wage and Salary recommendations.

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The minutes of the remainder of the **Executive Session** are included in the separate September 12, 2006, Executive Session Minutes of the regular Board meeting.  
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There being no further business, the EKPC Board meeting was adjourned at 3:20 p.m.

  
A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton  
Chairman of the Board

Date: Oct 3, 2006

SECRETARY'S CERTIFICATE

I, A.L. Rosenberger do hereby certify that: I am the Secretary of East Kentucky Power Cooperative, Inc. (hereinafter the "Corporation;") that the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Corporation at the regular meeting held September 12, 2006, and entered in the minute book of the Corporation; that the meeting was duly and regularly called and held in accordance with the bylaws of the Corporation; and that none of the following resolutions has been rescinded or modified:

RESOLUTIONS

1. RESOLVED that Roy M. Palk, the President and Chief Executive Officer of the Corporation, be the Certifier on behalf of the Corporation, who shall be responsible for submitting and certifying to the Rural Utilities Service, an agency of the United States Department of Agriculture delivering Rural Development Utilities Programs, any and all data required by RDUP Form 674;

2. RESOLVED that Kim Varner, senior accountant of the Corporation, be the Security Administrator on behalf of the Corporation, who shall give access to the Corporation's data, as appropriate, to other employees, officers, or contractors of the Corporation, for the purpose of complying with RDUP Form 674; and

3. RESOLVED that both shall comply with the Instructions for RDUP Form 674 in regard to use of the government's data collection system.

I FURTHER CERTIFY THAT each member of the Board of Directors of the Corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Corporation

this 12<sup>th</sup> day of September, 2006.

  
Secretary

(Corporate Seal)