



February 27, 2007

HAND DELIVERED

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

RECEIVED

FEB 27 2007

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2006-00472

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies each of the Responses of East Kentucky Power Cooperative, Inc., to the Commission Staff's Second Data Request and the Initial Data Request of the Attorney General, both dated February 20, 2007, and the First Data Request of Kentucky Industrial Utility Customers, Inc., dated February 19, 2007.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Elizabeth E. Blackford, Esq.
Michael L. Kurtz, Esq.

RECEIVED
FEB 27 2007
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES) CASE NO.
OF EAST KENTUCKY POWER) 2006-00472
COOPERATIVE, INC.)

RESPONSES TO COMMISSION STAFF'S SECOND DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED FEBRUARY 20, 2007

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

COMMISSION STAFF'S SECOND DATA REQUEST

East Kentucky Power Cooperative, Inc. (EKPC) hereby submits responses to Commission Staff's Second Data Request, dated February 20, 2007. Each response with its associated supportive reference materials is individually tabbed.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 1

RESPONSIBLE PERSON: William A. Bosta

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 1. Refer to Exhibit E of the Application. EKPC's notice to its member distribution cooperatives states there is no increase in dollars for the Section A Rate Schedule, while it shows a proposed increase in the demand rate in Section A from \$7.82 to \$9.72. Explain the apparent discrepancy.

RESPONSE 1. EKPC has no load served under the Section A rate schedule. As a result, while the demand rate was increased, there are no dollars associated with that rate schedule because no customers are served under that rate schedule.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 2

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 2. Refer to Exhibit F of the Application, Schedule 4. EKPC states that as of test-year end it had 623 full-time and 27 part-time employees on its payroll. EKPC also indicates that its payroll adjustment includes 30 new positions that are to be filled between test-year end and March 31, 2007.

REQUEST 2a. For each of the 30 new positions, state:

- (1) The position title;
- (2) The position description;
- (3) The department, division, or office within EKPC in which the position is located;
- (4) The reason(s) why the position must be filled at this time;
- (5) Whether, as of the date of EKPC's response, the position has been filled; and
- (6) If the position has been filled, whether EKPC filled the position with a person whom EKPC employed at the time of the fill.

RESPONSE 2a. The requested information regarding the 30 new positions that are to be filled between test-year end and March 31, 2007 is on pages 3 through 8.

REQUEST 2b. Provide a schedule showing all changes in employees at EKPC between the test-year end and February 15, 2007. For purposes of this question, change in employees includes retirements, resignations, terminations, new hires, internal promotions, and internal transfers. For each change, the schedule is to include the position title, a description of the position, where the position is located within EKPC's operations, the date of the change, and an indication of the type of change in employment. In addition, for each new hire, internal promotion, or internal transfer, explain why the action needed to be taken at this time.

RESPONSE 2b. A schedule showing all changes in employees at EKPC between test-year end and February 15, 2007 is on pages 9 through 11.

Question .

Position Title	Position Description	Dept/Division/Office	Reason why position must be filled	Filled as of 2/21/07?	Internal or External Fill
Hired Dale Lab Tech	Ensures the safe and proper collection, analysis and/or treatment of water and fuel associated with the generation of electricity.	Production/Power Production/Dale	Replacement - to ensure the efficient operations of the plant.	Yes	Internal
Projected Additions by 12/31/06					
Lan Support Specialist	Provides a wide variety of network & PC Support Activities to all areas of EKPC.	Information Technology/HR & Support Services/HQs	Replacement - To support the EKPC Computer Network and associated systems.	No	
Lan Support Specialist	Provides a wide variety of network & PC Support Activities to all areas of EKPC.	Information Technology/HR & Support Services/HQs	Replacement - To support the EKPC Computer Network and associated systems.	No	
Environmental Attorney	Directs all corporate environmental and regulatory activities associated with East Kentucky Power Cooperative's generation and transmission facilities. Oversees the environmental compliance associated with the construction and operation of generation and transmission facilities in accordance with license and regulatory agency requirements. Assures all environmental and regulatory activities meet the highest standards of compliance and integrity consistent with the values of EKPC and the Member Systems. Provides effective leadership, vision and direction and maintains overall authority and accountability for assigned business unit.	Legal/Legal/HQs		Yes	External
Sr. Engineer-Production	To provide and perform engineering services to the Power Production Division in order to achieve and maintain a high degree of availability, reliability, and efficiency for existing and planned East Kentucky Power Cooperative generating facilities.	Engineering/Power Production/HQs	Replacement - to provide engineering services for the Power Production Business Unit	No	

Question

Position Title	Position Description	Dept/Division/Office	Reason why position must be filled	Filled as of 2/21/07?	Internal or External Fill
Operations Engineer--PD	To study real-time and scheduled transmission system outage conditions to ensure reliable operation of the EKPC transmission system. To enable the Transmission Control Area Operations Team to better manage transmission congestion, develop processes and procedures to ensure NERC compliance and support all transmission activities to ensure the operation of a safe and reliable power system required to maintain the continuity of transmission service to the Member Cooperatives.	Operations/Power Delivery/HQs		Yes	Internal
Const. Tech--PD	To provide assistance in a variety of duties related to the construction of substations and other EKPC facilities and equipment.	Expansion/Power Delivery/HQs		Yes	External
Landfill Operator	Maintain and repair landfill gas to electric plant related equipment, facility and grounds.	Laurel Ridge/Power Production/Laurel Ridge		Yes	External
Plant Safety Coord.	To set up, develop, administer and coordinate Safety & Fire Protection Programs, EKPC's policies and procedures, insurance carriers requirements in accordance with state and federal regulations and other related agencies in order to ensure a safe work environment at Dale Power Station. To properly administer Dale Power Station's Skilled Based Pay System Training Program.	Production/Power Production/Dale		Yes	Internal
Maint Mat Specialist	To ensure that all incoming material or shipments are recorded, coded, labeled, and stored in a manner as to expedite inventorying, identification, and the issuing of all materials. To ensure that all material issued or returned is charged to the proper maintenance account, contract, or work order number and to ensure that correct quantities of said materials which are in stock are deducted from proper coded accounts, thus ensuring a timely and accurate perpetual inventory. Provide support in the staging of materials.	Production/Power Production/Spurlock		Yes	External

Question

Position Title	Position Description	Dept/Division/Office	Reason why position must be filled	Filled as of 2/21/07?	Internal or External Fill
Projected Additions by 3/07 COO	As assigned, oversees and directs the day-to-day operations of EKPC in order to provide reliable and competitive wholesale energy to the member systems, and support the member systems in providing retail energy and related services. Participates in the planning and implementation of business expansion opportunities consistent with EKPC and member system goals and objectives. Plans, directs, administers, and coordinates all assigned business unit activities in accordance with policies, goals and objectives established by the President & Chief Executive Officer and the EKPC Board of Directors.	Executive/Executive/HQs	Position will not be filled.	No	
Analyst--Mid Term Planning	Assist with the construction of EKPC's power supply resource plan.	Mid-Term Planning/Coordinated Planning/HQs	To support enhanced coordinated planning efforts.	No	
Sr. Eng. Trans Planning	To direct and coordinate the management of Transmission Planning projects in an economical and reliable manner as to meet the present and future electrical needs of our Member Cooperatives.	Transmission Planning/Coordinated Planning/HQs	To support enhanced coordinated planning efforts.	No	
PD Engineer - EMS	To functionally design, develop, and provide the technical and administrative assistance to implement all energy management system software necessary to control and operate the East Kentucky Cooperative generation and transmission system in safe, reliable, and cost effective manner.	Operations/Power Delivery/HQs	To ensure efficient operations of EKPC's EMS.	No	
Asst Environ Mgr	Ensures the compliance of the operation and construction of generation and transmission facilities in accordance with license and regulatory agency requirements.	Environmental/Power Production/HQs	Position will not be filled.	No	

Question

Position Title	Position Description	Dept/Division/Office	Reason why position must be filled	Filled as of 2/21/07?	Internal or External Fill
Fuel Analyst	Collects data and conducts complex analyses, draw inferences, creates reports and makes recommendations in the areas of fuel procurement, fuel forecasting, market conditions and competitive intelligence information. Conducts studies using various analytical tools and methods in order to make sound recommendations.	Production Services/Power Production/HQs	To handle the increased work load brought about by increased fuel usage, potential use of alternate fuels and addition of limestone.	No	
Fuel Contract Administrator	To develop and administer fuel, alternate fuels and limestone contracts and purchase orders.	Production Services/Power Production/HQs	To handle the increased work load brought about by increased fuel usage, potential use of alternate fuels and addition of limestone.	No	
Environ Compliance Officer	New Position - Yet to be determined	Production/Power Production/Spurlock	New Position - Yet to be determined.	No	
Coal Yard Operator	Ensures the proper and safe operation and maintenance of coal and ash handling equipment associated with the delivery, stockpiling and processing of coal and the retrieval, processing and disposal of ash.	Production/Power Production/Spurlock	Maintain efficient operations of Spurlock Power Station.	No	
Coal Yard Operator	Ensures the proper and safe operation and maintenance of coal and ash handling equipment associated with the delivery, stockpiling and processing of coal and the retrieval, processing and disposal of ash.	Production/Power Production/Spurlock	Maintain efficient operations of Spurlock Power Station.	No	
Maint Mechanic	Ensures the proper and safe inspection, troubleshooting, maintenance and repair of mechanical equipment and systems associated with the generation of electricity.	Production/Power Production/Spurlock	Maintain efficient operations of Spurlock Power Station.	No	
Maint Mechanic	Ensures the proper and safe inspection, troubleshooting, maintenance and repair of mechanical equipment and systems associated with the generation of electricity.	Production/Power Production/Spurlock	Maintain efficient operations of Spurlock Power Station.	No	
Maint Mechanic	Ensures the proper and safe inspection, troubleshooting, maintenance and repair of mechanical equipment and systems associated with the generation of electricity.	Production/Power Production/Spurlock	Maintain efficient operations of Spurlock Power Station.	No	

Question .

Position Title	Position Description	Dept/Division/Office	Reason why position must be filled	Filled as of 2/21/07?	Internal or External Fill
Admin. Asst	To maintain and compile accurate and orderly part record systems and reports in order to make overall plant operating and maintenance cost and performance evaluation possible. To provide and maintain orderly control over the plant office to ensure the proper, efficient and timely completion of a variety of responsibilities and a wide range of duties.	Production/Power Production/Spurlock	To handle the increased work load brought about by SPUR #4 and the Scrubber.	No	
Contract Budget Admin	Administers contracts for the Power Production Business Unit's Major Projects by negotiating commercial terms; scheduling; monitoring; and developing, maintaining, and administering procedures to facilitate their proper and timely completion. Provides timely financial information regarding status of all contracts, any changes, payments and retainages as well as each major project in its entirety, as required or requested. Compiles an annual Production Long Range Work Plan (20 Year) and a Three-Year Construction Work Plan (RUS required), and assists in the development of a budget for all Production's Major Projects.	Production/Power Production/JK Smith	To handle the increased work load brought about by the new construction of Smith 1.	No	
CT Tech	To perform all duties necessary to ensure proper and efficient operation of all instrumentation, hydraulic systems, automatic control systems and mechanical equipment associated with combustion turbines.	Production/Power Production/JK Smith	Construction of new CTs.	No	
CT Tech	To perform all duties necessary to ensure proper and efficient operation of all instrumentation, hydraulic systems, automatic control systems and mechanical equipment associated with combustion turbines.	Production/Power Production/JK Smith	Construction of new CTs.	No	

Question

Position Title	Position Description	Dept/Division/Office	Reason why position must be filled	Filled as of 2/21/07?	Internal or External Fill
Maint Superintendent	To manage the Maintenance section so as to ensure the effective coordination and direction of mechanical, electrical, and instrument maintenance, and engineering in a cost efficient manner while maintaining a high degree of equipment availability and reliability of the plant.	Production/Power Production/Cooper	To manage the maintenance activities at Cooper.	No	
Whse Safety Coor	To set up, develop, administer and to coordinate Safety & Fire Protection Programs, EKPC's policies and procedures, insurance carriers requirements in accordance with state and federal regulations and other related agencies in order to ensure a safe work environment, and to oversee and coordinate all procurement and storage activities at Smith Station.	Production/Power Production/JK Smith		Yes	Internal
Landfill Gas Oper	Maintain and repair landfill gas to electric plant related equipment, facility and grounds.	Production/Power Production/Projected New Site	To operate & maintain plant.	No	

PSC Case No. 2006-00472
Question 2b: Changes in employees at EKPC between September 30, 2006 and February 15, 2007

<u>Date of Change</u>	<u>Type of Change</u>	<u>Position/Description</u>	<u>Location</u>	<u>Why action was taken at this time</u>
10/01/2006	Promotion	Telecommunications Technician Level 3	IT - Telecommunications	Normal Career Progression
10/01/2006	Promotion	Line Technician Level 3	Power Delivery - Burnside Service Center	Normal Career Progression
10/01/2006	Transfer	Senior Analyst	Finance & Risk Mgt.	Replace due to disability
10/01/2006	Promotion	Heavy Equipment Technician Level 3	Power Delivery - Heavy Equipment	Normal Career Progression
10/01/2006	Transfer	Plant Safety Coordinator	Production - Dale Plant	Replace due to retirement
10/06/2006	Resignation	Mid-Term Planning Supervisor	Coordinated Planning	
10/09/2006	Reclassification	Maintenance Mechanic	Production - Spurlock Plant	
10/14/2006	Retired	Maintenance Mechanic Level 3	Production - Spurlock Plant	
10/15/2006	Promotion	Maintenance Mechanic Level 1	Production - Spurlock Plant	Normal Career Progression
10/15/2006	Promotion	Operations Superintendent	Production - Dale Plant	Replace due to Oper. Super. Promoted to Smith project
10/15/2006	Promotion	Measurement & Control Meter Tech Lv 2	Power Delivery - System Support	Normal Career Progression
10/15/2006	Promotion	Measurement & Control Meter Tech Lv 3	Power Delivery - System Support	Normal Career Progression
10/15/2006	Promotion	Maintenance Mechanic Level 1	Production - Spurlock Plant	Normal Career Progression
10/15/2006	Transfer	Operations Superintendent	Production - Smith	In place for construction phase of Smith new unit
10/15/2006	Promotion	Electrician Level 3	Production - Cooper	Normal Career Progression
10/15/2006	Promotion	Substation Technician Level 2	Power Delivery - Burnside Service Center	Normal Career Progression
10/17/2006	Promotion	CT Technician Level 3	Production - Smith Plant	Normal Career Progression
10/17/2006	Promotion	Auxiliary Operator Level 2	Production - Spurlock Plant	Normal Career Progression
10/17/2006	Promotion	Auxiliary Operator Level 3	Production - Spurlock Plant	Normal Career Progression
10/17/2006	Promotion	Auxiliary Operator Level 2	Production - Spurlock Plant	Normal Career Progression
10/20/2006	Retirement	Auxiliary Operator Level 3	Production - Spurlock Plant	Normal Career Progression
10/22/2006	Promotion	Telecommunications Technician Level 2	IT - Telecommunications	Normal Career Progression
10/23/2006	Reclassification	Lab Technician	Production - Dale Plant	
10/24/2006	Promotion	Unit Operator Level 1	Production - Dale Plant	Normal Career Progression
10/24/2006	Promotion	Unit Operator Level 1	Production - Dale Plant	Normal Career Progression
10/24/2006	Promotion	Auxiliary Operator Level 3	Production - Dale Plant	Normal Career Progression
10/24/2006	Promotion	No. 1 Relief Operator	Production - Dale Plant	Normal Career Progression
10/24/2006	Promotion	Unit Operator Level 3	Production - Dale Plant	Normal Career Progression
10/24/2006	Promotion	Unit Operator Level 2	Production - Dale Plant	Normal Career Progression
10/26/2006	Promotion	Maintenance Mechanic Level 2	Production - Spurlock Plant	Normal Career Progression
11/03/2006	Resignation	Unit Operator Level 3	Production - Cooper Plant	
11/03/2006	Resignation	C&I Technician Level 1	Production - Cooper Plant	
11/06/2006	Transfer	Senior Analyst	Coordinated Planning	Mgt. Audit indicated Coordinated Planning understaffed
11/11/2006	Promotion	Construction Project Coordinator	Power Delivery - Transmission Line	Replace due to disability
11/13/2006	Transfer	Senior Analyst	Coordinated Planning	Mgt. Audit indicated Coordinated Planning understaffed
11/27/2006	Reclassification	Warehouseman	Production - Spurlock Plant	
11/27/2006	New Hire	Payroll Specialist	Finance - Payroll	Replace due to retirement

<u>Date of Change</u>	<u>Type of Change</u>	<u>Position/Description</u>	<u>Location</u>	<u>Why action was taken at this time</u>
11/27/2006	New Hire	Landfill Gen Plant Operator	Non-Traditional Power Production	Replace due to resignation
12/01/2006	Retirement	System Operator	Energy Control	
12/11/2006	New Hire	Construction Technician	Power Delivery - Team 1	Replace Contract Labor
12/16/2006	Resignation	Substation Technician Level 3	Power Delivery - Crittenden Service Center	
12/18/2006	Disability	Maintenance Mechanic Level 2	Production - Cooper Plant	
12/18/2006	Resignation	Co-op Student - Operative	Production - Spurlock Plant	
12/22/2006	Retirement	Senior Payroll Specialist	Finance - Payroll	
12/24/2006	Retirement	Substation Technician Level 3	Power Delivery - Crittenden Service Center	
12/25/2006	Disability	Substation Technician Level 3	Power Delivery - Team 1	Replace due to transfer to Coordinated Planning
12/27/2006	New Hire	Senior Accountant	Finance - General Accounting	Replace due to Resignation
12/27/2006	New Hire	Substation Technician Level 1	Power Delivery - Bardstown Service Center	Board Decision
12/29/2006	New Hire	President & CEO	Headquarters - Executive	Board Decision
12/29/2006	Transfer	VP, External/Regulatory Affairs	Headquarters - Executive	
12/30/2006	Resignation	Telecommunications Technician Level 3	HR - IT- Telecommunications	
12/31/2006	Retirement	Special Projects Consultant - Temp.	Power Delivery - Maintenance	
01/01/2007	Disability	Auxiliary Operator Level 1	Production - Dale Plant	
01/02/2007	New Hire	Environmental & Regulatory Affairs Dir.	Production - Environmental	Replace due to Retirement
01/02/2007	Retirement	C & I Technician Level 3	Production - Spurlock	
01/03/2007	Retirement	Plant Manager	Production - Cooper Plant	
01/04/2007	Retirement	Interim Plant Manager	Production - Cooper Plant	Replace due to Retirement
01/05/2007	Promotion	Co-op Student Technician	Production - Spurlock Plant	
01/05/2007	Resignation	Manager, Environmental Affairs	Production - Environmental	
01/05/2007	Retirement	Air Quality Supervisor	Production - Environmental	
01/07/2007	Promotion	Co-op Student Craft Worker	Production - Spurlock Plant	
01/08/2007	New Hire	Worker's Comp Specialist	HR - Safety	Replace due to Retirement
01/09/2007	Retirement	Sr. Lan/PC Support Specialist	HR - IT - Network & Computer Operations	Student Coop Program
01/11/2007	Retirement	Air Quality Supervisor	Production - Environmental	
01/11/2007	Retirement	Auxiliary Operator Level 3	Power Production - Spurlock	
01/12/2007	Disability	HR Training & Dev. Program Specialist	HR - Training & Development	
01/13/2007	Resignation	Construction Project Coordinator	Power Delivery - Transmission Line	
01/18/2007	Disability	Senior Engineer	Power Delivery - Control Area and Trans. Opr.	New Position to meet NERC compliance
01/21/2007	Transfer	Auxiliary Operator Level 1	Production - Dale Plant	Normal Career Progression
01/21/2007	Promotion	Maintenance Mechanic Level 1	Production - Dale Plant	Normal Career Progression
01/21/2007	Promotion	Tech/Admin Support Supervisor	Power Delivery - Maintenance	Replace due to transfer
01/21/2007	Transfer	Auxiliary Operator Level 2	Production - Spurlock Plant	Normal Career Progression
01/21/2007	Promotion	Auxiliary Operator Level 1	Production - Dale Plant	Normal Career Progression
01/21/2007	Promotion	Auxiliary Operator Level 2	Production _ Spurlock Plant	Normal Career Progression
01/21/2007	Promotion	Maintenance Mechanic Level 1	Production - Dale Plant	Normal Career Progression
01/22/2007	Disability	Senior Lab Technician	Production - Environmental	
01/23/2007	Retirement	C&I Technician Level 3	Production - Spurlock Plant	
01/23/2007	Retire	System Operator	Production - Energy control	Temporary replacement due to retirement

<u>Date of Change</u>	<u>Type of Change</u>	<u>Position/Description</u>	<u>Location</u>	<u>Why action was taken at this time</u>
01/26/2007	Termination	Coal Yard Operator Level 1	Production - Spurlock Plant	
01/29/2007	Reclassification	Auxiliary Operator	Production - Spurlock Plant	
01/29/2007	New Hire	Auxiliary Operator	Production - Dale Plant	Replace due to promotion
01/29/2007	New Hire	Auxiliary Operator	Production - Spurlock Plant	Replacement/New Unit
01/29/2007	New Hire	Auxiliary Operator	Production - Spurlock Plant	Replacement/New Unit
01/29/2007	New Hire	Auxiliary Operator	Production - Spurlock Plant	Replacement/New Unit
01/29/2007	Transfer	Substation Technician Level 3	Power Delivery - Crittenden Service Center	Replace due to resignation
01/29/2007	New Hire	Auxiliary Operator	Production - Dale Plant	Replace due to resignation
01/29/2007	New Hire	Auxiliary Operator	Production - Spurlock Plant	Replacement/New Unit
02/02/2007	Retirement	Maintenance Mechanic Level 2	Production - Spurlock Plant	
02/02/2007	Retirement	Auxiliary Operator Level 3	Production - Spurlock Plant	
02/03/2007	Retirement	Electrician Level 3	Production - Spurlock Plant	
02/04/2007	Retirement	General Counsel	Production - Spurlock Plant	
02/04/2007	Promotion	Electrician Level 1	Legal	
02/04/2007	Promotion	General Counsel	Production - Cooper Plant	Normal Career Progression
02/05/2007	New Hire	Senior Biologist	Legal	Replace due to retirement
02/05/2007	New Hire	Substation Technician Level 1	Member Services - Environ. Communications	Replace contract labor
02/05/2007	New Hire	Maintenance Materials Specialist	Power Delivery - Crittenden Service Center	Normal Career Progression
02/05/2007	Transfer	Maintenance Mechanic Level 1	Production - Spurlock Plant	Replacement/New Unit
02/05/2007	New Hire	Senior Biologist	Production - Cooper Plant	Normal Career Progression
02/05/2007	Promotion	Auxiliary Operator Level 2	Member Services - Environ. Communications	Replace contract labor
02/06/2007	Promotion	Auxiliary Operator Level 2	Production - Cooper Plant	Normal Career Progression
02/06/2007	Promotion	Auxiliary Operator Level 2	Production - Cooper Plant	Normal Career Progression
02/06/2007	Promotion	Auxiliary Operator Level 2	Production - Cooper Plant	Normal Career Progression
02/11/2007	Promotion	Senior VP, Power Supply	Coordinated Planning	Normal Career Progression
02/11/2007	Promotion	Senior VP, G&T Operations	G&T Operations - Transmission	Reorganization by CEO

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 3

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 3. Refer to Exhibit F of the Application, Schedule 4.

REQUEST 3a. In light of EKPC's current financial condition, explain why EKPC's Board of Directors authorized a 3 percent wage increase effective November 5, 2006.

REQUEST 3b. Provide all documents, including internal memoranda, electronic mail messages, presentations, and board minutes in which the proposed wage increase or the Board of Directors' action is discussed.

RESPONSE 3a&b. Pages 2 through 6 of this response contain the Board agenda item, Board resolution, and Operations Committee minutes that discuss the authorization of a 3 percent wage increase effective November 5, 2006.

Board Agenda Item

SEPTEMBER

TO: Operations, Services and Support Committee
And Board of Directors

FROM: Roy M. Palk

DATE: September 1, 2006

SUBJECT: 2006-2007 Compensation Revisions
(Executive Summary)

KEY MEASURE(S): Cost
Employee Satisfaction

Background

In accordance with Board Policy Number 106.III., the Operations, Services and Support Committee “reviews annually, in consultation with the President and CEO, any proposed revisions in EKPC’s wage and salary plan and the wage adjustment budget. Such proposed changes, along with the Committee’s recommendations, are then submitted to the Board at least one Board meeting prior to Board approval.”

This compensation recommendation is the result of market surveys, data analysis, and EKPC’s ongoing efforts to control costs. The purpose of this recommendation is to help control payroll and related benefit costs and maintain a balanced position in a competitive market for qualified employees with the skills to assure the current and future success of the cooperative’s mission.

The Operations, Services and Support Committee will consider this material and make their recommendation to the Board on Tuesday, September 12, and the Board will take action on the recommendation Tuesday, October 3.

Justification and Strategic Analysis

A key objective of the Cooperative’s compensation strategy is to provide a competitive total compensation level that will attract and retain the quality of staff necessary to meet the needs of EKPC and its member systems. This compensation recommendation will allow EKPC to sustain a competitive position in local, regional and national markets by maintaining pay levels based upon the average value of jobs in the geographic areas from which EKPC may recruit qualified employees.

Establishing and maintaining competitive pay levels is one component of a comprehensive

Board Agenda Item

SEPTEMBER

program that also includes a benefits package, a formal performance management system, savings-based incentives, and a skill-based pay plan for hourly jobs.

This recommendation supports the Cost and Employee Satisfaction key performance measures by helping to control payroll and related benefit costs and maintaining a fair and balanced position in a competitive employment market and thus allowing the cooperative to place and retain the right people doing the right things to drive the performance of the organization.

Recommendation

Management recommends that the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") approve the following revisions in the EKPC compensation program:

1. Effective October 29, 2006, a 3.0% general increase for all regular full-time EKPC employees who meet performance expectations. No structure adjustments, merit increases, or skill-based/non skill-based level or step increases will be granted until further notice.
2. Effective immediately, provide a \$40 general food item gift certificate for each EKPC employee, EKPC director, and member system manager.

rmp/hln

Resolution

SEPTEMBER

COMPENSATION PROGRAM REVISIONS

Whereas, For reasons set forth in the Executive Summary, and upon the recommendation of the Operations, Services and Support Committee and Management and consistent with key performance measures; now, therefore, be it

Resolved, That the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") authorizes management to implement the following revisions to EKPC's compensation program:

1. Effective October 29, 2006, a 3.0% general increase for all regular full-time EKPC employees who meet performance expectations. No structure adjustments, merit increases, or skill-based/non skill-based level or step increases will be granted until further notice.
2. Effective immediately, provide a \$40 general food item gift certificate for each EKPC employee, EKPC director, and member system manager.

8/28/06

HLN

2006-2007 Compensation Recommendation Cost Estimate

The primary cost of this recommendation is 3.00% of payroll or approximately \$1,350,000.

The cost of the holiday gift certificate is approximately 0.08% of payroll or \$36,000.

The benefit roll-up cost is approximately 0.99% of payroll or approximately \$445,500.

The grand total cost is approximately 4.07% or \$1,831,500.

Last year's grand total cost was approximately 4.83% or \$1,929,150.

EKPC Board Meeting Minutes
Page 2
October 3, 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 reviewed and fielded questions on the Business Management Plan as included in the Board book.

AUDIT COMMITTEE ACTION ITEMS

No Audit Committee meeting was held.

AUDIT COMMITTEE INFORMATION ITEMS

None.

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

EKPC's 2006-2007 Compensation Program

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, For reasons set forth in the Executive Summary, and upon the recommendation of the Operations, Services and Support Committee and Management and consistent with key performance measures; now, therefore, be it

Resolved, That the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") authorizes management to implement the following revisions to EKPC's compensation program:

1. Effective October 29, 2006, a 3.0% general increase for all regular full-time EKPC employees who meet performance expectations. No structure adjustments, merit increases, or skill-based/non skill-based level or step increases will be granted until further notice.
2. Effective immediately, provide a \$40 general food item gift certificate for each EKPC employee.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 4

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 4. Refer to Exhibit F of the Application, Schedule 10, page 6 of 6.

REQUEST 4a. From the additional debt scheduled portion of this page, indicate whether the expected debt issuance has occurred. If the amount, date of issuance, or the interest rate differs from that shown on this page, provide the corrected information.

RESPONSE 4a. Information is provided on page 3 of this response.

REQUEST 4b. If EKPC has incurred any additional debt since the end of the test year that is not reflected on this page, provide the same details for each new debt issuance as shown on this page.

RESPONSE 4b. Information is provided on page 3 of this response.

REQUEST 4c. For each payment listed in "Debt Paydown Scheduled," state whether the expected payment has occurred. If the amount, date of payment, or interest rate is different from that as shown on this page, provide the corrected information.

RESPONSE 4c. Information is provided on page 4 of this response.

REQUEST 4d. Has EKPC made any additional debt payments since the end of the test year that is not reflected on this page? If yes, provide the same details for each new paydown as shown on this page.

RESPONSE 4d. Information is provided on page 4 of this response.

EAST KENTUCKY POWER COOPERATIVE

CASE NO. 06-00472

ADJUSTMENT FOR INTEREST ON LONG-TERM DEBT

Additional Debt incurred or to be incurred since 9/30/06

Highlighted = Actual

PSC # 4(a)

Type of Debt Issue	Date of Issue	Date of Maturity	Amount Issued	Interest Rate	Normalized Interest Expense
<u>National Rural Utilities Cooperative Finance Corporation ("CFC")</u>					
CFC - Unsecured Credit Facility	11/02/2006	09/02/2010	50,000,000.00	6.263%	3,131,250.00
CFC - Unsecured Credit Facility	12/12/2006	09/02/2010	50,000,000.00	6.200%	3,100,000.00
CFC - Unsecured Credit Facility	01/16/2007	09/02/2010	50,000,000.00	6.263%	3,131,250.00
CFC - Unsecured Credit Facility	03/15/2007	09/02/2010	75,000,000.00	6.500 % *	4,875,000.00
<u>Federal Financing Bank Notes</u>					
Z-8 FFB (Gilbert Loan) **	03-14-2007	12-31-2038	23,000,000.00	4.988 % *	1,147,240.00
Z-8 FFB (Gilbert Loan) **	03-16-2007	12-31-2038	23,251,000.00	4.988 % *	1,159,759.88
Y-8 FFB (Spurlock SCR loan)	03-31-2007	12-31-2032	15,200,000.00	5.500 % *	836,000.00
					\$ 17,380,499.88

* Estimated Interest Rate

** Loan advance date already confirmed with RUS

PSC # 4(b)

NONE

Debt paydown to be incurred since 9/30/06

PSC # 4(c)

Highlighted = Actual

Type of Debt Issue	Date of Paydown	Paydown Issued	Wtgd. Avg. Interest Rate	Normalized Interest Expense
Bonds				
Spurlock Pollution Control Bonds	10/15/2006	6,500,000.00	3.736%	242,840.00
Smith Pollution Control Bonds	10/15/2006	2,885,000.00	3.680%	106,168.00
Notes				
<u>National Rural Utilities Cooperative Finance Corporation ("CFC")</u>				
4 CFC Secured LT Loans	11/30/2006	337,024.39	3.800%	12,806.93
4 CFC Secured LT Loans	02/28/2007	340,226.12	3.800%	12,928.59
National Cooperative Services Corporation	12/15/2006	1,200,000.00	7.700%	92,400.00
<u>Federal Financing Bank Notes</u>				
Numerous FFB Notes	10/02/2006	8,660,449.19	5.338%	462,294.78
Numerous FFB Notes	01/02/2007	9,117,288.38	5.338%	486,680.85
Numerous FFB Notes	03/31/2007	9,574,997.84	5.338%	511,113.38
<u>Rural Utilities Service Notes</u>				
Numerous RUS Notes	11/30/2006	520,982.12	2.000%	10,419.64
Numerous RUS Notes	02/28/2007	523,787.12	2.000%	10,475.74
Numerous RUS Notes	10/31/2006	87,098.43	5.000%	4,354.92
Numerous RUS Notes	11/30/2006	473,108.90	5.000%	23,655.45
Numerous RUS Notes	12/29/2006	87,854.45	5.000%	4,392.72
Numerous RUS Notes	01/31/2007	88,227.57	5.000%	4,411.38
Numerous RUS Notes	02/28/2007	489,116.41	5.000%	24,455.82
Numerous RUS Notes	03/31/2007	86,806.00	5.000%	4,340.30
Numerous RUS Notes	10/31/2006	30,830.00	5.125%	1,580.04
Numerous RUS Notes	11/30/2006	32,455.08	5.125%	1,663.32
Numerous RUS Notes	12/29/2006	31,105.46	5.125%	1,594.15
Numerous RUS Notes	01/31/2007	31,240.84	5.125%	1,601.09
Numerous RUS Notes	02/28/2007	35,809.52	5.125%	1,835.24
Numerous RUS Notes	03/31/2007	31,534.00	5.125%	1,616.12
		41,164,941.82		\$ 2,023,628.46

PSC # 4(d)

N/A

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 5

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 5. Refer to Exhibit G-2 of the Application, the Direct Testimony of David G. Eames, page 5 of 12.

REQUEST 5a. What was EKPC's total members' equity as of December 31, 2006?

RESPONSE 5a. EKPC's total members' equity as of December 31, 2006 was \$107,031,467.

REQUEST 5b. What was EKPC's Times Interest Earned Ratio ("TIER) for calendar year 2006?

RESPONSE 5b. EKPC's TIER for the year ended December 31, 2006 was 1.13.

REQUEST 5c. Provide a copy of each written notice that EKPC has sent to the Rural Utilities Service ("RUS"), the National Rural Utilities Cooperative Finance Corporation ("CFC"), and the Federal Financing Bank ("FFB") concerning its failure to meet the TIER requirements of the Restated and Consolidated Mortgage and Security

Agreement (“Mortgage Agreement”). For each of these entities that EKPC has not provided such written notice, explain why such notice was not provided.

RESPONSE 5c. Two letters have been sent to RUS regarding EKPC’s failure to meet the TIER requirements of the Mortgage Agreement. Copies of both letters are attached. Copies of these letters have also been provided to CFC. No formal notification has been given to the FFB, in that RUS handles the loan administration for loans to cooperatives.

REQUEST 5d. Has EKPC submitted a written plan to RUS, CFC, and FFB setting forth the actions that it will take to achieve the required TIER?

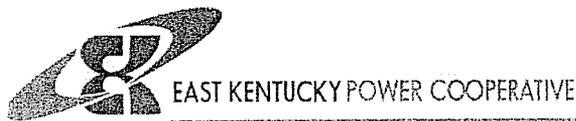
- (1) If yes, provide copies of the written plan.
- (2) If no, indicate when EKPC anticipates submitting the

required written plan.

RESPONSE 5d. The letters submitted in Response to No. 5c. describe EKPC’s plan of action to achieve the required TIER.

REQUEST 5e. For each entity to which EKPC has submitted a written plan of action to achieve the required TIER, describe the entity’s response and provide all written responses.

RESPONSE 5e. Management personnel at EKPC held a conference call with RUS representatives on January 30, 2007 to discuss EKPC’s financial situation and its plan of action to achieve the required TIER. RUS representatives expressed no disagreement with the plan nor proposed any other course of action. No written communication has been received concerning the matter.



January 19, 2007

Mr. Victor Vu
Director, Power Supply Division-USDA
Rural Utilities Service
Stop 1568
1400 Independence Avenue, S.W.
Washington, DC 20250-1568

Dear Mr. Vu:

As EKPC staff has discussed with you and RUS staff, it is anticipated that EKPC will not meet the TIER and DSC ratio requirements in the Mortgage Covenants for the last three-year period. We have previously sent to you a letter outlining the causes of EKPC's inability to meet Mortgage Covenants (see letter dated June 1, 2006, from David Eames, attached).

EKPC's plan to remedy this situation basically consist of two parts—reducing costs and increasing reserves.

In 2006, EKPC initiated a cost-reduction program to either defer or eliminate \$20,000,000 of expense in each of years 2006 and 2007. To date, EKPC has reduced 2006 expenditures by \$17,621,000 and 2007 expenditures by \$17,727,000. EKPC will continue these cost-reduction efforts into 2008 and 2009.

The second phase is to petition the Kentucky Public Service Commission (KPSC) to allow EKPC to raise rates. EKPC has prepared a rate case requesting a \$43,400,000 rate increase on an annual basis. EKPC will file this case by the end of January with an effective date of April 1, 2007. This will generate additional revenue of approximately \$31,000,000 in 2007. The KPSC does have the right to suspend the case for five months, making it effective as late as September 1, 2007, which would reduce 2007 revenue by about \$18,000,000. EKPC will request implementation of the rate increase on April 1, 2007. It is also anticipated that EKPC may need to file two or three more rate cases over the next four or five years in order to ensure that EKPC finances stay on a strong footing.

If you should need any further information, please do not hesitate to call me.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'R. Marshall', is written over the typed name.

Robert M. Marshall
President & Chief Executive Officer

dge/dd
Enclosure
(FINDIV/FINANCE/GENERAL/RUS-VU RE-RATE INCREASE)

4775 Lexington Road 40391 Tel. (859) 744-4812
P.O. Box 707, Winchester, Fax: (859) 744-6008
Kentucky 40392-0707 <http://www.ekpc.coop>



June 1, 2006

Mr. Victor Vu
Director, Power Supply Division
Rural Utilities Service
1400 Independence Avenue, SW
Washington, DC 20250-1568

Dear Mr. Vu:

Ms. Marina Chu of the Power Supply Division has requested us to furnish a financial review of the years 2004 and 2005, as well as an outlook for 2006 regarding East Kentucky Power Cooperative.

EKPC reported a \$27.3 million net deficit for the year ended December 31, 2004. One major event primarily triggered the deficit. On July 1, 2004 Spurlock Unit #1 was forced off-line when a control system failure caused an overheated condition in the generator stator windings, which damaged the insulation and required the stator to be rewound. Spurlock Unit #1 was off-line until October 27. The net cost of this outage was over \$38 million, including \$18 million of actual maintenance costs and \$20 million of the net replacement cost of fuel not recovered under the Kentucky Fuel Adjustment Clause (FAC) provision. This unplanned unit outage, affecting EKPC's 2004 financial results, was a one-time event. All EKPC debt covenants remained secure and no events of default occurred.

In early 2006, EKPC received Notices of Violations (NOVs) from the U.S. Environmental Protection Agency and the Commonwealth of Kentucky Environmental and Public Protection Cabinet alleging violation of the Clean Air Act relating to EKPC's Dale Units 1 & 2 located in Ford, Kentucky. Dale Units 1 & 2 are EKPC's oldest coal-fired units built in 1954.

Under Phase II of the emission restrictions of the Clean Air Act, owners of generation plants that have more than 25 MW capacities are required to record, report, and provide for the emissions from the plant. EKPC replaced the turbines and generators for these two units in the late 1990's and, as a result of the contract performance specifications, believed the nameplate capacity of the units was 24 MW each. The NOVs allege that, using a KVA rating calculation method (which uses the KVA number on the nameplate as multiplied by a power factor), the Dale Units 1 & 2 actually have a rating of 27 MW each. Based on the KVA rating, the Dale Units 1 & 2 would be covered under the Clean Air Act. Therefore,

4775 Lexington Road 40391 Tel. (859) 744-4812
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Kentucky 40392-0707 <http://www.ekpc.com>

Victor Vu
Page 2
June 1, 2006

EKPC was cited as being required to provide SO₂ and NO_x emissions for these two units retroactive to 2000.

Based on the reviews of the NOV conducted by its auditors and external counsel, EKPC determined that it needed to record a non-cash liability on its 2005 balance sheet to reflect the potential impact of this violation. EKPC does not expect any cash flow impact until the issue is resolved, which is not expected any time soon. EKPC believes that it can provide sufficient defenses to reduce or eliminate a significant amount of this potential liability.

A financial review by the 16 lenders to EKPC under an existing \$650,000,000 revolving Credit Agreement was conducted and, as a result, the financial institutions reaffirmed their commitment to the Credit Agreement. EKPC remains in good standing with all its lenders. EKPC is currently in compliance with all its debt covenants and the \$650,000,000 revolving Credit Facility is fully available for EKPC's use.

EKPC has budgeted a net margin of \$5.0 million for 2006. EKPC's first quarter results for 2006 show a net margin of \$12.3 million, which is \$1.4 million ahead of budget.

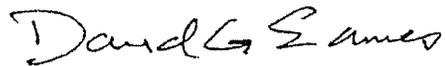
EKPC has taken several steps toward improving its financial performance for 2006:

- A cost-containment program has been undertaken with the goal to eliminate operating costs and increase margins.
- EKPC continues to review the possible justification for a base rate increase in the near future.
- In July 2005, EKPC and its member systems instituted an Environmental Compliance Surcharge, pursuant to KRS 278.183, in order to recover costs incurred due to the Clean Air Act requirements.
- EKPC has hired former Buckeye Power CEO Richard "Dick" Byrne to function as EKPC's interim chief operating officer. Mr. Byrne will continue working on a part-time basis for several months. He will be working with EKPC CEO Roy Palk, to develop a work plan to identify additional cost containment initiatives, further define the scope of the COO's work and review corporate strategies.
- Mr. Byrne and CEO Roy Palk will determine a reasonable timeframe to achieve the work plan to reduce wholesale power costs.
- Mr. Palk and Mr. Byrne will report the work plan and the anticipated timeframe for reducing wholesale power costs to the EKPC Board by the July Board meeting.

Victor Vu
Page 3
June 1, 2006

Upon receipt of this letter, please feel free to contact me to schedule a follow-up conference call. In the meantime, do not hesitate to call with any questions.

Sincerely,



David G. Eames
Vice President, Finance

dge/fjo/ka

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 6

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 6. EKPC has proposed to adjust its rates, effective April 1, 2007, to produce an increase of \$43,363,219 in its annual revenues.

REQUEST 6a. Explain in detail how EKPC's credit will be materially impaired or damaged if the Commission suspends the proposed rates until September 1, 2007.

This explanation should include specific examples of the impairment or damage to EKPC's credit.

RESPONSE 6a. Suspending the proposed rates until September 1, 2007, will result in a reduction of EKPC's 2007 revenue by an estimated \$17.6 million compared to EKPC's 2007 budget. This reduction will have direct impact on EKPC's net margins for the year. Assuming all other budget estimates and targets are met, this suspension of the proposed rates and corresponding reduction in cash flow is estimated to reduce EKPC's net margin to \$6.0 million for the year, resulting in a Debt Service Coverage (DSC) ratio of 0.95. Based on averaging the two best DSC ratios for 2005, 2006, and 2007 (as specified by the RUS Mortgage Agreement), EKPC's average DSC ratio for the period would be 0.96, which is below the 1.00 average DSC ratio required by RUS. Failing to meet this standard would create the potential for RUS to declare EKPC to be in a loan

default situation. The situation is exacerbated by the fact that EKPC did not earn the minimum required TIER and DSC ratios for the three-year period ending in 2006. Obviously, the possibility that RUS could declare all of EKPC's federal debt immediately due and payable would materially damage EKPC's credit.

Because there is no current recognition of positive cash flow from the Allowance for Funds Used During Construction (AFUDC), any earnings or margins generated by this non-cash source are generally considered to be "low quality" earnings by utility analysts and rating agencies. For the years 2005 and 2006, net margins generated by AFUDC were \$6 million and \$9 million, respectively. For 2007, AFUDC is expected to provide approximately \$34 million of EKPC's net margins for the year. With EKPC's net margins being reduced to \$6 million, this significant cash shortfall would have a detrimental effect on EKPC's credit.

In addition, the President's proposed federal budget for fiscal year 2008 has proposed that all RUS loans for generation projects be eliminated. Attached is a copy of a news release from the rating agency Standard and Poor's, which describes the possible implications of such a change. If this situation occurs, EKPC will need much stronger margin levels in order to be able to compete for capital in the public debt markets.

REQUEST 6b. Explain in detail how EKPC's operations will be materially impaired or damaged if the Commission suspends the proposed rates until September 1, 2007.

RESPONSE 6b. As explained in Response 6.a., the suspension of the proposed rates would reduce EKPC's cash flow for the year 2007 by an estimated \$17.6 million. Such a reduction would have a material impact on operations. EKPC could be forced to

defer or cancel generation and transmission maintenance projects, potentially affecting electric system reliability.

Additionally, if RUS were to declare EKPC to be in a loan default situation, future RUS loan advances would be “frozen” until such time as RUS believed that the situation was remedied. This withholding of loan advances by RUS would compound the cash flow deficit for EKPC and have a severe effect on operations and construction projects.

**STANDARD
& POOR'S**

BREAKING NEWS

Discontinuation Of RUS New Generation Loan Program Could Have Negative Implications For G&Ts

Primary Credit Analysts:

Anne Selting
San Francisco
(1) 415-371-5009
anne_selting@
standardandpoors.com

SAN FRANCISCO (Standard & Poor's) Feb. 7, 2007—Standard & Poor's Ratings Services said today that the president's federal budget for fiscal 2008 released by the Office of Management and Budget (OMB) on Feb. 5, 2006 could impose capital constraints for generation and transmission cooperatives (G&Ts).

The budget proposes that G&Ts' new base load generation projects be financed through commercial markets rather than the U.S. Department of Agriculture's Rural Utilities Services (RUS). The proposal also has potential implications for whether fiscal 2007 RUS loans for new G&T base load will ultimately be funded.

The RUS is the largest long-term lender to G&Ts, and in fiscal 2006 provided about \$3.9 billion in loans to power cooperatives, of which approximately \$2.7 billion was allocated to G&Ts. While the president's budget would continue to support loans for transmission and ongoing capital expenditures, it would restrict G&Ts from borrowing for new power plant projects in fiscals 2007 and 2008. In addition, the budget does not increase funding levels, suggesting that all loans to electric power cooperatives, including distribution companies, be maintained at about the \$4 billion level.

As currently constituted, the ability of G&Ts to fund their construction plans is closely tied to RUS loan capacity. According to survey information collected by the National Rural Electric Cooperative Association (NRECA) in 2006, G&Ts need to borrow about \$35 billion in the next 10 years, of which about \$24.5 billion is expected for new generation and transmission projects. In summer 2006, the NRECA indicated it would seek \$6 billion in annual RUS loan programs to support the build out.

"It is too early to tell what Congress will include in its appropriations bill," said Standard & Poor's credit analyst Anne Selting. "In past years, Congress has not always followed the administration's

Publication Date

Feb. 7, 2007

Discontinuation Of RUS New Generation Loan Program Could Have Negative Implications For G&Ts

recommendations. However, given these recommendations, we expect it will be difficult for cooperative lobbying efforts to deliver increases in funding for G&Ts.”

While G&Ts may be able to access the capital markets as an alternative to RUS programs, this would entail a number of changes, including potential modifications to G&Ts’ indentures, which could impose financing delays. In addition, at a time when base load costs are rising due to increasing construction and labor costs, G&Ts’ financing costs could increase.

We intend to provide more extensive analysis on this and other power cooperative challenges in a commentary to be published next week.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor’s Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor’s public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 7

RESPONSIBLE PERSON: Robert M. Marshall

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 7. On November 13, 2006, EKPC submitted its notice to the Commission of its intent to file a wholesale rate application on or after December 11, 2006. It subsequently advised the Commission that a filing would be made in early 2007 to support an effective date of April 1, 2007. EKPC submitted its wholesale rate application on January 29, 2007, which was declared filed on February 6, 2007. Explain why the Commission should not consider the significant delay in the filing of EKPC's application as evidence that immediate implementation of the proposed wholesale rates is not necessary and will not materially impair or damage EKPC's credit or operations.

RESPONSE 7. The action of the EKPC Board of Directors recognizes the importance of immediately improving EKPC's financial condition, while protecting its members from enduring a rate increase during the high consumption months of the winter season. The Board initially recognized the critical nature of the financial situation by authorizing a significant cost containment program in early 2006. This program was further enhanced by the authorization of significant budget reductions in the fall of 2006 and the early part of 2007. The Board acknowledged the need for rate relief by allowing management to provide a Notice of Intent to File a rate case no earlier than December 11, 2006. The deferment of the effective date of the rate case, however, was not done in

isolation. It was coupled with the mandate of budget reductions in early 2007. As explained in the testimony of Mr. Eames, Mr. Walker and Mr. Don, and the response to Item 6 herein by Mr. Oliva, delay of implementation into the latter part of the summer would create additional uncertainty in the financial community and jeopardize the continuation of EKPC's financing program.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 8

RESPONSIBLE PERSON: Daniel M. Walker

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 8. Refer to Exhibit G-4 of the Application, the Direct Testimony of Daniel M. Walker ("Walker Testimony").

REQUEST 8a. Using the approach discussed in the Walker Testimony, what was the computed debt rating for EKPC as of:

- (1) The end of the test year?
- (2) The end of calendar year 2006?

RESPONSE 8a. There will not likely be a credit update until the 2006 audit of EKPC financials is complete and published and the banks have time to complete their internal assessments.

REQUEST 8b. Page 13 of 20 of the Walker Testimony states that the optimum credit range for EKPC is **BBB+** to A+. Explain in detail why it is necessary to determine EKPC's wholesale rate increase based on the optimum credit range, rather than steadily building up to the optimum credit range over a period of years.

RESPONSE 8b. Banks and other lenders rely on achieved financial performance. It takes time for new revenues from rates to filter through operations to improve financial performance. Even at the requested level the ramp up in credit quality will be gradual over time until the new rate levels provide consistent financial performance.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 9

RESPONSIBLE PERSON: Ann F. Wood/Frank J. Oliva/William A. Bosta

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 9. EKPC has stated that the Mortgage Agreement requires that as of the last day of the calendar year, the average TIER during the two best years out of the last three calendar years must be no less than 1.05.

REQUEST 9a. Using the adjusted test year as proposed in the Application, provide a revised Exhibit J reflecting a wholesale rate increase based upon a TIER of 1.05.

RESPONSE 9a. Please see information provided on page 2.

REQUEST 9b. Using the information and cost-of-service allocations as proposed in the Application, provide a revised Exhibit I, pages 6 and 7 of 7, reflecting the increase in revenues based upon a TIER of 1.05.

RESPONSE 9b. Please see information provided on pages 3 and 4. Note that the revenue increase by Class and by Member System under the 1.05 TIER is based on a ratio of the revenue increase shown on Exhibit I. New rates have not been designed for this response.

East Kentucky Power Cooperative

Case Number 2006-00472

Times Interest Earned Ratio (TIER)
(revised Exhibit J)

	Actual	Adjusted	Adjusted After Increase
Net Margins	\$ (47,655,661)	(6,161,656)	5,307,809
Interest on Long-Term Debt (LTD)	<u>79,393,490</u>	<u>106,156,172</u>	<u>106,156,172</u>
Total	31,737,830	99,994,516	111,463,981
Divided by Interest on LTD	<u>\$ 79,393,490</u>	<u>106,156,172</u>	<u>106,156,172</u>
Times Interest Earned Ratio	<u>0.40</u>	<u>0.94</u>	<u>1.05</u>

Debt Service Coverage Ratio (DSC)

<i>Funds Available</i>			
Net Margins	\$ (47,655,661)	(6,161,656)	5,307,809
Depreciation	55,134,203	40,589,135	40,589,135
Interest on Long-Term Debt	<u>79,393,490</u>	<u>106,156,172</u>	<u>106,156,172</u>
Total Funds Available	86,872,033	140,583,651	152,053,116
<i>DSC Requirements</i>			
Interest and Principal Payments on Long-Term Debt	<u>130,377,917</u>	<u>146,857,710</u>	<u>146,857,710</u>
DSC Requirements	\$ 130,377,917	146,857,710	146,857,710
Debt Service Coverage Ratio	<u>0.67</u>	<u>0.96</u>	<u>1.04</u>

EKPC REVENUE INCREASE BY RATE CLASS BASED ON 1.05 TIER (Revised Exhibit I, Page 6 of 7)

Rate Schedule	PRESENT RATES					PROPOSED RATES					Increase in Revenues	Percentage Increase	
	Base Rate Revenue	Buy-Through Revenue	Total Base Rate Revenue	FAC Revenues	ES Revenues	Total Base Rate Revenue	Buy-Through Revenue	Total Base Rate Revenue	FAC Revenues	ES Revenues			Total Revenues
Section E	\$ 392,232,413		\$ 392,232,413	\$ 68,632,419	\$ 45,722,083	\$ 401,404,070		\$ 401,404,070	\$ 68,632,419	\$ 45,722,083	\$ 515,758,572	\$ 9,171,657	1.81%
Section B	30,041,555	66,451	30,108,006	6,196,072	3,540,517	30,722,977	66,451	30,789,428	6,196,072	3,540,517	40,528,017	681,422	1.71%
Section C	15,987,564		15,987,564	3,210,663	1,871,288	16,380,894		16,380,894	3,210,663	1,871,288	21,462,845	393,330	1.87%
Inland Electric	7,391,355		7,391,355	1,646,661	884,906	7,523,173		7,523,173	1,646,661	884,906	10,054,740	131,818	1.33%
Inland Steam	8,554,161		8,554,161	2,016,154	1,019,185	8,759,994		8,759,994	2,016,154	1,019,185	11,795,333	205,833	1.78%
Gallatin Steel	30,870,772	1,289,822	32,160,594	7,737,702	3,763,296	32,946,606	1,289,822	32,946,606	7,737,702	3,763,296	44,447,604	786,012	1.80%
AGC Automotive	4,959,800		4,959,800	1,085,773	599,856	5,051,257		5,051,257	1,085,773	599,856	6,736,886	91,457	1.38%
Schedule A													
TGP	9,663,647		9,663,647		546,560	9,663,647		9,663,647		546,560	10,210,207	-	0.00%
EK Offices	314,498		314,498	61,825	35,669	322,434		322,434	61,825	35,669	419,928	7,936	1.93%
Total	500,015,765	1,356,273	501,372,038	90,587,269	57,983,360	512,841,503	1,356,273	512,841,503	90,587,269	57,983,360	661,412,132	11,469,465	1.76%
Load Center & Metering Point	10,653,264		10,653,264	0	0	10,653,264		10,653,264	0	0	10,653,264	-	0.00%
Total	510,669,029	1,356,273	512,025,302	90,587,269	57,983,360	523,494,767	1,356,273	523,494,767	90,587,269	57,983,360	672,065,396	11,469,465	1.74%

\$ 11,469,465

EKPC Revenue Increase by Member System Based on 1.05 TIER (Revised Exhibit I, Page 7 of 7)

Member System	Present Rates				Proposed Rates				Percentage Increase	Amount to be Recovered
	Base	FAC	ES	Total	Base	FAC	ES	Total		
Big Sandy	\$ 11,716,472	\$ 2,013,267	\$ 1,325,333	\$ 15,055,072	\$ 11,983,626	\$ 2,013,267	\$ 1,325,333	\$ 15,322,226	1.77%	\$ 267,154
Blue Grass	52,390,639	9,151,496	5,979,254	67,521,389	53,562,969	9,151,496	5,979,254	68,693,719	1.74%	1,172,330
Clark	19,645,505	3,321,637	2,229,895	25,197,037	20,089,801	3,321,637	2,229,895	25,641,333	1.76%	444,296
CVECC	22,673,225	3,924,715	2,572,958	29,170,898	23,194,775	3,924,715	2,572,958	29,692,448	1.79%	521,550
Farmers	21,777,590	3,861,588	2,496,643	28,135,821	22,285,375	3,861,588	2,496,643	28,643,606	1.80%	507,785
F-M W/O Inland & TGP	25,936,162	4,676,923	2,965,000	33,578,085	26,539,866	4,676,923	2,965,000	34,181,789	1.80%	603,704
Inland Electric	7,391,355	1,646,661	884,906	9,922,922	7,523,172	1,646,661	884,906	10,054,739	1.33%	131,817
Inland Steam	8,554,161	2,016,144	1,019,185	11,589,490	8,759,994	2,016,144	1,019,185	11,795,323	1.78%	205,833
TGP	5,602,582	-	313,519	5,916,101	5,602,582	-	313,519	5,916,101	0.00%	-
F-M Total	47,484,260	8,339,728	5,182,610	61,006,598	48,425,614	8,339,728	5,182,610	61,947,952	1.54%	941,354
Grayson	11,890,088	2,026,114	1,346,778	15,262,980	12,157,949	2,026,114	1,346,778	15,530,841	1.75%	267,861
Inter-County	20,221,967	3,445,142	2,283,809	25,950,918	20,677,829	3,445,142	2,283,809	26,406,780	1.76%	455,862
Jackson	42,364,688	7,278,321	4,783,781	54,426,790	43,331,554	7,278,321	4,783,781	55,393,656	1.78%	966,866
Licking Valley	12,034,882	2,064,583	1,362,658	15,462,123	12,309,190	2,064,583	1,362,658	15,736,431	1.77%	274,308
Nolin	31,936,390	5,748,666	3,675,917	41,360,973	32,643,908	5,748,666	3,675,917	42,068,491	1.71%	707,518
Owen (w/o Gallatin)	48,148,373	8,527,755	5,534,803	62,210,931	49,263,656	8,527,755	5,534,803	63,326,214	1.79%	1,115,283
Owen Gallatin	32,160,594	7,737,702	3,763,296	43,661,592	32,946,606	7,737,702	3,763,296	44,447,604	1.80%	786,012
Owen Total	80,308,967	16,265,457	9,298,099	105,872,523	82,210,262	16,265,457	9,298,099	107,773,818	1.80%	1,901,295
Salt River	42,526,335	7,366,794	4,872,801	54,765,930	43,509,233	7,366,794	4,872,801	55,748,828	1.79%	982,898
Shelby	18,871,430	3,414,773	2,169,423	24,455,626	19,291,420	3,414,773	2,169,423	24,875,616	1.72%	419,990
SKRECC	51,840,181	8,886,870	5,867,977	66,595,028	53,019,036	8,886,870	5,867,977	67,773,883	1.77%	1,178,855
Taylor W/O TGP	19,967,120	3,416,292	2,274,737	25,658,209	20,418,728	3,416,292	2,274,737	26,109,817	1.76%	451,608
TGP	4,061,065	-	225,018	4,286,083	4,061,065	-	225,018	4,286,083	0.00%	-
Taylor Total	24,028,185	3,416,352	2,499,755	29,944,292	24,479,793	3,416,352	2,499,755	30,395,900	1.51%	451,608
EK Offices	314,498	61,826	35,669	411,993	322,434	61,826	35,669	419,929	1.93%	7,936
	\$ 512,025,302	\$ 90,587,269	\$ 57,983,360	\$ 660,595,991	\$ 523,494,767	\$ 90,587,269	\$ 57,983,360	\$ 672,065,456	1.74%	\$ 11,469,465

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 10

RESPONSIBLE PERSON: Ann F. Wood/Frank J. Oliva/William A. Bosta

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 10. In its last general rate case, Case No. 1994-00336, the Commission determined EKPC's revenue requirements using a TIER of 1.15.

REQUEST 10a. Using the adjusted test year as proposed in the Application, provide a revised Exhibit J reflecting a wholesale rate increase based upon a TIER of 1.15.

RESPONSE 10a. Please see information provided on page 2.

REQUEST 10b. Using the information and cost-of-service allocations as proposed in the Application, provide a revised Exhibit I, pages 6 and 7 of 7, reflecting the increase in revenues based upon a TIER of 1.15.

RESPONSE 10b. Please see information provided on pages 3 and 4. Note that the revenue increase by Class and by Member System under the 1.15 TIER is based on a ratio of the revenue increase shown on Exhibit I. New rates have not been designed for this response.

East Kentucky Power Cooperative

Case Number 2006-00472

Times Interest Earned Ratio (TIER)
(Revised Exhibit J)

	Actual	Adjusted	Adjusted After Increase
Net Margins	\$ (47,655,661)	(6,179,126)	15,923,426
Interest on Long-Term Debt (LTD)	<u>79,393,490</u>	<u>106,156,172</u>	<u>106,156,172</u>
Total	31,737,830	99,977,046	122,079,598
Divided by Interest on LTD	<u>\$ 79,393,490</u>	<u>106,156,172</u>	<u>106,156,172</u>
Times Interest Earned Ratio	<u>0.40</u>	<u>0.94</u>	<u>1.15</u>

Debt Service Coverage Ratio (DSC)

<i>Funds Available</i>			
Net Margins	\$ (47,655,661)	(6,179,126)	15,923,426
Depreciation	55,134,203	40,589,135	40,589,135
Interest on Long-Term Debt	<u>79,393,490</u>	<u>106,156,172</u>	<u>106,156,172</u>
Total Funds Available	86,872,033	140,566,181	162,668,733
<i>DSC Requirements</i>			
Interest and Principal Payments on Long-Term Debt	<u>130,377,917</u>	<u>146,857,710</u>	<u>146,857,710</u>
DSC Requirements	\$ 130,377,917	146,857,710	146,857,710
Debt Service Coverage Ratio	<u>0.67</u>	<u>0.96</u>	<u>1.11</u>

EKPC REVENUE INCREASE BY RATE CLASS BASED ON 1.15 TIER (Revised Exhibit 1, Page 6 of 7)

Rate Schedule	PRESENT RATES					PROPOSED RATES					Total Revenues	ES Revenues	FAC Revenues	Total Revenues	Incr in Rev 1.15 TIER	Percentage Increase
	Base Rate Revenue	Buy-Through Revenue	Total Base Rate Revenue	FAC Revenues	ES Revenues	Total Revenues	Base Rate Revenue	Buy-Through Revenue	Total Base Rate Revenue	FAC Revenues						
Section E	\$ 392,232,413	\$ 66,451	\$ 392,232,413	\$ 68,632,419	\$ 45,722,083	\$ 506,586,915	\$ 409,226,705	\$ 66,451	\$ 409,226,705	\$ 68,632,419	\$ 45,722,083	\$ 523,581,207	\$ 16,994,292	3.35%		
Section B	30,041,555	15,987,564	30,108,006	6,196,072	3,540,517	39,844,595	31,373,464	66,451	31,439,915	6,196,072	3,540,517	41,176,504	1,331,909	3.34%		
Section C	7,391,355	8,554,161	7,391,355	1,646,661	884,906	11,589,500	16,895,785	7,718,557	16,695,785	3,210,663	1,871,288	21,777,736	708,221	3.36%		
Inland Electric	8,554,161	30,870,772	8,554,161	2,016,154	1,019,185	11,589,500	8,942,476	1,289,822	8,942,476	2,016,154	1,019,185	11,977,815	327,202	3.30%		
Inland Steam	30,870,772	4,959,800	32,160,594	7,737,702	3,763,296	43,661,592	32,334,941	1,289,822	33,624,763	7,737,702	3,763,296	45,125,761	388,315	3.35%		
Gallatin Steel	4,959,800		4,959,800	1,085,773	599,856	6,645,429	5,179,306		5,179,306	1,085,773	599,856	6,864,935	1,464,169	3.35%		
AGC Automotive													219,506	3.30%		
Schedule A																
TGP	9,663,647		9,663,647		546,560	10,210,207	9,884,221		9,884,221		546,560	10,530,781	320,574	3.14%		
EK Offices	314,498		314,498	61,825	35,669	411,992	328,376		328,376	61,825	35,669	425,869	13,878	3.37%		
Total	500,015,765	1,356,273	501,372,038	90,587,269	57,983,360	649,942,667	521,783,832	1,356,273	523,140,105	90,587,269	57,983,360	671,710,734	21,768,067	3.35%		
Load Center & Metering Point	10,653,264		10,653,264			10,653,264	10,987,749		10,987,749			10,987,749	334,485	3.14%		
Total	\$ 510,669,029	\$ 1,356,273	\$ 512,025,302	\$ 90,587,269	\$ 57,983,360	\$ 660,595,931	\$ 532,771,581	\$ 1,356,273	\$ 534,127,854	\$ 90,587,269	\$ 57,983,360	\$ 682,698,483	\$ 22,102,552	3.35%		

EKPC Revenue Increase by Member System Based on 1.15 TIER (Revised Exhibit I, Page 7 of 7)

Member System	Present Rates				Proposed Rates				Percentage Increase	Amt to be Recovered
	Base	FAC	ES	Total	Base	FAC	ES	Total		
Big Sandy	\$ 11,716,472	\$ 2,013,267	\$ 1,325,333	\$ 15,055,072	\$ 12,231,298	\$ 2,013,267	\$ 1,325,333	\$ 15,569,898	3.42%	\$ 514,826
Blue Grass	52,390,639	9,151,496	5,979,254	67,521,389	54,649,811	9,151,496	5,979,254	69,780,561	3.35%	2,259,172
Clark	19,645,505	3,321,637	2,229,895	25,197,037	20,501,698	3,321,637	2,229,895	26,053,230	3.40%	856,193
CVECC	22,673,225	3,924,715	2,572,958	29,170,898	23,678,292	3,924,715	2,572,958	30,175,965	3.45%	1,005,067
Farmers	21,777,590	3,861,588	2,496,643	28,135,821	22,756,131	3,861,588	2,496,643	29,114,362	3.48%	978,541
F-M W/O Inland & TGP	25,936,162	4,676,923	2,965,000	33,578,085	27,099,547	4,676,923	2,965,000	34,741,470	3.46%	1,163,385
Inland Electric	7,391,355	1,646,661	884,906	9,922,922	7,645,377	1,646,661	884,906	10,176,944	2.56%	254,022
Inland Steam	8,554,161	2,016,144	1,019,185	11,589,490	8,950,818	2,016,144	1,019,185	11,986,147	3.42%	396,657
TGP	5,602,582	-	313,519	5,916,101	5,602,582	-	313,519	5,916,101	0.00%	-
F-M Total	47,484,260	8,339,728	5,182,610	61,006,598	49,298,323	8,339,728	5,182,610	62,820,661	2.97%	1,814,063
Grayson	11,890,088	2,026,114	1,346,778	15,262,980	12,406,278	2,026,114	1,346,778	15,779,170	3.38%	516,190
Inter-County	20,221,967	3,445,142	2,283,809	25,950,918	21,100,449	3,445,142	2,283,809	26,829,400	3.39%	878,482
Jackson	42,364,688	7,278,321	4,783,781	54,426,790	44,227,913	7,278,321	4,783,781	56,290,015	3.42%	1,863,225
Licking Valley	12,034,882	2,064,583	1,362,658	15,462,123	12,563,495	2,064,583	1,362,658	15,990,736	3.42%	528,613
Nolin	31,936,390	5,748,666	3,675,917	41,360,973	33,299,832	5,748,666	3,675,917	42,724,415	3.30%	1,363,442
Owen (w/o Gallatin)	48,148,373	8,527,755	5,534,803	62,210,931	50,297,611	8,527,755	5,534,803	64,360,169	3.45%	2,149,238
Owen Gallatin	32,160,594	7,737,702	3,763,296	43,661,592	33,675,300	7,737,702	3,763,296	45,176,298	3.47%	1,514,706
Owen Total	80,308,967	16,265,457	9,298,099	105,872,523	83,972,910	16,265,457	9,298,099	109,536,466	3.46%	3,663,943
Salt River	42,526,335	7,366,794	4,872,801	54,765,930	44,420,456	7,366,794	4,872,801	56,660,051	3.46%	1,894,121
Shelby	18,871,430	3,414,773	2,169,423	24,455,626	19,680,783	3,414,773	2,169,423	25,264,979	3.31%	809,353
SKRECC	51,840,181	8,886,870	5,867,977	66,595,028	54,111,925	8,886,870	5,867,977	68,866,772	3.41%	2,271,744
Taylor W/O TGP	19,967,120	3,416,292	2,274,737	25,658,209	20,837,403	3,416,292	2,274,737	26,528,492	3.39%	870,283
TGP	4,061,065	-	225,018	4,286,083	4,061,065	-	225,018	4,286,083	0.00%	-
Taylor Total	24,028,185	3,416,352	2,499,755	29,944,292	24,898,468	3,416,352	2,499,755	30,814,575	2.91%	870,283
EK Offices	314,498	61,826	35,669	411,993	329,791	61,826	35,669	427,286	3.71%	15,293
	\$ 512,025,302	\$ 90,587,269	\$ 57,983,360	\$ 660,595,991	\$ 534,127,854	\$ 90,587,269	\$ 57,983,360	\$ 682,698,543	3.35%	\$ 22,102,552

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00472

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 02/20/07

REQUEST 11

RESPONSIBLE PERSON: William A. Bosta/Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

REQUEST 11. Refer to the response to the Commission Staffs First Data Request dated December 5, 2006, Item 58. EKPC states it has eliminated an estimated amount of costs of \$17,621,607 during 2006. On the attachment to the response, at page 1 of 21, this total is separated into fuel savings, purchased power savings, and operational savings.

REQUEST 11a. For each of the three categories of savings, indicate whether the amount represents actual reduced levels of expenses or reflect reductions in budgeted amounts only.

RESPONSE 11a.

1. Fuel – Actual Savings which will be reflected through the FAC.
2. Purchased Power – Estimated savings which will ultimately be reflected on an actual basis through the FAC.
3. Operational Savings – Budget reductions which result in lower actual costs in the test year.

REQUEST 11b. Have any of the savings been reflected in the test year, either through test-year actual expense levels or adjustments to the test year? Explain the response.

(1) If the savings have been reflected in the test year, indicate specifically where the savings have been recognized in the test year.

(2) If the savings have not been reflected in the test year, explain in detail why the savings have not been reflected in the test year and, in turn, not reflected in the determination of the increase in revenues proposed.

RESPONSE 11b(1). Yes. A comparison of the original 2006 budget amounts to actual amounts, by Department for January 2006 – September 2006, is attached. This attachment reveals a lower level of actual expenses compared to the expense level originally anticipated, and is reflected in the actual expenses for the January – September 2006 portion of the test year.

RESPONSE 11b(2). Not applicable.

REQUEST 11c. Refer to the attachment, page 19 of 21. For each item listed under the categories of “January 2006 Budget Reductions,” “Cost Containment,” and “Fall 2006 Budget Reductions,” describe the nature of the reductions or cost containment actions taken by EKPC. Include specific examples of the reduction or cost containment undertaken.

RESPONSE 11c. The January 2006 total company budget reduction information is attached as Response 11c pages 1 and 2. This attachment shows the reduction by budget code such as Travel Expense and Operations Materials and Supplies. Attachment 11c page 3 shows the cost containment reductions and Attachment 11c pages 4 and 5 show the effect of the budget reductions for October – December 2006.



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Coordinated Planning

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
1000	Straight Time Labor	1,113,193	1,326,047	(212,854)
1100	Labor Accrual	38,051	0	38,051
1400	Overtime Labor	15,435	9,378	6,057
	Total Labor	1,166,679	1,335,425	(168,746)
2200	Travel Expenses	21,479	46,325	(24,846)
2600	Oper Material and Supplies	2,720	24,574	(21,854)
2615	Office Furn, Equip & Tools	1,427	3,294	(1,867)
2616	Software and Software Upgrades	261	9,000	(8,739)
2617	Personal Computers	10,977	25,000	(14,023)
	Total Oper. Materials & Supplies	15,386	61,868	(46,482)
3400	Telephone Expenses	39	0	39
3404	Cellular Phone _ Service	882	1,386	(504)
	Total Telephone & Utilities	922	1,386	(464)
4600	Maintenance & Service Agreemnt	195,427	215,390	(19,963)
4802	Operating Outside Consultants	751,620	443,551	308,069
5000	Subscriptions	4,100	12,744	(8,644)
5402	Corporate Dues	7,000	5,000	2,000
5403	Professional Dues	1,327	1,235	92
	Total Dues	8,327	6,235	2,092
6201	Education - Business Purpose	45,493	73,450	(27,957)
7400	Other Miscellaneous	91,115	79,526	11,589
	Totals for Business Unit	\$2,300,549	\$2,275,900	\$24,649



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Executive

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
1000	Straight Time Labor	634,859	798,693	(163,834)
1100	Labor Accrual	11,826	0	11,826
1400	Overtime Labor	0	371	(371)
	Total Labor	646,685	799,064	(152,379)
2200	Travel Expenses	27,947	55,497	(27,550)
2600	Oper Material and Supplies	771	5,779	(5,008)
2615	Office Furn, Equip & Tools	0	64,134	(64,134)
2616	Software and Software Upgrades	346	1,100	(754)
	Total Oper. Materials & Supplies	1,117	71,013	(69,896)
3404	Cellular Phone _ Service	2,029	1,556	473
4600	Maintenance & Service Agreemnt	0	4,000	(4,000)
4802	Operating Outside Consultants	246,280	101,997	144,283
4803	92300 Consultants	5,704	37,494	(31,790)
4805	EPRI Contracted Projects	30,000	131,256	(101,256)
	Total Outside Professional Services	281,984	270,747	11,237
5000	Subscriptions	198	2,565	(2,367)
5401	Civic Dues	50	110	(60)
5402	Corporate Dues	1,283,598	1,789,311	(505,713)
5403	Professional Dues	1,235	1,770	(535)
	Total Dues	1,284,883	1,791,191	(506,308)
6201	Education - Business Purpose	2,176	27,197	(25,021)
6202	Education _ Employee Welfare	0	800	(800)
	Total Education/Training	2,176	27,997	(25,821)
7400	Other Miscellaneous	5,363	35,276	(29,913)
7401	Director Fees and Expenses	233,316	291,870	(58,554)
7402	Donations and Contributions	45,663	203,411	(157,748)
7406	Directors Severance Comp	1,600	15,003	(13,403)
	Totals for Business Unit	\$2,532,962	\$3,569,190	(\$1,036,228)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Finance

As of: Sept. 30, 2006

Budget Code	Description	YTD Actual	YTD Budget	Variance
1000	Straight Time Labor	2,104,705	2,272,561	(167,856)
1100	Labor Accrual	43,660	0	43,660
1400	Overtime Labor	8,034	20,142	(12,108)
	Total Labor	2,156,399	2,292,703	(136,304)
2200	Travel Expenses	18,620	27,090	(8,470)
2600	Oper Material and Supplies	75,518	60,861	14,657
2615	Office Furn, Equip & Tools	37,646	59,980	(22,334)
2616	Software and Software Upgrades	521	4,500	(3,979)
2617	Personal Computers	14,185	20,600	(6,415)
	Total Oper. Materials & Supplies	127,870	145,941	(18,071)
3404	Cellular Phone _ Service	1,822	1,929	(107)
4600	Maintenance & Service Agreeemnt	139,952	185,000	(45,048)
4802	Operating Outside Consultants	876	37,000	(36,124)
4803	92300 Consultants	135,559	80,000	55,559
	Total Outside Professional Services	136,435	117,000	19,435
5000	Subscriptions	5,356	7,262	(1,906)
5401	Civic Dues	0	280	(280)
5402	Corporate Dues	495	700	(205)
5403	Professional Dues	1,536	4,505	(2,969)
	Total Dues	2,031	5,485	(3,454)
6201	Education - Business Purpose	26,083	67,303	(41,220)
6202	Education _ Employee Welfare	4,080	4,650	(570)
6203	Edu _ PeopleSoft Training	90	3,600	(3,510)
	Total Education/Training	30,253	75,553	(45,300)
7400	Other Miscellaneous	180,827	45,564	135,263
	Totals for Business Unit	\$2,799,566	\$2,903,527	(\$103,961)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Governmental Affairs

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
1000	Straight Time Labor	192,828	192,363	465
1100	Labor Accrual	(3,469)	0	(3,469)
1400	Overtime Labor	10	0	10
	Total Labor	<u>189,369</u>	<u>192,363</u>	<u>(2,994)</u>
2200	Travel Expenses	13,551	21,250	(7,699)
2600	Oper Material and Supplies	736	1,632	(896)
2616	Software and Software Upgrades	329	0	329
	Total Oper. Material & Supplies	<u>1,065</u>	<u>1,632</u>	<u>(567)</u>
3404	Cellular Phone _ Service	1,540	2,142	(602)
4802	Operating Outside Consultants	52,100	50,000	2,100
5000	Subscriptions	284	510	(226)
5401	Civic Dues	290	430	(140)
5403	Professional Dues	0	110	(110)
	Total Dues	<u>290</u>	<u>540</u>	<u>(250)</u>
6201	Education - Business Purpose	0	6,800	(6,800)
7400	Other Miscellaneous	5,408	8,041	(2,633)
7402	Donations and Contributions	1,250	0	1,250
	Totals for Business Unit	<u><u>\$264,857</u></u>	<u><u>\$283,278</u></u>	<u><u>(\$18,421)</u></u>



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Human Resources & Support Services

As of: Sept. 30, 2006

Budget Code	Description	YTD Actual	YTD Budget	Variance
1000	Straight Time Labor	2,500,966	2,679,826	(178,860)
1100	Labor Accrual	53,529	0	53,529
1400	Overtime Labor	48,499	58,572	(10,073)
	Total Labor	2,602,993	2,738,398	(135,405)
2200	Travel Expenses	74,362	65,978	8,384
2600	Oper Material and Supplies	184,283	417,223	(232,940)
2615	Office Furn, Equip & Tools	941	24,950	(24,009)
2616	Software and Software Upgrades	26,566	97,800	(71,234)
2617	Personal Computers	16,105	42,300	(26,195)
2620	Printing/Printer Supplies	22,208	19,831	2,377
2625	Security Equipment	0	706	(706)
	Total Oper. Materials & Supplies	250,103	602,810	(352,707)
3000	Maintenance/Mat'l/Contract Lbr	218,341	402,089	(183,748)
3400	Telephone Expenses	77,777	150,169	(72,392)
3401	Leased Data Circuits	233,621	347,794	(114,173)
3402	Leased Voice Circuits	3,976	5,100	(1,124)
3404	Cellular Phone _ Service	7,038	10,550	(3,512)
3405	Internet Connection	8,343	7,905	438
3410	Pagers	367	466	(99)
3800	Utilities_Electric	276,607	225,599	51,008
3801	Utilities-Water/Sewer	9,973	12,044	(2,071)
	Total Telephone & Utilities	617,702	759,627	(141,925)
4200	Equipment Rental	69,562	89,960	(20,398)
4600	Maintenance & Service Agreemnt	445,067	458,512	(13,445)
4802	Operating Outside Consultants	10,382	114,406	(104,024)
4803	92300 Consultants	1,922	29,475	(27,554)
	Total Outside Professional Services	12,303	143,881	(131,578)
5000	Subscriptions	7,548	14,040	(6,492)
5402	Corporate Dues	2,188	1,580	608
5403	Professional Dues	2,443	5,800	(3,357)
	Total Dues	4,631	7,380	(2,749)
6201	Education - Business Purpose	35,628	153,300	(117,672)
6202	Education _ Employee Welfare	1,050	10,525	(9,475)
6203	Edu _ PeopleSoft Training	2,934	33,000	(30,066)
	Total Education/Training	39,612	196,825	(157,213)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Human Resources & Support Services

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
7400	Other Miscellaneous	49,571	65,666	(16,095)
7402	Donations and Contributions	285	2,125	(1,840)
7416	Board of Directors Lunches	8,413	13,285	(4,872)
7417	Meals Related to Training/Dev	2,060	3,544	(1,484)
7499	Misc Cost Reimbursement	(3,750)	0	(3,750)
	Totals for Business Unit	<u><u>\$4,398,804</u></u>	<u><u>\$5,564,120</u></u>	<u><u>(\$1,165,316)</u></u>



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Legal

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
1000	Straight Time Labor	460,416	438,840	21,576
1100	Labor Accrual	3,531	0	3,531
1400	Overtime Labor	144	378	(234)
	Total Labor	464,092	439,218	24,874
2200	Travel Expenses	10,445	12,894	(2,449)
2600	Oper Material and Supplies	22,457	10,557	11,900
2616	Software and Software Upgrades	0	400	(400)
	Total Oper. Material & Supplies	22,457	10,957	11,500
3404	Cellular Phone _ Service	1,184	1,173	11
4600	Maintenance & Service Agreeemnt	0	1,207	(1,207)
4802	Operating Outside Consultants	3,650	0	3,650
4803	92300 Consultants	2,918,702	1,442,169	1,476,533
	Total Outside Professional Services	2,922,352	1,442,169	1,480,183
5000	Subscriptions	842	5,043	(4,201)
5402	Corporate Dues	2,200	2,000	200
5403	Professional Dues	4,202	3,005	1,197
	Total Dues	6,402	5,005	1,397
6201	Education - Business Purpose	3,068	7,794	(4,726)
7400	Other Miscellaneous	7,348	12,044	(4,696)
	Totals for Business Unit	\$3,438,189	\$1,937,504	\$1,500,685



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Member Services

As of: Sept. 30, 2006

Budget Code	Description	YTD Actual	YTD Budget	Variance
1000	Straight Time Labor	1,190,268	1,320,848	(130,580)
1100	Labor Accrual	20,878	0	20,878
1400	Overtime Labor	12,038	18,279	(6,242)
	Total Labor	1,223,184	1,339,127	(115,943)
2200	Travel Expenses	168,507	169,829	(1,322)
2600	Oper Material and Supplies	84,271	113,714	(29,443)
2615	Office Furn, Equip & Tools	7,925	10,198	(2,273)
2616	Software and Software Upgrades	7,270	10,990	(3,720)
2617	Personal Computers	5,809	13,000	(7,191)
2620	Printing/Printer Supplies	32,949	70,831	(37,882)
	Total Oper. Materials & Supplies	138,224	218,733	(80,509)
3000	Maintenance/Mat'l/Contract Lbr	8,125	4,344	3,781
3400	Telephone Expenses	566	340	226
3404	Cellular Phone _ Service	13,899	17,833	(3,934)
	Total Telephone	14,465	18,173	(3,708)
4200	Equipment Rental	13,842	14,904	(1,062)
4600	Maintenance & Service Agreemnt	40,757	46,690	(5,934)
4802	Operating Outside Consultants	616,016	967,710	(351,694)
5000	Subscriptions	6,994	14,297	(7,303)
5401	Civic Dues	655	1,080	(425)
5402	Corporate Dues	406,604	437,895	(31,291)
5403	Professional Dues	1,766	4,866	(3,100)
	Total Dues	409,025	443,841	(34,816)
6201	Education - Business Purpose	23,395	97,669	(74,274)
6202	Education _ Employee Welfare	615	800	(185)
	Total Education/Training	24,010	98,469	(74,459)
7400	Other Miscellaneous	102,195	137,914	(35,719)
7402	Donations and Contributions	238,792	406,273	(167,481)
7420	EKPC Annual Meeting/Report	21,014	29,000	(7,986)
7421	National Branding	812,749	1,528,232	(715,484)
7422	Safety Communication	12,279	24,794	(12,515)
7423	Coop Annual Meetings	3,191	8,500	(5,309)
7426	Energy Efficiency/Safety Event	21,668	21,956	(288)
7428	Envirowatts Advertising	1,256	52,063	(50,807)
7429	Adver Grants for Member Coops	35,507	107,024	(71,517)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Member Services

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
7430	Industrial Dev Advertising	6,203	18,419	(12,216)
7434	PartnersPlus Res Mkt-Regulated	763,946	913,750	(149,804)
7435	Partners Plus Res Mkt-Non-Reg	414,781	913,750	(498,969)
7436	Partners Plus C&I Mkt-Reg	21,616	92,165	(70,549)
7437	Partners Plus C&I Mkt-Non Reg	0	21,250	(21,250)
7445	Energy Management Conference	63,136	110,419	(47,283)
7446	Native Plant Program	15,105	14,169	936
7450	Promotional Items	140,461	135,720	4,741
	Total Business Unit	<u>\$5,337,047</u>	<u>\$7,871,515</u>	<u>(\$2,534,468)</u>



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Power Delivery

As of: Sept. 30, 2006

Budget Code	Description	YTD Actual	YTD Budget	Variance
1000	Straight Time Labor	3,799,407	4,856,290	(1,056,883)
1100	Labor Accrual	98,543	0	98,543
1400	Overtime Labor	306,641	367,806	(61,165)
	Total Labor	4,204,591	5,224,096	(1,019,505)
2200	Travel Expenses	510,353	560,923	(50,570)
2600	Oper Material and Supplies	422,606	505,096	(82,490)
2615	Office Furn, Equip & Tools	21,908	73,185	(51,277)
2616	Software and Software Upgrades	10,802	52,800	(41,998)
2617	Personal Computers	55,376	70,400	(15,024)
2625	Security Equipment	1,390	3,901	(2,511)
	Total Oper. Materials & Supplies	512,082	705,382	(193,300)
3000	Maintenance/Mat'l/Contract Lbr	1,849,343	2,437,419	(588,076)
3400	Telephone Expenses	126,399	82,961	43,438
3404	Cellular Phone _ Service	121,849	116,347	5,502
3410	Pagers	819	2,193	(1,374)
3800	Utilities_Electric	36,339	43,571	(7,232)
3801	Utilities-Water/Sewer	3,880	2,482	1,398
	Total Telephone & Utilities	289,286	247,554	41,732
4200	Equipment Rental	73,402	77,700	(4,298)
4201	LGE Lease Agreement	307,120	230,138	76,982
4202	Facility Use Charge _ TVA	91,027	85,994	5,033
	Total Equipment Leasing	471,549	393,832	77,717
4600	Maintenance & Service Agreeemnt	212,989	211,940	1,049
4802	Operating Outside Consultants	133,434	102,799	30,635
4803	92300 Consultants	214,858	0	214,858
	Total Outside Professional Services	348,292	102,799	245,493
5000	Subscriptions	239	700	(461)
5401	Civic Dues	0	490	(490)
5402	Corporate Dues	208,138	190,000	18,138
5403	Professional Dues	3,011	9,080	(6,069)
	Total Dues	211,149	199,570	11,579
6201	Education - Business Purpose	71,184	163,907	(92,723)
6202	Education _ Employee Welfare	5,855	4,265	1,590
	Total Education/Training	77,039	168,172	(91,133)
7400	Other Miscellaneous	43,544	109,659	(66,115)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Power Delivery

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
7402	Donations and Contributions	2,500	0	2,500
7499	Misc Cost Reimbursement	(7,200)	0	(7,200)
	Totals for Business Unit	<u><u>\$8,725,758</u></u>	<u><u>\$10,362,046</u></u>	<u><u>(\$1,636,288)</u></u>



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Power Production

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
1000	Straight Time Labor	15,544,773	15,703,457	(158,684)
1100	Labor Accrual	255,546	0	255,546
1400	Overtime Labor	2,424,810	2,489,323	(64,513)
	Total Labor	18,225,129	18,192,780	32,349
2200	Travel Expenses	218,472	306,083	(87,611)
2600	Oper Material and Supplies	1,103,802	1,222,041	(118,239)
2605	Lab Supplies and Chemicals	1,113,646	1,292,486	(178,840)
2606	Diesel Fuel _ Fuel Handling Eq	265,310	281,078	(15,768)
2609	Hydrogen and Carbon Dioxide	36,428	51,323	(14,895)
2610	Ash Storage Operations	1,278,920	1,133,331	145,589
2611	Ammonia No 1 Stack Liner	863,077	2,036,456	(1,173,379)
2615	Office Furn, Equip & Tools	133,729	268,075	(134,346)
2616	Software and Software Upgrades	29,286	137,763	(108,477)
2617	Personal Computers	37,595	118,690	(81,095)
2625	Security Equipment	8,230	42,994	(34,764)
	Total Oper. Materials & Supplies	4,870,023	6,584,237	(1,714,214)
3000	Maintenance/Mat'l/Contract Lbr	20,700,900	21,216,194	(515,294)
3400	Telephone Expenses	57,234	115,531	(58,297)
3404	Cellular Phone _ Service	25,176	27,761	(2,585)
3410	Pagers	3,552	5,329	(1,777)
3800	Utilities_Electric	32,963	151,588	(118,625)
3801	Utilities-Water/Sewer	30,203	62,876	(32,673)
	Total Telephone & Utilities	149,127	363,085	(213,958)
4200	Equipment Rental	50,499	45,925	4,574
4600	Maintenance & Service Agreeemnt	619,827	1,243,262	(623,435)
4802	Operating Outside Consultants	846,765	798,423	48,342
4803	92300 Consultants	283,162	3,715	279,447
4825	Outside Services-Security	414,074	345,555	68,519
	Total Outside Professional Services	1,544,001	1,147,693	396,308
5000	Subscriptions	9,409	19,936	(10,527)
5401	Civic Dues	449	1,500	(1,051)
5402	Corporate Dues	35,367	80,565	(45,198)
5403	Professional Dues	1,946	6,230	(4,284)
	Total Dues	37,762	88,295	(50,533)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Power Production

As of: Sept. 30, 2006

<u>Budget Code</u>	<u>Description</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Variance</u>
6201	Education - Business Purpose	91,818	599,433	(507,615)
6202	Education _ Employee Welfare	4,775	17,205	(12,430)
	Total Education/Training	96,594	616,638	(520,044)
6600	Fuel	184,800,805	190,316,295	(5,515,490)
6601	Oil _ Dist Gen Fuel	1,263,945	983,015	280,930
6603	Oil _ Combustion Turbines	30,545	3,427,887	(3,397,342)
6604	Gas _ Combustion Turbines	18,586,615	22,624,081	(4,037,466)
6605	Methane Gas	257,751	192,771	64,980
6606	Fuel-TDF (Fire Derived Fuel)	277,470	0	277,470
	Total Fuel	205,217,131	217,544,049	(12,326,918)
7000	Lime	61,751	70,831	(9,080)
7001	Limestone	1,547,897	1,465,200	82,697
7400	Other Miscellaneous	340,469	1,878,787	(1,538,318)
7402	Donations and Contributions	3,200	42,720	(39,520)
7444	Air Permit Fees	12,665	1,200,000	(1,187,335)
	Totals for Business Unit	\$253,704,856	\$272,025,715	(\$18,320,859)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

As of: Sept. 30, 2006

Budget Code	Description	YTD Actual	YTD Budget	Variance
1000	Straight Time Labor	27,541,414	29,588,925	(2,047,511)
1100	Labor Accrual	522,096	0	522,096
1400	Overtime Labor	2,815,612	2,964,249	(148,637)
	Total Labor	30,879,121	32,553,174	(1,674,053)
2200	Travel Expenses	1,063,737	1,265,869	(202,132)
2600	Oper Material and Supplies	1,897,165	2,361,477	(464,312)
2605	Lab Supplies and Chemicals	1,113,646	1,292,486	(178,840)
2606	Diesel Fuel _ Fuel Handling Eq	265,310	281,078	(15,768)
2609	Hydrogen and Carbon Dioxide	36,428	51,323	(14,895)
2610	Ash Storage Operations	1,278,920	1,133,331	145,589
2611	Ammonia No 1 Stack Liner	863,077	2,036,456	(1,173,379)
2615	Office Furn, Equip & Tools	203,577	503,816	(300,239)
2616	Software and Software Upgrades	75,381	314,353	(238,972)
2617	Personal Computers	140,046	289,990	(149,944)
2620	Printing/Printer Supplies	55,157	90,662	(35,505)
2625	Security Equipment	9,620	47,601	(37,981)
	Total Oper. Materials & Supplies	5,938,327	8,402,573	(2,464,246)
3000	Maintenance/Mat'l/Contract Lbr	22,776,709	24,060,046	(1,283,337)
3400	Telephone Expenses	262,016	349,001	(86,985)
3401	Leased Data Circuits	233,621	347,794	(114,173)
3402	Leased Voice Circuits	3,976	5,100	(1,124)
3404	Cellular Phone _ Service	175,420	180,677	(5,257)
3405	Internet Connection	8,343	7,905	438
3410	Pagers	4,738	7,988	(3,250)
3800	Utilities_Electric	345,909	420,758	(74,849)
3801	Utilities-Water/Sewer	44,055	77,402	(33,347)
	Total Telephone & Utilities	1,078,078	1,396,625	(318,547)
4200	Equipment Rental	207,305	228,489	(21,184)
4201	LGE Lease Agreement	307,120	230,138	76,982
4202	Facility Use Charge _ TVA	91,027	85,994	5,033
	Total Equipment Rental	605,452	544,621	60,831
4600	Maintenance & Service Agreemnt	1,654,019	2,366,001	(711,982)
4802	Operating Outside Consultants	2,661,123	2,615,886	45,237
4803	92300 Consultants	3,559,907	1,592,853	1,967,054
4805	EPRI Contracted Projects	30,000	131,256	(101,256)
4825	Outside Services-Security	414,074	345,555	68,519
	Total Outside Professional Services	6,665,104	4,685,550	1,979,554
5000	Subscriptions	34,970	77,097	(42,127)



East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

As of: Sept. 30, 2006

Budget Code	Description	YTD Actual	YTD Budget	Variance
5401	Civic Dues	1,444	3,890	(2,446)
5402	Corporate Dues	1,945,590	2,507,051	(561,461)
5403	Professional Dues	17,467	36,601	(19,134)
	Total Dues	1,964,501	2,547,542	(583,041)
6201	Education - Business Purpose	298,845	1,196,853	(898,008)
6202	Education _ Employee Welfare	16,375	38,245	(21,870)
6203	Edu _ PeopleSoft Training	3,024	- 36,600	(33,576)
	Total Education/Training	318,244	1,271,698	(953,454)
6600	Fuel	184,800,805	190,316,295	(5,515,490)
6601	Oil _ Dist Gen Fuel	1,263,945	983,015	280,930
6603	Oil _ Combustion Turbines	30,545	3,427,887	(3,397,342)
6604	Gas _ Combustion Turbines	18,586,615	22,624,081	(4,037,466)
6605	Methane Gas	257,751	192,771	64,980
6606	Fuel-TDF (Fire Derived Fuel)	277,470	0	277,470
	Total Fuel	205,217,131	217,544,049	(12,326,918)
7000	Lime	61,751	70,831	(9,080)
7001	Limestone	1,547,897	1,465,200	82,697
7400	Other Miscellaneous	825,841	2,372,477	(1,546,636)
7401	Director Fees and Expenses	233,316	291,870	(58,554)
7402	Donations and Contributions	291,690	654,529	(362,839)
7406	Directors Severance Comp	1,600	15,003	(13,403)
7416	Board of Directors Lunches	8,413	13,285	(4,872)
7417	Meals Related to Training/Dev	2,060	3,544	(1,484)
7420	EKPC Annual Meeting/Report	21,014	29,000	(7,986)
7421	National Branding	812,749	1,528,232	(715,484)
7422	Safety Communication	12,279	24,794	(12,515)
7423	Coop Annual Meetings	3,191	8,500	(5,309)
7426	Energy Efficiency/Safety Event	21,668	21,956	(288)
7428	Envirowatts Advertising	1,256	52,063	(50,807)
7429	Adver Grants for Member Coops	35,507	107,024	(71,517)
7430	Industrial Dev Advertising	6,203	18,419	(12,216)
7434	PartnersPlus Res Mkt-Regulated	763,946	913,750	(149,804)
7435	Partners Plus Res Mkt-Non-Reg	414,781	913,750	(498,969)
7436	Partners Plus C&I Mkt-Reg	21,616	92,165	(70,549)
7437	Partners Plus C&I Mkt-Non Reg	0	21,250	(21,250)
7444	Air Permit Fees	12,665	1,200,000	(1,187,335)
7445	Energy Management Conference	63,136	110,419	(47,283)
7446	Native Plant Program	15,105	14,169	936
7450	Promotional Items	140,461	135,720	4,741
7499	Misc Cost Reimbursement	(10,950)	0	(10,950)
	Total Company	\$283,502,589	\$306,792,795	(\$23,290,206)

East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Business Unit: Member Services		As of: September 30, 2006		
Budget Code	Description	Original Budget	Actual Expenses	Budget Variance
2600	Operating Materials & Supplies	40,375	22,668	17,707
4802	Outside Professional Services	675,767	448,632	227,135
6201	Education/Training	10,500	865	9,635
7402	Donations and Contributions	261,511	193,788	67,723
7421	National Branding	1,528,232	812,749	715,483
7428	Envirowatts Advertising	52,063	1,256	50,807
7437	Partners Plus C&I Mkt. Non-Regulated	21,250	0	21,250
Totals for Business Unit		\$2,589,698	\$1,479,958	\$1,109,740

East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Quarter Ending: December 31, 2006

Budget Code	Description	2006 Sept. Thru Dec. Actual	2006 Sept. Thru Dec. Budget	Variance
1000	Straight Time Labor	10,120,047	10,170,679	(50,632)
1100	Labor Accrual	(458,227)	0	(458,227)
1400	Overtime Labor	1,129,906	988,628	141,278
	Total Labor	10,791,726	11,159,307	(367,581)
2200	Travel Expenses	394,072	476,670	(82,598)
2600	Oper Material and Supplies	723,750	956,668	(232,918)
2605	Lab Supplies and Chemicals	390,963	532,199	(141,236)
2606	Diesel Fuel _ Fuel Handling Eq	114,392	115,732	(1,340)
2609	Hydrogen and Carbon Dioxide	16,976	21,132	(4,156)
2610	Ash Storage Operations	817,778	466,669	351,109
2611	Ammonia No 1 Stack Liner	126,989	838,544	(711,555)
2615	Office Furn, Equip & Tools	78,273	114,919	(36,646)
2616	Software and Software Upgrades	68,515	49,007	19,508
2617	Personal Computers	18,461	27,890	(9,429)
2620	Printing/Printer Supplies	14,744	37,338	(22,594)
2625	Security Equipment	12,858	19,604	(6,746)
	Total Oper. Materials & Supplies	2,383,699	3,179,702	(796,003)
3000	Maintenance/Mat'l/Contract Lbr	6,084,395	11,815,350	(5,730,955)
3400	Telephone Expenses	99,637	143,709	(44,072)
3401	Leased Data Circuits	86,750	143,206	(56,456)
3402	Leased Voice Circuits	2,014	2,100	(86)
3404	Cellular Phone _ Service	66,203	74,212	(8,009)
3405	Internet Connection	2,781	3,255	(474)
3410	Pagers	1,495	3,282	(1,787)
3800	Utilities_Electric	114,615	173,252	(58,637)
3801	Utilities-Water/Sewer	12,671	31,866	(19,195)
	Total Telephone & Utilities	386,166	574,882	(188,716)
4200	Equipment Rental	37,935	38,372	(437)
4201	LGE Lease Agreement	81,225	94,762	(13,537)
4202	Facility Use Charge _ TVA	30,342	35,406	(5,064)
	Total Equipment Rental	149,503	168,540	(19,037)
4600	Maintenance & Service Agreemnt	380,957	498,787	(117,830)
4802	Operating Outside Consultants	1,144,630	766,258	378,372
4803	92300 Consultants	1,782,167	907,622	874,545
4804	PeopleSoft Consultants	0	10,000	(10,000)
4805	EPRI Contracted Projects	27,000	43,744	(16,744)
4825	Outside Services-Security	10,808	115,200	(104,392)
	Total Outside Professional Services	2,964,604	1,842,824	1,121,780

East Kentucky Power Cooperative
Comparison of Actual Expenditures with Budgeted Expenditures
Operating and Maintenance Expense

Quarter Ending: December 31, 2006

Budget Code	Description	2006 Sept. Thru Dec. Actual	2006 Sept. Thru Dec. Budget	Variance
5000	Subscriptions	30,740	11,870	18,870
5401	Civic Dues	1,049	0	1,049
5402	Corporate Dues	699,460	164,335	535,125
5403	Professional Dues	10,228	5,465	4,763
	Total Dues	710,737	169,800	540,937
6201	Education - Business Purpose	56,009	227,002	(170,993)
6202	Education _ Employee Welfare	2,016	6,780	(4,764)
6203	Edu _ PeopleSoft Training	666	8,400	(7,734)
	Total Education/Training	58,690	242,182	(183,492)
6600	Fuel	60,659,054	57,975,401	2,683,653
6601	Oil _ Dist Gen Fuel	278,139	315,185	(37,046)
6603	Oil _ Combustion Turbines	3,477	880,856	(877,379)
6604	Gas _ Combustion Turbines	4,813,104	5,813,649	(1,000,545)
6605	Methane Gas	(220,721)	79,704	(300,425)
	Total Fuel	65,533,052	65,064,795	468,257
7000	Lime	1,115	29,169	(28,054)
7001	Limestone	806,996	514,800	292,196
7400	Other Miscellaneous	127,921	949,373	(821,452)
7401	Director Fees and Expenses	53,240	97,286	(44,046)
7402	Donations and Contributions	42,868	170,996	(128,128)
7406	Directors Severance Comp	0	4,997	(4,997)
7416	Board of Directors Lunches	4,131	5,465	(1,334)
7417	Meals Related to Training/Dev	51	1,456	(1,405)
7421	National Branding	384,471	629,268	(244,797)
7422	Safety Communication	8,006	10,206	(2,200)
7423	Coop Annual Meetings	0	3,500	(3,500)
7426	Energy Efficiency/Safety Event	10,086	9,044	1,042
7428	Envirowatts Advertising	667	21,437	(20,770)
7429	Adver Grants for Member Coops	36,776	44,070	(7,294)
7430	Industrial Dev Advertising	0	7,581	(7,581)
7434	PartnersPlus Res Mkt-Regulated	669,291	376,250	293,041
7435	Partners Plus Res Mkt-Non-Reg	571,796	376,250	195,546
7436	Partners Plus C&I Mkt-Reg	20,920	37,945	(17,025)
7437	Partners Plus C&I Mkt-Non Reg	151	8,750	(8,599)
7444	Air Permit Fees	942,455	0	942,455
7445	Energy Management Conference	3,818	14,581	(10,763)
7446	Native Plant Program	4,082	5,831	(1,749)
7450	Promotional Items	9,918	55,880	(45,962)
7499	Misc Cost Reimbursement	(1,500)	0	(1,500)
	Total Company	\$93,565,599	\$98,578,844	(\$5,013,245)