

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES OF) CASE NO.
EAST KENTUCKY POWER COOPERATIVE, INC.) 2008-00409

O R D E R

East Kentucky Power Cooperative, Inc. ("EKPC") a generation and transmission cooperative headquartered in Winchester, Kentucky, generates, transmits, and sells electricity to more than 500,000 customers in all or parts of 89 Kentucky counties through its 16 member-owner distribution cooperatives. EKPC owns and operates approximately 2,600 megawatts of generating capacity located at four different sites. Its generation, transmission and other assets combined have a total value in excess of \$2.5 billion.

BACKGROUND

On September 30, 2008, EKPC filed a notice of intent to file an application for approval of an increase in its electric rates based on a forecasted test period. On October 31, 2008, EKPC submitted its application seeking an increase in revenues of \$67.9 million, which it identified as its Phase I increase, with a proposed effective date of December 1, 2008. The application included a second schedule of rates, which was identified as EKPC's Phase II increase, which it proposed to become effective one year after its Phase I rate increase was implemented. EKPC also submitted a motion requesting approval to establish a regulatory asset based on the revenues its proposed rates would generate for the months of April and May of 2009. The motion reflected the

planned April 1, 2009 in-service date of EKPC's Spurlock Unit 4 and its assumption that its proposed rates would be suspended for the full six months permitted by statute.

By Order dated November 26, 2008, the Commission found that an investigation would be necessary to determine the reasonableness of EKPC's proposed rates and suspended the rates for six months, from December 1, 2008, up to and including May 31, 2009, pursuant to KRS 278.190(2). That Order included a procedural schedule for processing this case, which provided for discovery on EKPC's application, intervenor testimony, discovery on intervenor testimony, rebuttal testimony by EKPC, a public hearing, and an opportunity for the parties to file post-hearing briefs. It also included a separate procedural schedule to investigate and address EKPC's request to establish a regulatory asset.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG") and the Kentucky Industrial Utility Customers, Inc. ("KIUC") requested and were granted full intervention in this proceeding. Both parties conducted discovery on EKPC's application and filed testimony stating their positions on the requested increase in rates.

On February 23, 2009, EKPC filed a request asking that an informal conference be scheduled on March 5 and March 6, 2009 for the purpose of discussing possible settlement of the case. The request was granted and an informal conference, which lasted only one day, was held at the Commission's offices on March 5, 2009.

On March 13, 2009, on behalf of itself and the intervenors, EKPC filed a unanimous Settlement Agreement ("Settlement"). The Settlement consists of a 10-page

document with two exhibits: Exhibit 1, EKPC's Billing Analysis (proof of revenues) and Exhibit 2, EKPC's Revised Tariffs.

At the March 27, 2009 public hearing, EKPC presented testimony in support of the Settlement. It responded to cross-examination by Commission Staff and questions from the Commission. Under the Settlement, the parties waived cross-examination of each others' witnesses. None of the parties proposed filing post-hearing briefs.

SETTLEMENT

The Settlement, attached as Appendix A to this Order, reflects a unanimous resolution of all issues raised in this case. The major provisions of the Settlement include the following:

- EKPC's rates for electric service will be increased to recover \$59.5 million more in annual revenues, with the new rates effective for service rendered on and after April 1, 2009.
- The increase in EKPC's rates will be accomplished via an allocation and rate design that is generally consistent with what EKPC proposed for its Phase I increase in rates.
- A Times Interest Earned Ratio ("TIER") of 1.35 will be included in EKPC's environmental cost recovery ("ECR") filings. This is the same TIER used for ECR purposes since EKPC's previous rate case.

- The regulatory asset authorized for EKPC in Case No. 2008-00436¹ will be amortized over three years beginning in April of 2009.
- EKPC will receive a cash return on Construction Work in Progress (“CWIP”) and will cease to accrue any Allowance for Funds Used During Construction (“AFUDC”), effective with the date of the Order approving the Settlement.
- EKPC’s tariffs for interruptible electric service will be modified to include increases in the monthly credits to participating customers and reductions in the annual and daily interruptions.
- EKPC’s request for authority to establish a regulatory asset related to unrecovered revenues for the months of April and May, 2009 is no longer applicable based on the effective date of the Settlement.
- EKPC will not implement its Phase II rate proposal.

ANALYSIS OF THE AGREEMENT

EKPC proposed an annual revenue increase of \$67.9 million.² The AG proposed an annual increase of \$40.1 million, while KIUC proposed an annual increase of \$32.1 million. The Settlement contains the parties’ unanimous recommendation that EKPC’s electric revenues should be increased by \$59.5 million.

¹ The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages (Ky. PSC Dec. 23, 2008).

² Based on changes occurring after it filed its application, including recognition of the regulatory asset authorized in Case No. 2008-0436, EKPC revised its calculated revenue deficiency to an amount in excess of \$74 million.

The other significant provisions of the Settlement are discussed in the following paragraphs.

TIER – Environmental Cost Recovery

Typically, an electric utility with an environmental surcharge approved pursuant to KRS 278.183 uses the equity return, in the case of an investor-owned utility, or the TIER, in the case of a cooperative, from its most recent rate case as the return component of the environmental costs included in its surcharge. Since the Settlement in this instance does not include a specific TIER in support of the agreed-upon revenue increase, the parties agreed that a 1.35 TIER, the TIER authorized in EKPC's previous rate case, should continue to be included in its surcharge calculations.

Regulatory Asset Amortization

The Settlement authorizes EKPC to amortize over three years the \$12.3 million regulatory asset resulting from the Commission's approval of EKPC's request for such treatment of its purchased power replacement costs associated with forced outages experienced in calendar year 2008. This treatment allowed EKPC to avoid a condition of technical default under the debt service coverage requirement contained in its private credit facility.

Cash Return on CWIP / Cease AFUDC Accounting

Historically, EKPC accrued AFUDC on major construction projects, capitalizing the interest expense incurred during the construction period. Such capitalized interest expense becomes part of the cost of the asset financed by the debt which gives rise to the interest expense. AFUDC is reflected on the income statement as an offset against interest expense and, effectively, is a non-cash income item.

Ceasing to accrue AFUDC eliminates this non-cash item from EKPC's income statement. Therefore, its reported income will reflect only cash earnings, which are the earnings given consideration by debt rating agencies. Not accruing AFUDC also results in the installed cost of an asset being less than under AFUDC accounting, which will result in lower depreciation expense over the life of the asset.

Phase II Rates

EKPC's proposed Phase II rates were intended as a means of implementing a revenue neutral rate adjustment that would better align its rates with its cost-of-service. The Phase II rates would have shifted more fixed cost recovery from the energy charge component to the demand charge component of EKPC's rate schedules. While there will be no Phase II rate adjustment under the terms of the Settlement, the Commission is very much interested in cost-of-service-based rates and demand-side management programs that incentivize both the utility and customers to practice energy efficiency in a cost-effective manner. Given the expectation that it will file a new rate application within the next few years, the Commission anticipates that EKPC will address these issues at that time.

SUMMARY

The Settlement provides that the rates, terms and conditions contained therein will become effective upon the Commission's approval thereof. The parties recommend that the new rates become effective for service rendered on and after April 1, 2009, and agree that, if the Settlement receives Commission approval, no requests for rehearing or appeals will be filed.

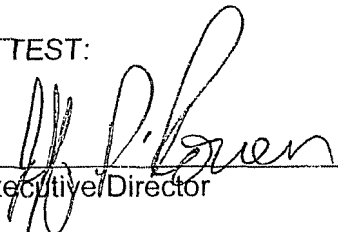
Based on a review of the Settlement, the exhibits attached thereto, and the case record, including intervenor testimony; the Commission finds that the provisions of the Settlement are reasonable and in the public interest. The Settlement was the product of arms-length negotiations among knowledgeable, capable parties and should be approved. Such approval is based solely on the reasonableness of the Settlement in total and does not constitute a precedent on any individual issue.

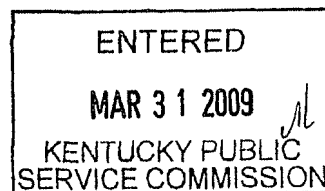
IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by EKPC are denied.
2. The Settlement, attached hereto as Appendix A, is approved in its entirety.
3. The rates and charges for wholesale electric service set forth in Exhibit 2 to the Settlement are fair, just and reasonable for EKPC to charge for service rendered on and after April 1, 2009.
4. EKPC shall file, within 20 days of the date of this Order, its revised tariffs as set forth in Exhibit 2 to the Settlement, reflecting that they were approved pursuant to this Order.
5. EKPC shall amortize over three years, beginning in April 2009, the regulatory asset authorized by the Commission in Case No. 2008-00436.

By the Commission

ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00409 DATED **MAR 3 1 2009**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

GENERAL ADJUSTMENT OF ELECTRIC RATES) CASE NO.
OF EAST KENTUCKY POWER) 2008-00409
COOPERATIVE, INC.)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement”) is entered into this 5th day of March 2009, by and between East Kentucky Power Cooperative, Inc. (“EKPC”); Commonwealth of Kentucky, ex. rel. Jack Conway, Attorney General, by and through the Office of Rate Intervention (“AG”); and Kentucky Industrial Utility Customers, Inc. (“KIUC”). Its terms are set forth below:

WITNESSETH:

WHEREAS, on October 31, 2008, EKPC filed with the Kentucky Public Service Commission (“Commission”) its Application for a General Adjustment of its Wholesale Electric Rates in a case styled, *In the Matter of: General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.*, Case No. 2008-00409; and,

WHEREAS, the AG and KIUC were granted intervention by the Commission in this proceeding; and,

WHEREAS, a prehearing informal conference for the purpose of discussing settlement, and related procedural and substantive issues, took place at the Commission’s offices on March

5, 2009, which was attended in person by representatives of the AG, KIUC, and EKPC (the “Parties”) and the Commission Staff ; and,

WHEREAS, all of the Parties hereto unanimously desire to settle all the issues pending before the Commission in the above-referenced proceeding; and,

WHEREAS, the adoption of this Settlement Agreement will eliminate the need for the Commission and the parties to expend additional resources litigating these proceedings; and, further, will eliminate the possibility of, and any need for, rehearing or appeals of the Commission’s final order herein; and,

WHEREAS, it is understood by all Parties hereto that this Settlement Agreement is subject to the approval of the Commission, insofar as it constitutes an agreement by all parties to the rate proceeding for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, computation, formula, allegation, assertion, contention, methodology, theory or ratemaking principle supporting the appropriateness of any proposed or recommended adjustments to EKPC’s rates, terms, and conditions; and,

WHEREAS, the Parties agree that this Settlement Agreement, viewed in its entirety, is a fair, just, and reasonable resolution of all the issues in the above-referenced proceeding; and,

WHEREAS, it is the position of the Parties hereto that this Settlement Agreement is supported by sufficient and adequate data and information, and should be approved in its entirety by the Commission.

NOW, THEREFORE, for and in consideration of the good-faith negotiations entered into by the parties and the terms and conditions set forth herein, the Parties hereby stipulate and agree as follows:

ARTICLE I- Revenue Requirements and Revenue Allocation

1. The Parties hereto agree and stipulate that a Fifty-Nine Million Five-Hundred Thousand Dollar (\$59,500,000) increase in annual revenue for EKPC, is fair, just, and reasonable for the Parties and for all members of EKPC.
2. The Parties hereto agree that the annual revenue increase will be effective for service rendered on and after April 1, 2009, or the date of the Commission’s Order placing such rates into effect, whichever is later, and this rate implementation date is fair, just, and reasonable for the Parties and for all members of EKPC.
3. The Parties hereto agree that the allocations of the increase in annual revenue for EKPC, as set forth on the schedule designated “Exhibit 1” hereto, are fair, just, and reasonable for the Parties and for all members of EKPC.
4. The Parties hereto agree that, effective for service rendered on and after April 1, 2009, or the date of the Commission’s Order placing such rates into effect, whichever is later, EKPC shall implement the rates set forth on the tariff sheets in “Exhibit 2,” attached hereto, which rates the Parties unanimously stipulate are fair, just, and reasonable and should be approved by the Commission.
5. The Parties hereto agree that the interruptible service credits, as reflected in Section D of the tariff, will hereafter be implemented as follows:

(per kW)

10-Minute Interruptible		60-Minute Interruptible	
200 Hours	\$4.20	200 Hours	\$3.50
300 Hours	\$4.90	300 Hours	\$4.20
400 Hours	\$5.60	400 Hours	\$4.90

The Parties hereto agree that the Large Special Contract, which is limited to 360 hours of interruption annually, shall receive the interruptible credits on its non-firm load as reflected in the table below.

10-Minute Interruptible (120 MW)	\$5.60
90-Minute Interruptible (Remaining MW)	\$4.20

6. The Parties hereto agree that the Phase II rates, as outlined in EKPC's original Application, will not be implemented.

ARTICLE II- Other Matters

1. The Parties hereto agree that EKPC may amortize the regulatory asset granted by the Commission in Case No. 2008-00436 over a three-year period. The amortization shall begin coincident with the effective date of the rate increase, as outlined in Article I, Item 2 of this Settlement Agreement.
2. The Parties hereto agree that a 1.35 Times Interest Earned Ratio ("TIER") will continue to be used by EKPC in the monthly calculation of its Environmental Surcharge.
3. The Parties hereto agree that EKPC may receive a cash return on Construction Work In Progress (CWIP) versus the use of Allowance for Funds Used During Construction (AFUDC) accounting.
4. The parties hereto agree that EKPC's Motion for the Creation of a Regulatory Asset Relating to Unrecovered Revenues pertaining to the operation of Spurlock Unit 4 for the months of April and May, 2009, is no longer applicable to this proceeding.

ARTICLE III -Miscellaneous Provisions

1. Except as specifically stated otherwise in this Settlement Agreement, the Parties agree that making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion, contention, methodology, or ratemaking principle otherwise made by any other party in these proceedings is true or valid.
2. The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Settlement Agreement.
3. The Parties hereto agree that, following the execution of this Settlement Agreement, the Parties shall cause the Settlement Agreement to be filed with the Commission by March 13, 2009, together with a request to the Commission for consideration and approval of this Settlement Agreement for rates to become effective on and after April 1, 2009.
4. Each party waives all cross-examination of the other parties' witnesses unless the Commission disapproves this Agreement. Each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record. The Parties stipulate that after the date of this Settlement Agreement they will not otherwise contest EKPC's proposals, as modified by this Settlement Agreement, in the hearing of the above-referenced proceeding regarding the subject matter of the Settlement Agreement, and that they will refrain from cross-examination of

EKPC's witnesses during the hearing, except insofar as such cross-examination is in support of the Settlement Agreement.

5. The Parties hereto agree that this Settlement Agreement is subject to the acceptance of and approval by the Commission. The Parties hereto further agree to act in good faith and to use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.
6. If the Commission issues an order adopting this Settlement Agreement in its entirety, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such order.
7. The Parties hereto agree that, if the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) this Settlement Agreement shall be void and withdrawn by the parties hereto from further consideration by the Commission and none of the parties shall be bound by any of the provisions herein, provided that no party is precluded from advocating any position contained in this Settlement Agreement; and (b) neither the terms of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Settlement Agreement or be construed against any of the Parties in any fashion.
8. The Parties hereto agree that, should the Settlement Agreement be voided or vacated for any reason after the Commission has approved the Settlement Agreement, then the parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this agreement.


9. The Parties hereto agree that this Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.
10. The Parties hereto agree that this Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.
11. The Parties hereto agree that this Settlement Agreement constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.
12. The Parties hereto agree that, for the purpose of this Settlement Agreement only, the terms are based upon the independent analysis of the parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.
13. The Parties hereto agree that neither the Settlement Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing *litigation arising out of the implementation of the terms herein or the approval of this Settlement Agreement*. This Settlement Agreement shall not have any precedential value in this jurisdiction.
14. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Settlement Agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of their respective Parties.

15. The Parties hereto agree that this Settlement Agreement is a product of negotiation among all parties hereto, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party. Notwithstanding anything contained in the Settlement Agreement, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of EKPC is unknown and this Settlement Agreement shall be implemented as written.
16. The Parties hereto agree that this Settlement Agreement may be executed in multiple counterparts.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures:

East Kentucky Power Cooperative, Inc.

HAVE SEEN AND AGREED:

By: 
Mark David Goss, Counsel

Commonwealth of Kentucky, ex. rel. Jack
Conway, Attorney General, by and through the
Office of Rate Intervention

HAVE SEEN AND AGREED:

By: _____
Dennis G. Howard II, Counsel

Commonwealth of Kentucky, ex. rel. Jack
Conway, Attorney General, by and through the
Office of Rate Intervention

HAVE SEEN AND AGREED:

Dennis G. Howard, II
By: *L. W. Goh*
Dennis G. Howard II, Counsel

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

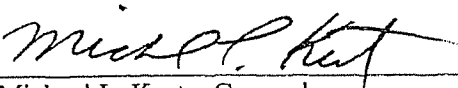
By: 
Michael L. Kurtz, Counsel

Exhibit 1

Settlement Summary
Rate Impact Test Year Ended May 31, 2010

	Test Year Existing	Test Year per Settlement	\$ Incr	% Incr
Rate E	698,429,400	749,174,155	50,744,754	7.27%
Rate B	57,697,996	61,797,939	4,099,943	7.11%
Rate C	23,333,746	24,999,659	1,665,913	7.14%
Rate G	19,703,308	21,088,450	1,385,142	7.03%
Large Special Contract	49,563,171	50,232,441	669,269	1.35%
Steam Service	13,439,988	14,374,949	934,961	6.96%
Pumping Stations	11,330,994	11,330,994	-	0.00%
Total	873,498,604	932,998,587	59,499,983	6.81%

Settlement \$59,500,000, \$5.60 Max Interruptible Credit

East Kentucky Power Cooperative, Inc.
Forecasted Period Settlement
Billing Analysis - 12-Mo Ended May 31, 2010

Description	Existing Test Year		Settlement Test Year		Change
	Billing Units	Rate	Billing Units	Rate	
RATE E - 16 Customers					
Metering Point Charge					
All Customers	3,734	\$ 125.00	3,734	137.00	9.60%
Substation charges					
Substation 1,000 - 2,999 kVa	36	\$ 944	36	1,033.00	9.43%
Substation 3,000 - 7,499 kVa	504	2,373	504	2,598.00	9.48%
Substation 7,500 - 14,999 kVa	2,544	2,855	2,544	3,125.00	9.46%
Substation > 15,000 kVa	578	4,605	578	5,041.00	9.47%
	<u>3,662</u>	<u>11,154,786</u>		<u>12,210,278</u>	
Demand Charge					
Option 1 (Owen)	2,343,000	\$ 6.92	2,343,000	7.58	9.54%
Option 2	21,481,000	5.22	21,481,000	5.71	9.39%
	<u>23,824,000</u>	<u>128,344,380</u>		<u>140,416,450</u>	
Energy Charge					
	kWh				
On-Peak (Option 1)	564,787,000	\$ 0.035406	564,787,000	0.038758	9.47%
Off-Peak (Option 1)	526,652,000	0.034904	526,652,000	0.038209	9.47%
On-Peak (Option 2)	4,782,184,968	0.042470	4,782,184,968	0.046491	9.47%
Off-Peak (Option 2)	4,450,671,032	0.034904	4,450,671,032	0.038209	9.47%
	<u>10,324,295,000</u>	<u>396,824,727</u>		<u>434,397,112</u>	
Sub-Total - Base Rates		<u>536,790,643</u>		<u>587,535,398</u>	9.45%
FAC	10,324,295,000	0.00749		77,306,791	
Environmental Surcharge	\$ 614,097,434	13.73%		84,331,966	
Total Billings		<u>698,429,400</u>		<u>749,174,155</u>	50,744,754 7.27%

East Kentucky Power Cooperative, Inc.
Forecasted Period Settlement
Billing Analysis - 12-Mo Ended May 31, 2010

Description	Existing Test Year		Settlement Test Year		Change
	Billing Units	Rate	Billing Units	Rate	
RATE B - 9 Customers					
Demand Charge					
Minimum Demand	1,583,516	\$ 6.22	1,583,516	6.81	10,783,744
Excess Demand	22,484	\$ 8.65	22,484	9.47	212,923
	<u>1,606,000</u>				
Energy Charge					
All kWh	993,758,000	\$ 0.033455	993,758,000	0.036622	36,393,405
Sub-Total -- Base Rates					<u>47,390,073</u>
FAC	993,758,000	0.00749	7,441,113		7,441,113
Environmental Surcharge	\$ 50,731,243	13.73%	6,966,754		6,966,754
Total Billings					<u>\$ 61,797,939</u>
					4,099,943
					7.11%
RATE C - 6 Customers					
Demand Charge					
All Kw	725,081	\$ 6.22	725,081	6.81	4,937,802
Energy Charge					
All kWh	390,942,617	\$ 0.033455	390,942,617	0.036622	14,317,101
Sub-Total -- Base Rates					<u>19,254,902</u>
FAC	390,942,617	0.00749	2,927,320		2,927,320
Environmental Surcharge	\$ 20,516,309	13.73%	2,817,437		2,817,437
Total Billings					<u>\$ 24,999,659</u>
					1,665,913
					7.14%

East Kentucky Power Cooperative, Inc.
 Forecasted Period Settlement
 Billing Analysis - 12-Mo Ended May 31, 2010

Description	Existing Test Year		Settlement Test Year		Change
	Billing Units	Rate	Billing Units	Rate	
RATE G - 2 Customers					
Meter Pt Charge	12	125	12	137.00	1,644
					9.60%
Substation charges					
Substation 1,000 - 2,999 kVa	-	944			
Substation 3,000 - 7,499 kVa	-	2,373			
Substation 7,500 - 14,999 kVa	-	2,855			
Substation > 15,000 kVa	12	4,605	12	5,041.00	60,492
					9.47%
Demand Charge					
All Kw	542,919	6.06	542,919	6.63	3,599,553
					9.41%
Energy Charge					
All kWh	356,767,383	0.031690	356,767,383	0.034690	12,376,261
					9.47%
Sub-Total -- Base Rates					<u>16,037,949</u>
FAC	356,767,383	0.00749			2,671,421
Environmental Surcharge	\$ 17,324,229	13.73%			2,379,079
Total Billings					<u>21,088,450</u>
					\$ 1,385,142
					7.03%

East Kentucky Power Cooperative, Inc.
 Forecasted Period Settlement
 Billing Analysis - 12-Mo Ended May 31, 2010

Description	Existing Test Year		Settlement Test Year		Change
	Billing Units	Rate	Billing Units	Rate	
		Current \$		Proposed \$	
Special Contract - Pumping Stations - 2 Customers					
Demand Charge					
All Kw	467,000	\$ 1.75	467,000	\$ 1.75	817,250
Energy Charge					
Off-Pk Jun-Dec	46,363,340	\$ 0.004440	46,363,340	\$ 0.004440	205,853
Off-Peak Jan-May	45,726,810	\$ 0.004460	45,726,810	\$ 0.004460	203,942
	<u>92,090,150</u>	<u>409,795</u>		<u>409,795</u>	<u>409,795</u>
Monthly Revenue					3,306,725
Off Peak Fuel/Purchased Power Cost Recovery					<u>4,533,770</u>
Sub-Total -- Base Rates					622,608
Environmental Surcharge	4,533,770	13.73%			6,174,617
On Peak Fuel/Purchased Power Cost Recovery					<u>11,330,994</u>
Total Billings					<u><u>11,330,994</u></u>
					\$ -
					0.00%

East Kentucky Power Cooperative, Inc.
 Forecasted Period Settlement
 Billing Analysis - 12-Mo Ended May 31, 2010

Description	Existing Test Year		Settlement Test Year		Change
	Billing Units	Rate	Billing Units	Rate	
Steam Service					
Demand Charge	3,790	\$ 500.49	3,790	547.87	2,076,658
Per MMBTU					9.47%
Energy Charge	2,228,233	\$ 3.577	2,228,233	3.916	8,725,761
Per MMBTU					9.48%
Sub-Total -- Base Rates					<u>10,802,419</u>
FAC	260,384,000	0.00749			1,949,717
Environmental Surcharge	\$ 11,817,175	13.73%			1,622,813
Total Billings					<u>14,374,949</u>
Total Base Rate Revenue EKPC Members					\$ 728,723,200
Total FAC					99,550,218
Total ES					104,725,170
Total EKPC Member Revenue					<u>932,998,587</u>

Exhibit 2

P.S.C. KY NO. 33

CANCELS P.S.C. KY NO. 32

EAST KENTUCKY POWER COOPERATIVE, INC.

OF

WINCHESTER, KENTUCKY

RATES, RULES, AND REGULATIONS FOR FURNISHING

WHOLESALE POWER SERVICE

AT

VARIOUS LOCATIONS TO

RURAL ELECTRIC COOPERATIVE MEMBERS

THROUGHOUT KENTUCKY

FILED WITH THE PUBLIC SERVICE COMMISSION
OF KENTUCKY

ISSUED MARCH 10, 2009

EFFECTIVE FOR SERVICE RENDERED
ON AND AFTER APRIL 1, 2009

ISSUED BY EAST KENTUCKY POWER COOPERATIVE, INC.

BY _____

Robert M. Marshall
President and Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

Wholesale Power Rate Schedule

Applicability

Applicable to all sections of this rate schedule and this rate schedule shall apply to each East Kentucky Power Cooperative, Inc. (hereinafter referred to as "EKPC" or the "Cooperative") load center separately.

Load Center Charges - Monthly

A. Metering Point Charge

1. Applicable to each metering point and to each substation
2. Charge: \$137.00

B. Substation Charge

1. Applicable to each substation based on its size:
2. Charges:

1,000 - 2,999 kVa substation	\$1,033.00
3,000 - 7,499 kVa substation	\$2,598.00
7,500 - 14,999 kVa substation	\$3,125.00
15,000 and over kVa substation	\$5,041.00

Minimum Monthly Charge

The minimum monthly charge shall be equal to the Load Center Charges plus the minimum monthly charges for Section B and Section C. Load Center Charges cover metering point and substation charge.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Fuel Adjustment

1. The fuel clause shall provide for periodic adjustment per kWh of sales when the unit cost of fuel $[F(m) / S(m)]$ is above or below the base unit cost of \$0.02638 per kWh $[F(b) / S(b)]$. The current monthly charges shall be increased or decreased by the product of the kWh furnished during the current month and the fuel adjustment rate for the preceding month where the fuel adjustment rate is defined below:

$$\text{Fuel Adjustment Rate} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all defined below:

2. Fuel cost (F) shall be the most recent actual monthly cost of:
 - (a) Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation and/or transmission outages, but less the cost of fuel related to substitute generation, plus
 - (b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, plus
 - (c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, also such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

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Fuel Adjustment (con't.)

- (d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.
- (e) All fuel costs shall be based on weighted average inventory costing.
- 3. Forced outages are all non-scheduled losses of generation or transmission which require (purchase of) substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of public enemy, the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.
- 4. Sales (S) shall be kWh sold, excluding inter-system sales. Where for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility-used energy shall not be excluded in the determination of sales (S).
- 5. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licenses.

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Power Factor Adjustment

The member cooperative agrees to maintain a unity power factor as nearly as practicable at each load center at the time of the monthly peak demand for the load center. When the power factor is determined to be less than 90%, the monthly billing demand at the load center will be adjusted by multiplying the actual monthly billing demand by 90% and dividing this product by the actual power factor at the time of the monthly peak demand for the load center. For new load centers, the power factor penalty will not be applicable for the month of energization or the succeeding six (6) months. The demand rate applicable for power factor penalty billing is the lowest firm demand rate in Section A, B, C, E, or G.

Energy Curtailment and Outage Restoration Priorities

These tariffs are subject to the Energy Curtailment and Outage Restoration Priorities provisions of Administrative Case No. 353 of the Kentucky Public Service Commission. East Kentucky Power Cooperative's energy curtailment and restoration procedures are contained in Appendix I to these tariffs title Emergency Electric Procedures, East Kentucky Power Cooperative, Inc.; prepared April 1, 1994; revised February 17, 1995.

East Kentucky Power Cooperative will adhere to the curtailment of service requirements as set forth below and contained in Kentucky Revised Statutes (KRS) Section 278.214.

Curtailment of service by utility or generation and transmission cooperative. When a utility or generation and transmission cooperative engaged in the transmission of electricity experiences on its transmission facilities an emergency or other event that necessitates a curtailment or interruption of service, the utility or generation and transmission cooperative shall not curtail or interrupt retail electric service within its certified territory, or curtail or interrupt wholesale electric energy furnished to a member distribution cooperative for retail electric service within the cooperative's certified territory, except for customers who have agreed to receive interruptible service, until after service has been interrupted to all other customers whose interruption may relieve the emergency or other event.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section A

Availability

Available to all cooperative associations which are or shall be members of EKPC. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Applicability

Applicable to all power usage at the load center not subject to the provisions of Sections B, C, and E of this tariff.

Monthly Rate - Per Load Center

Demand Charge per kW of billing demand	\$9.47
Energy Charge per kWh	\$0.036622

Billing Demand

The billing demand (kilowatt demand) is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen minute interval in the below-listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Billing demand applicable to this section is equal to the load center's contribution to EKPC's system peak demand minus the actual demands of Section B, Section C, and Section E participants coincident with EKPC's system peak demand.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section A (con't.)

Billing Energy

Billing energy applicable to this section is equal to the total energy provided at the load center minus the actual energy provided to Section B, Section C, and Section E participants.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section B

Availability

Available to all cooperative associations which are or shall be members of EKPC and which execute EKPC approved contracts with the ultimate consumers. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Applicability

Applicable to cooperative associations and ultimate consumers willing to contract for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly minimum demand shall be agreed between the cooperative association and EKPC.

Monthly Rate

Demand Charge per kW of Minimum Demand	\$6.81
Demand Charge per kW of Billing Demand in Excess of Minimum Demand	\$9.47
Energy Charge per kWh	\$0.036622

Billing Demand

The billing demand (kilowatt demand) shall be the minimum demand plus any excess demand. Excess demand occurs when the ultimate consumer's highest demand during the current month, coincident with EKPC's system peak (coincident peak), exceeds the minimum demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section B (con't.)

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

- (a) The product of the minimum demand multiplied by the demand charge, plus
- (b) The product of the minimum demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section C

Availability

Available to all cooperative associations which are or shall be members of EKPC and which execute EKPC approved contracts with the ultimate consumers. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Applicability

Applicable to cooperative associations and ultimate consumers willing to contract for demand of 500 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand.

Monthly Rate

Demand Charge per kW of Billing Demand	\$6.81
Energy Charge per kWh	\$0.036622

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section C (con't.)

Billing Demand

The kilowatt demand shall be the greater of (a) or (b) listed below:

- (a) The contract demand
- (b) The ultimate consumer's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

- (a) The product of the billing demand multiplied by the demand charge, plus
- (b) The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section D
Interruptible Service

Standard Rider

This Interruptible Rate is a rider to Rate Sections A, B, C, and E.

Applicable

In all territory served by EKPC.

Availability of Service

This schedule shall be made available at any load center, to any member cooperative where an ultimate "Customer" will contract for an interruptible demand of not less than 250 kW and not more than 20,000 kW, subject to a maximum number of hours of interruption per year and a notice period as listed below.

Monthly Rate

A monthly demand credit per kW is based on the following matrix:

	<u>Annual Hours of Interruption</u>		
<u>Notice Minutes</u>	<u>200</u>	<u>300</u>	<u>400</u>
10	\$4.20	\$4.90	\$5.60
60	\$3.50	\$4.20	\$4.90

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section D (con't.)

Determination of Measured Load - Billing Demand

The billing demand (kilowatt demand) is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing – EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

The interruptible billing demand shall be equal to the amount by which the monthly billing demand exceeds the minimum billing demand as specified in the contract.

Conditions of Service for Customer Contract

1. The customer will, upon notification by the Cooperative, reduce his load being supplied by the Cooperative to the contract capacity level specified by the contract.
2. The Cooperative will endeavor to provide the Customer as much advance notice as possible of the interruption of service. However, the Customer shall interrupt service within the notice period as contracted.
3. Service will be furnished under the Cooperatives "General Rules and Regulations" or "Terms and Conditions" except as set out herein and/or provisions agreed to by written contract.
4. No responsibility of any kind shall attach to the Cooperative for, or on account of, any loss or damage caused by, or resulting from, any interruption or curtailment of this service.

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Section D (con't.)

5. The Customer shall own, operate, and maintain all necessary equipment for receiving electric energy and all telemetering and communications equipment, within the Customer's premises, required for interruptible service.
6. The minimum original contract period shall be one year and thereafter until terminated by giving at least six months previous written notice. The Cooperative may require a contract be executed for a longer initial term when deemed necessary by the size of the load and other conditions.
7. The Fuel Adjustment Clause, as specified in the General Wholesale Power Rate Schedule, is applicable.

Calculation of Monthly Bill

The monthly bill is calculated on the following basis:

- A. Sum of metering point charge and substation charge, plus
- B. Minimum billing demand in kW multiplied by the firm capacity rate, plus
- C. Interruptible billing demand in kW multiplied by interruptible rate, plus
- D. Energy usage in kWh multiplied by the energy rate.

Number and Duration of Interruptions

- A. Winter Season: There shall be no more than two (2) interruptions during any 24 hour calendar day. No interruption shall last more than six hours.
- B. Summer Season: There shall be no more than one (1) interruption during any 24 hour calendar day. No interruption shall last more than twelve hours.
- C. The maximum number of annual hours of interruption shall be in accordance with the customer contracted level of interruptible service.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section D (con't.)

Charge for Failure to Interrupt

If Customer fails to interrupt load as requested by the Cooperative, the Cooperative shall bill the uninterrupted load at a rate equal to five (5) times the applicable firm power demand charge for that billing month. Uninterrupted load is equal to actual load during requested interruption minus firm load.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section E

Availability

Available to all cooperative associations which are or shall be members of EKPC. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Applicability

Applicable to all power usage at the load center not subject to the provisions of Section A, Section B, Section C, or Section G of this tariff.

Monthly Rate - Per Load Center

A cooperative association may select either Option 1 or Option 2 of this section of the tariff to apply to all load centers. The cooperative association must remain on a selected option for at least one (1) year and may change options, no more often than every twelve (12) months, after giving a minimum notice of two (2) months.

	<u>Option 1</u>	<u>Option 2</u>
Demand Charge per kW of Billing Demand	\$7.58	\$5.71
Energy Charge per kWh		
On-Peak kWh	\$0.038758	\$0.046491
Off-Peak kWh	\$0.038209	\$0.038209

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Section E (con't.)

On-peak and off-peak hours are provided below:

<u>Months</u>	<u>On-Peak Hours - EST</u>	<u>Off-Peak Hours – EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.	12:00 noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m.
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.

Billing Demand

The billing demand (kilowatt demand) is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing – EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Billing demand applicable to this section is equal to the load center's contribution to EKPC's system peak demand minus the actual demands of Section A, Section B, and Section C participants coincident with EKPC's system peak demand.

Billing Energy

Billing energy applicable to this section is equal to the total energy provided at the load center minus the actual energy provided to Section A, Section B, and Section C participants.

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Section F

Voluntary Interruptible Service

Standard Rider

This Voluntary Interruptible Service is a rider to Rate Sections A, B, C, E, G and special contracts.

Applicable

In all territory served by EKPC.

No interruptible demand which is already under contract under any other Interruptible Rider is eligible for this service.

Availability of Service

This schedule shall be made available at any load center, to any member cooperative where an ultimate "Customer" is capable of interrupting at least 1,000 kW upon request and has contracted with the Member System to do so under a retail contract rider.

Conditions of Service

1. Any request for interruption under this Rider shall be made by EKPC through its Member Cooperative.
2. Each interruption will be strictly voluntary. The Member Cooperative may accept or decline the terms of the interruption offered by EKPC.
3. No responsibility of any kind shall attach to EKPC for, or on account of, any loss or damage caused by, or resulting from, any interruption or curtailment of this service.
4. The Customer shall agree by contract to own, operate, and maintain all necessary equipment for receiving electric energy and all telemetering and communications equipment, within the Customer's premises, required for interruptible service.
5. It is the Member Cooperative's responsibility to notify the Customer and execute an

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interruption request from EKPC. Therefore, EKPC and the Member Cooperative shall mutually agree upon the manner by which EKPC shall notify the Customer of a request for interruption. Such an agreement shall include the means by which EKPC shall communicate the interruption request (e.g. email, phone, pager, etc.) and the Customer's point of contact to receive such a request.

6. EKPC will attempt to provide as much advance notice as possible for requests for interruption. However, upon the Customer's acceptance of the Terms of Interruption the Customer's load shall be interrupted with as little as one (1) hour of advance notification.
7. EKPC reserves the right to require verification of a Customer's ability to interrupt its load.
8. The Member Cooperative is not eligible for the Interruption Credits for any interruption when the Customer's interruptible load is down for other reasons during the period of the requested interruption. Such down time would include any event outside of the Customer's normal operating circumstances such as planned or unplanned outages due to renovation, repair, vacation, refurbishment, renovation, strike, or force majeure.

Interruptible Customer Data Report

The Member Cooperative shall furnish to EKPC an Interruptible Customer Data Report for each of its eligible Customers. Such a report shall include such information as:

1. The maximum number of hours per day and the time of day that the Customer has the ability to interrupt.
2. The maximum number of days and the maximum number of consecutive days that the Customer has the ability to interrupt.
3. The maximum interruptible demand and the minimum interruptible demand by the Customer upon request.
4. The minimum price at which each Customer is willing to interrupt.

Demand and Energy Interruption

The Customer will agree by contract, within an agreed time after receiving notice, to comply to the extent possible with EKPC's request to interrupt load. EKPC is the sole judge of the need for

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interruption of load. EKPC is the sole judge of the amount of interruptible demand provided by the Customer, based on the following calculation:

The average of the integrated fifteen-minute demand for the two hours prior to the hour immediately preceding the call for interruption will be used as the basis for establishing the existing demand level. The hourly interruptible demands for each customer will be the difference between the existing demand level and the actual demand measured during each hour of the interruption period. The interrupted energy of each interruption period shall be the sum of the hourly interrupted demands. These types of interruptions will cover a period of no more than six hours.

For interruptions longer than six hours in duration, the Customer's average load usage for the same hours as the interruption hours in the two preceding business days prior to the day of notice will be used as the basis for determining the demand level for interruption. The average hourly usage for these business days, based on the average integrated fifteen minute demand intervals, minus the actual load during the interruption period will equal the amount of interruptible load. The interrupted energy of each interruption period shall be the sum of the hourly interrupted demands.

Terms of Interruption

For each interruption request, EKPC shall identify the Customer to be interrupted. EKPC shall inform the Member Cooperative or each Customer of an interruption request in accordance with the agreed upon method of notification. The Terms of Interruption shall include the following:

1. The time at which each interruption shall begin is to be established by EKPC. At least one (1) hour of advance notice of each request for interruption shall be provided by EKPC.
2. The duration in clock hours of the interruption request is to be established by EKPC.
3. The current price and the potential savings. This price will be determined by EKPC on a case by case basis and will be based on a percentage of the market price of power at the time of interruption.
4. The Member Cooperative shall specify or arrange for the Customer to specify:
 - a. The maximum demand in kW that will be interrupted.

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- b. The maximum firm demand that the Customer will purchase through the Member Cooperative during the interruption.

Interruption Credits

The interruption credit for each interruption period shall be equal to the interrupted energy MWh times an amount equal to 110% by which the quoted price for each interruption exceeds the Customer's regular tariff rate. The sum of the interruption credits for the billing month will be allocated as follows:

1. The Member Cooperative's account with EKPC will be credited in the amount of 10% of the credit to the Customer.
2. The interruption credit to the Customer shall be equal to the product of the interrupted energy multiplied by the interruption price for each interruption. This amount will be credited to the Member Cooperative's account with EKPC and passed along to the Customer.

Failure to Interrupt

For those Customers failing to interrupt a minimum of 80% of their agreed amount of interruptible load of 5,000 kW or greater, an excess energy charge will be applicable. This excess energy is equal to the difference of 80% of the interruptible load minus the interrupted load. Excess energy shall be charged to the Customer at a price equal to 125% of the interruption price plus the standard rate applicable to this load.

Term

The minimum original contract period shall be one (1) year and shall remain in effect thereafter until either party provides to the other at least thirty (30) days previous written notice.

Interruption Implementation Procedure

Voluntary interruptions will be implemented based on data developed from the Interruptible Customer Data Report. EKPC personnel will match the interruption scenario with the interruptible customers' profiles to determine interruption priority and sequence.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section G

SPECIAL ELECTRIC CONTRACT RATE
Applicable to Inland Container Corporation

Character of Service

Three-phase 60 Hertz alternating current as specified in the Agreement for Purchased Power.

Monthly Rate

Demand Charge per Billing kW	\$6.63
Energy Charge per ALL kWh	\$0.034690

Determination of Billing Demand

The kilowatt demand shall be the greater of (a) or (b) listed below:

- (a) The contract demand
- (b) The ultimate consumer's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

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EAST KENTUCKY POWER COOPERATIVE, INC.

For All Counties Served
P.S.C. No. 33
Original Sheet No. 19
Canceling P.S.C. No. 32
Original Sheet No. 19

Section G (con't.)

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

- (a) The metering and substation charge, plus
- (b) The product of the billing demand multiplied by the demand charge, plus
- (c) The product of \$0.007 multiplied by the product of the billing demand multiplied by 400 hours.

Power Factor Adjustment

Refer to EKPC General Wholesale Power Tariffs Power Factor Adjustment, Original Sheet 4.

Fuel Adjustment Clause

Refer to EKPC General Wholesale Power Tariffs Fuel Adjustment, Original Sheets 2-4.

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Original Sheet No. 20
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Original Sheet No. 20

EAST KENTUCKY POWER COOPERATIVE, INC.

Section H

Wholesale Renewable Resource Power Service

Standard Rider

This Renewable Resource Power Service is a rider to Rate Sections A, B, C, and E. The purpose of this service is to provide Member Systems with a source of renewable resource generated power for resale to their Customers.

Applicable

In all territory served by EKPC.

Availability of Service

This service is contingent upon the available supply of energy generated from renewable resources which EKPC owns or controls, or such energy which EKPC has purchased from other wholesale suppliers.

This schedule shall be made available at any load center to any member cooperative where a retail "Customer" contracts for renewable resource power service in the following block amounts:

100 kWh

AND where retail "Customer" has contracted with the Member Cooperative Association to do so under a retail contract rider.

Eligibility

Any EKPC Member Cooperative Association that has completed and returned a "Pledge to Purchase Renewable Resource Power Service" application to EKPC will be eligible for this rider. This form will indicate the number of blocks that the Member Cooperative Association intends to purchase monthly as a firm purchase power commitment for a period of one year. All such Member Cooperative Associations will have executed an Agreement for the sale of renewable resource power with a retail consumer.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section H (con't.)

Monthly Rate

The monthly rate for this service will be a renewable power premium, i.e. added charge, for all renewable power purchased by the participating Member Cooperative Association. The renewable rate premium per block is as follows:

100 kWh block \$2.375 per block (\$0.02375 per kWh)

This power can be purchased only in the blocks and amounts listed above. These rates are in addition to the regular wholesale rate applicable to the Member Cooperative Association.

Billing and Minimum Charge:

Blocks of power sold under this tariff shall constitute the minimum amount of energy in kWh that the Member Cooperative Association may be billed for during a normal billing period.

Terms of Service and Payment:

This schedule shall be subject to all other terms of service and payment of the wholesale power tariff.

Fuel Adjustment Clause:

The fuel adjustment clause is not applicable to renewable resource power.

Special Terms:

When Member Cooperative Associations' contract for this type of power service, said Member Cooperative Associations will pay for all such power at the rates prescribed in this tariff for the complete contract period.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 1

Touchstone Energy Manufactured Home Program

Purpose

The Touchstone Energy Manufactured Home Program is a conservation program that encourages the sale of more energy-efficient manufactured homes. It is based on the *Energy Star* standards for manufactured homes, a nationally recognized symbol of energy efficiency and quality developed and operated jointly by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

Availability

This program is available in all service territory served by EKPC.

Eligibility

To qualify as a Touchstone Energy Manufactured Home under EKPC's program, the participating manufactured home must be located in the service territory of a participating Member System and meet the *Energy Star* standards by including additional floor, wall and ceiling insulation, double pane windows and an electric heat pump.

Rebate

EKPC will provide an incentive for retail customers of our Member Systems to participate in this program by offering a one-time rebate. EKPC will rebate \$250 per certified manufactured home to the participating Member System. Rebates will be paid to the participating Member Systems upon written certification that the retail participant has met the *Energy Star* standards for newly constructed manufactured homes.

For customers who purchase a manufactured home which only includes a heat pump meeting Energy Star standards, EKPC will rebate \$150. For customers with inefficient electric heating systems, EKPC will rebate \$150 for replacing their existing furnace with a heat pump that meets minimum Energy Star Standards.

Annual Reports

EKPC will submit annual reports on the Program that contain the number of participants from each Member System, the annual costs, including the costs of the rebates, and the status of the rebate provision. EKPC will file the first report by March 31, 2004, and annually thereafter.

Term

The Touchstone Energy Manufactured Home Program will remain in effect through the end of 2009. If EKPC should decide to continue the entire program beyond 2009, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

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DATED: _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 2

Touchstone Energy Home Program

Purpose

The Touchstone Energy Home Program is a conservation program that encourages the sale of more energy-efficient homes. It is based on *Energy Star* standards for homes, a nationally recognized symbol of energy efficiency and quality developed and operated jointly by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

Availability

This program is available in all service territory served by EKPC.

Eligibility

To qualify as a Touchstone Energy Home under EKPC's program, the participating home must be located in the service territory of a participating Member System and meet the *Energy Star* standards by including additional floor, wall and ceiling insulation, double pane windows and an electric heat pump.

Rebate

EKPC and its Member Systems will provide an incentive to retail customers to build or purchase a Touchstone Energy home. Member System Cooperatives may elect to offer a rebate of up to \$250 for each participant. EKPC will match the rebate offered by the member system cooperative up to a maximum of \$250, resulting in a maximum rebate of \$500 for each participant. Rebates will be paid to each participant upon written certification that the newly constructed home has met the *Energy Star* standards.

Annual Reports

EKPC will submit annual reports on the Program that contain the number of participants from each Member System, the annual costs, including the costs of the rebates, and the status of the rebate provision. EKPC will file the first report by June 30, 2005, and annually thereafter.

Term

The Touchstone Energy Home Program will remain in effect through 2009. If EKPC should decide to continue the entire program beyond 2009, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

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EAST KENTUCKY POWER COOPERATIVE, INC

RATE ES – ENVIRONMENTAL SURCHARGE

APPLICABILITY

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

AVAILABILITY

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

RATE

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

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

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

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor of 1.21%

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

Definitions

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

where:

(a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP net of AFUDC, cash working capital, spare parts and limestone inventory, emission allowance inventory;

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

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-
- (c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees. O&M expense for the pollution-control related equipment at the Gilbert generating unit will be recovered by including an average of the monthly expense as the Unit begins operation;
- (d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
- (e) (Over) or Under recovery amount as amortized from prior six-month period.

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

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

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

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For All Counties Served

P.S.C. No. 33

Original Sheet No. 26

Canceling PSC No. 32

First Revised Sheet No. 26

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 3

Direct Load Control of Water Heaters Program

Direct Load Control of Air-Conditioners Program

Purpose

The Direct Load Control of Water Heaters and Air Conditioners will encourage the reduction in growth of peak demand, enabling the Company to utilize its system more efficiently and defer the construction of new generation.

Availability

Both the Direct Load Control of Water Heaters Program and the Direct Load Control of Air Conditioners Program are available to residential customers in the service territories of EKPC. Availability may be denied where, in the judgment of the Member System, installation of the load control equipment is impractical.

Eligibility

To qualify for these Programs, the participant must be located in the service territory of a participating Member System and have central air conditioning or heat pump units and/or 40-gallon (minimum) electric water heating units. The above appliances may be electrically cycled or interrupted in accordance with the rules of this Tariff.

Incentive - Direct Load Control of Water Heaters Program

EKPC and participating Member Systems will provide an incentive to the participants in this program. EKPC will reimburse the participating Member System \$10.00 per water heater annually. The participating Member System, in turn, will annually credit the residential power bill of the participant \$10.00 per water heater. The participant will receive this credit regardless of whether the water heater is cycled.

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P.S.C. No. 33

Original Sheet No. 27

Canceling PSC. 32

First Revised Sheet No. 27

EAST KENTUCKY POWER COOPERATIVE, INC.

Incentive - Direct Load Control of Air-Conditioners Program

EKPC and participating Member Systems will provide an incentive to the participants in this program. The customer may select one of two alternatives. One, EKPC will reimburse the participating Member System \$20.00 annually per air conditioner (\$5 per summer months, June, July, August, and September). The participating Member System will, in turn, credit the residential power bill of the participant \$20.00 per air conditioner (\$5 per summer months, June, July, August, and September). Two, alternatively, EKPC will provide and install at no cost one or more digital thermostats as needed for control purposes. The participant will receive one of these incentives regardless of whether the air conditioner or heat pump is controlled during any program month.

Time Period for the Direct Load Control of Water Heaters Program

A load control switch will be placed on the water heater and may be electrically interrupted for a maximum time period of four hours.

EKPC will cycle the water heaters only during the hours listed below.

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	6:00 a.m. to 12:00 noon 4:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Time Period for the Direct Load Control of Air Conditioners

A load control device (switch or thermostat) will be placed on each central air conditioning unit or heat pump that will allow the operating characteristics of the unit to be modified (by cycling the unit off for periods of time up to 7.5 minutes of each 15-minute interval, or by adjusting the temperature setting on the thermostat up to two degrees) to reduce demand on the system.

EKPC will control the air conditioning units and heat pumps only during its summer on-peak billing hours listed below.

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
May through September	10:00 a.m. to 10:00 p.m.

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P.S.C. No. 33

Original Sheet No. 28

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First Revised Sheet No. 28

EAST KENTUCKY POWER COOPERATIVE, INC.

Terms and Conditions

1. If a participant decides to withdraw from the program(s) or change to another load control option, the Member Systems will endeavor to implement the change as soon as possible.
2. Prior to the installation of load control devices, the Member Systems may inspect the participant's electrical equipment to insure good repair and working condition, but the Member Systems shall not be responsible for the repair or maintenance of the electrical equipment.
3. EKPC, on behalf of the Member Systems, will install, own, and maintain the load management devices controlling the participant's air conditioner, heat pump, or water heater. The participant must allow the Member System, or their representative, reasonable access to install, maintain, inspect, test and remove load control devices. Inability of the Member System to gain access to the load management device to perform any of the above activities for a period exceeding 30 days may, at the Member System's option, result in discontinuance of credits under this tariff until such time as the Member System is able to gain the required access.
4. Participants in the Pilot program from Big Sandy RECC and Blue Grass Energy will have the opportunity to participate in this program. Equipment already installed on the premises may be used as part of this program.

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EAST KENTUCKY POWER COOPERATIVE, INC.

PAGE - 1
INVOICE DATE :

EAST KENTUCKY POWER COOPERATIVE
P.O. BOX 707 WINCHESTER, KENTUCKY 40391

WHOLESALE POWER INVOICE
SUBSTATION CHARGES
MONTH, 19XX

SUBSTATION	RATE CODE	BILLING NOTES	BILLING DEMAND	BILLING KWH	DEMAND CHARGE	ENERGY CHARGE	WHEELING OR SUBSTATION	FUEL ADJUSTMENT	TOTAL CHARGE
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CO-OP TOTALS

E.T.S. *****

** CONSUMER BILLED FROM A PRIOR DEMAND TOTAL DUE BY 20TH DAY OF MONTH

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EAST KENTUCKY POWER COOPERATIVE, INC.

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INVOICE DATE:

EAST KENTUCKY POWER COOPERATIVE
P.O. BOX 707 WINCHESTER, KENTUCKY 40391

WHOLESALE POWER INVOICE
SUBSTATION DETAIL CHARGES
MONTH, 19XX

SUBSTATION	RATE CODE	BILLING NOTES	BILLING DEMAND	BILLING KWH	DEMAND CHARGE	ENERGY CHARGE	WHEELING OR SUBSTATION	FUEL ADJUSTMENT	TOTAL CHARGE
------------	-----------	---------------	----------------	-------------	---------------	---------------	------------------------	-----------------	--------------

CO-OP TOTALS
E.T.S.

CO-OP AMOUNT DUE

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 Original Sheet No. 31
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 Original Sheet No. 31

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 INVOICE DATE:

EAST KENTUCKY POWER COOPERATIVE
 P.O. BOX 707 WINCHESTER, KENTUCKY 40391

WHOLESALE POWER INVOICE
 CO-OP TOTAL CHARGES

MONTH, 19XX

SUBSTATION	RATE CODE	BILLING NOTES	BILLING DEMAND	BILLING KWH	DEMAND CHARGE (\$\$)	ENERGY CHARGE (\$\$)	WHEELING OR SUBSTATION CHARGE (\$\$)	FUEL ADJUSTMENT (\$\$)	TOTAL CHARGE (\$\$)
------------	-----------	---------------	----------------	-------------	----------------------	----------------------	--------------------------------------	------------------------	---------------------

SCHEDULE A ADJ. TOTALS
 SCHEDULE B ADJ. TOTALS
 SCHEDULE C ADJ. TOTALS
 SCHEDULE E ADJ. TOTALS STEP 1
 SCHEDULE E ADJ. TOTALS STEP 2

SCHEDULE A TOTALS
 SCHEDULE B TOTALS
 SCHEDULE C TOTALS
 SCHEDULE E TOTALS STEP 1
 SCHEDULE E TOTALS STEP 2

E.T.S.
 GRAND TOTALS

TOTAL AMOUNT DUE

** CONSUMER BILLED FROM A PRIOR DEMAND

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EAST KENTUCKY POWER COOPERATIVE, INC.

KW-SCH. A 7.82 EAST KENTUCKY POWER COOPERATIVE, INC. PAGE -4
KW-SCH. B CONTRACT 5.39 P.O. BOX 707 WINCHESTER, KENTUCKY 40391 KWH-SCH. B&C 23.96
EXCESS CONTRACT 7.82 STATISTICS FOR THE MONTH OF KWH-SCH. E STEP 1 31.85
KW-SCH. C 5.39 KWH-SCH. E STEP 2 23.96
KW-SCH. E 4.34 KWH-ETS 19.168
FUEL RATE 1.4000-
OFFICE WHEELING 1.50

KWH METER READINGS KWH

SUBSTATION	CONSTANT	KW	KWH	PRESENT	PREV	DIFF	BILLING	TOD	HIGHEST	CONTRACT	BILLING	ACTUAL	CONTRACT
							DEMAND	DEMAND	DEMAND		KWH	KWH	KWH

SCHEDULE A STATISTIC TOTALS
SCHEDULE B STATISTIC TOTALS
SCHEDULE C STATISTIC TOTALS
SCHEDULE E STATISTIC TOTALS STEP 1
SCHEDULE E STATISTIC TOTALS STEP 2
E.T.S.

GRAND TOTALS

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Original Sheet No. 33

EAST KENTUCKY POWER COOPERATIVE, INC.

EAST KENTUCKY POWER COOPERATIVE
P.O. BOX 707, WINCHESTER, KENTUCKY 40391

Fleming Mason RECC
P.O. Drawer 328
Flemingsburg, Kentucky 41041

STEAM INVOICE
INLAND CONTAINER STATISTICS
DATE

Average Heat Rate	Billing Demand/MMBTU	TOD Demand/MMBTU	Highest Demand/MMBTU	Billing Energy/MMBTU
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EAST KENTUCKY POWER COOPERATIVE, INC.

Fleming Mason RECC EAST KENTUCKY POWER COOPERATIVE DEMAND/MMBTU \$419.514
P.O. Drawer 328 P.O. BOX 707, WINCHESTER, KENTUCKY 40391 ENERGY/MMBTU \$2.241
Flemingsburg, Kentucky 41041 FUEL ADJ./MMBTU
MINIMUM BILL \$100,000

STEAM INVOICE
INLAND CONTAINER DETAIL CHARGES
DATE

BILLING NOTES	BILLING DEMAND/MBTU	BILLING ENERGY CHARGE	DEMAND CHARGE	ENERGY CHARGE	FUEL ADJUSTMENT	TOTAL CHARGE

EDR DEMAND CREDIT

TOTAL DUE BY 20TH DAY OF THE MONTH

*Steam Measurement Adjustment Factor

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EAST KENTUCKY POWER COOPERATIVE, INC.

EKPC Emergency Electric Procedures

EKPC's Emergency Electric Procedures are based on the following NERC Emergency Operations Standards:

- EOP-001 Emergency Operations Planning
- EOP-002 Capacity and Energy Emergencies
- EOP-003 Load Shedding Plans
- EOP-005 System Restoration Plans

Definitions

Transmission Operator (and Balancing Authority) - EKPC
Reliability Coordinator - TVA
Regional Reliability Organization – SERC

Overview

The Balancing Authority and the Reliability Coordinator have the responsibility and clear decision-making authority to take whatever actions are needed to ensure the reliability of its respective area and to exercise specific authority to alleviate capacity and energy emergencies. The Balancing Authority will implement its capacity and energy emergency plan, when required and as appropriate, to reduce risks to the interconnected system. The Balancing Authority experiencing an operating capacity or energy emergency will communicate its current and future system conditions to the Reliability Coordinator and neighboring Balancing Authorities.

When the Balancing Authority anticipates an operating capacity or energy emergency it will perform all actions necessary including bringing on all available generation, postponing equipment maintenance, scheduling interchange purchases in advance, and being prepared to reduce firm load. If the Balancing Authority is deficient it will only use the assistance provided by the Interconnection's frequency bias for the time needed to implement corrective actions.

The Balancing Authority will not unilaterally adjust generation in an attempt to return Interconnection frequency to normal beyond that supplied through frequency bias action and Interchange Schedule changes. Such unilateral adjustment may overload transmission facilities. If the Balancing Authority cannot comply with the Control Performance and Disturbance Control Standards, then it will immediately implement remedies to do so.

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A Reliability Coordinator that has any Balancing Authority within its Reliability Coordinator Area experiencing a potential or actual Energy Emergency will initiate an Energy Emergency Alert as detailed in EOP-002-0 "Energy Emergency Alert Levels." The Reliability Coordinator will act to mitigate the emergency condition, including a request for emergency assistance if required.

Measures

The Transmission Operator (and Balancing Authority) has emergency plans and self-assessments available for review by the Regional Reliability Organization. The Regional Reliability Organization reviews and evaluates emergency plans every three years to ensure that the plans are complete and may elect to request self-certification of the Transmission Operator and Balancing Authority in years that the full review is not done.

Each Reliability Coordinator and Balancing Authority has and provides upon request evidence that includes job descriptions, signed agreements, authority letter signed by an appropriate officer of the company, or other equivalent evidence that confirms that it meets NERC requirements.

If the Reliability Coordinator or Balancing Authority implements its Capacity and Energy Emergency plan, that entity has and provides upon request evidence that includes operator logs, voice recordings or transcripts of voice recordings, electronic communications, computer printouts or other equivalent evidence that will be used to determine if the actions it took to relieve emergency conditions were in conformance with its Capacity and Energy Emergency Plan.

Insufficient Generating Capacity

The steps for mitigation of operating emergencies for insufficient generating capacity are:

1. Load all available generating capacity
2. Deploy all available operating reserve
3. Interrupt interruptible load and exports
4. Request emergency assistance from other Balancing Authorities
5. Declare an Energy Emergency through the Reliability Coordinator
6. Reduce load through procedures such as public appeals, voltage reductions, or curtailment of interruptible loads and firm loads

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Once the Balancing Authority has exhausted these steps or if these steps cannot be completed in sufficient time to resolve the emergency condition, the Balancing Authority shall:

1. Manually shed firm load without delay to return its ACE to zero
2. Request the Reliability Coordinator to declare an Energy Emergency Alert

All Emergency Electric Procedures consider:

1. Communication protocol
2. Controlling actions
3. Coordination with adjacent Transmission Operators and Balancing Authorities
4. Staffing levels

Elements addressed in Insufficient Generating Capacity Emergency Electric Procedures are:

1. Fuel supply and inventory - recognition of reasonable delays or problems in the delivery or production of fuel
2. Fuel switching - for units for which fuel supply shortages may occur
3. Environmental constraints - seek removal of environmental constraints for generating units
4. System energy use - reduction of the system's own energy use
5. Public appeals - through all media for voluntary load reductions and energy conservation
6. Load management - implementation of load management and voltage reductions
7. Optimize fuel supply - operation of generating sources to optimize the availability
8. Appeals to customers to use alternate fuels - appeals to large industrial and commercial customers to reduce non-essential energy use and maximize the use of customer-owned generation that rely on fuels other than the one in short supply
9. Interruptible loads - interrupt customer load to reduce capacity requirements or to conserve the fuel in short supply
10. Maximizing generator output and availability - operation of all generating sources to maximize output and availability
11. Notification of IPPs - cogeneration and other power producers, to maximize output and availability
12. Requests of government - to implement programs to achieve energy reductions
13. Load curtailment - mandatory load curtailment plan to use as a last resort
14. Notification of government agencies - as the various steps of the emergency plan are implemented

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15. Notifications to operating entities - as steps in emergency plan are implemented

Transmission System Operating Emergencies

The Transmission Operator (and Balancing Authority) develops, maintains, and implements a set of plans to mitigate operating emergencies. These plans are coordinated with other Transmission Operators, Balancing Authorities, and the Reliability Coordinator. Balancing Authorities have operating agreements with adjacent and remote Balancing Authorities that contain provisions for emergency assistance.

The Transmission Operator has an emergency load reduction plan for all identified Interconnection Reliability Operating Limits (IROLs). The plan includes the details on how the Transmission Operator will implement load reduction in sufficient amount and time to mitigate the IROL violation before system separation or collapse occurs. The Transmission Operator and Balancing Authority emergency plans include:

1. Communications protocols to be used during emergencies
2. A list of controlling actions to resolve the emergency
3. Load reduction, in sufficient quantity and within established timelines
4. Tasks to be coordinated with and among adjacent Transmission Operators and Balancing Authorities
5. Staffing levels for the emergency

The Transmission Operator (and Balancing Authority) annually reviews and updates each emergency plan and provides a copy of its updated emergency plans to the Reliability Coordinator and to neighboring Transmission Operators and Balancing Authorities.

The Transmission Operator (and Balancing Authority) coordinates its emergency plans with other Transmission Operators and Balancing Authorities as appropriate. This coordination includes the following steps:

1. Establish and maintain reliable communications between interconnected systems
2. Arrange new interchange agreements to provide for emergency capacity or energy transfers if existing agreements cannot be used
3. Coordinate transmission and generator maintenance schedules to maximize capacity or conserve the fuel in short supply
4. Arrange deliveries of electrical energy or fuel from remote systems through normal operating channels

DATE OF ISSUE March 10, 2009 DATE EFFECTIVE: April 1, 2009

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EAST KENTUCKY POWER COOPERATIVE, INC.

Load shedding

After taking all other remedial steps, the Transmission Operator and Balancing Authority, operating with insufficient generation or transmission capacity, will shed customer load rather than risk an uncontrolled failure of components or cascading outages of the Interconnection. Coordination of load shedding would take place between the Transmission Operator (and Balancing Authority) and other interconnected Transmission Operators and Balancing Authorities. Implementation of manual load shedding takes into consideration frequency, rate of frequency decay, voltage level, rate of voltage decay, and power flow levels. The Transmission Operator (and Balancing Authority) would implement load shedding in steps established to minimize the risk of further uncontrolled separation, loss of generation, or system shutdown.

After the Transmission Operator (and Balancing Authority) separates from the Interconnection, if there is insufficient generating capacity to restore system frequency following automatic underfrequency load shedding, the Transmission Operator (and Balancing Authority) would shed additional load. The Transmission Operator (and Balancing Authority) coordinates automatic load shedding throughout its area with underfrequency isolation of generating units, tripping of shunt capacitors, and other automatic actions that occur under abnormal frequency, voltage, or power flow conditions. Each Transmission Operator and/or Balancing Authority has plans for operator-controlled manual load shedding to respond to real-time emergencies.

System restoration

The Transmission Operator has a restoration plan to reestablish its electric system in a stable and orderly manner in the event of a partial or total shutdown of its system including necessary operating instructions and procedures to cover emergency conditions and the loss of vital telecommunications channels.

The Transmission Operator reviews and updates its restoration plan annually and whenever it makes changes in the power system network, and corrects deficiencies found during the simulated restoration exercises. The Transmission Operator coordinates its restoration plans with the Generator Owners and Balancing Authorities within its area, its Reliability Coordinator, and neighboring Transmission Operators and Balancing Authorities.

The Transmission Operator (and Balancing Authority) periodically tests its telecommunication facilities needed to implement the restoration plan and trains its

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operating personnel in the implementation of the restoration plan. This training includes simulated exercises and verification of the restoration procedure by actual testing and simulation.

During system restoration, affected Transmission Operators and Balancing Authorities work in conjunction with their Reliability Coordinator(s) to determine the extent and condition of the isolated area(s). The affected Transmission Operators and Balancing Authorities take the necessary actions to restore Bulk Electric System frequency to normal, including adjusting generation, placing additional generators on line, or load shedding.

The affected Balancing Authorities, working with their Reliability Coordinator(s), immediately review the Interchange Schedules between those Balancing Authority Areas or fragments of those Balancing Authority Areas within the separated area and make adjustments as needed to facilitate the restoration. The affected Balancing Authorities make all attempts to maintain the adjusted Interchange Schedules, whether generation control is manual or automatic. The affected Transmission Operators may resynchronize the isolated area(s) with the surrounding area(s) when the following conditions are met:

1. Voltage, frequency, and phase angle permit
2. The size of the area being reconnected and the capacity of the transmission lines effecting the reconnection and the number of synchronizing points across the system are considered adequate
3. Reliability Coordinator(s) and adjacent areas are notified and Reliability Coordinator approval is given
4. If required, load is shed in neighboring areas to permit successful interconnected system restoration

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Summary of Proposed Charges Under Electric Special Contracts

Large Special Contract	Demand Charge:	
	Firm Demand	\$6.63 per kW per month
	10-Min Interruptible Demand	\$1.03 per kW per month
	90-Min Interruptible Demand	\$2.43 per kW per month
	Energy Charge	
	On-Peak	\$0.036978 per kWh
	Off-Peak	\$0.033694 per kWh
Special Contract - Pumping Stations	Demand Charge	
	Per kW	\$1.75
	Energy Charge	
	Off-Peak (May-Dec)	\$0.004440 per kWh
	Off-Peak (Jan-Apr)	\$0.004460 per kWh
Steam Service	Demand Charge	
	Per MMBTU	\$547.87
	Energy Charge	
	Per MMBTU	\$3.916

P.S.C. KY NO. 7

CANCELS P.S.C. KY NO. 6

EAST KENTUCKY POWER COOPERATIVE, INC.

OF

WINCHESTER, KENTUCKY

RATES, RULES, AND REGULATIONS FOR PURCHASING

ELECTRIC POWER AND ENERGY

AT

VARIOUS LOCATIONS THROUGHOUT KENTUCKY

FROM

QUALIFIED COGENERATION AND

SMALL POWER PRODUCTION FACILITIES

FILED WITH THE PUBLIC SERVICE COMMISSION
OF KENTUCKY

ISSUED March 10, 2009

EFFECTIVE April 1, 2009

ISSUED BY EAST KENTUCKY POWER COOPERATIVE, INC.

BY _____

Robert M. Marshall
President and Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

COGENERATION AND SMALL POWER PRODUCTION
POWER PURCHASE RATE SCHEDULE OVER 100 kW

AVAILABILITY

Available only to qualified cogeneration or small power production facilities with a design capacity of over 100 kW which have executed a contract with East Kentucky Power Cooperative and one of EKPC's member distribution systems for the purchase of electric power by East Kentucky Power Cooperative.

RATES

The rates set forth below shall be used as the basis for negotiating a final purchase rate with qualifying facilities pursuant to Section 7 of 807 KAR 5:054.

1. Capacity

- a. \$40.40 per kW per year is applicable if cogenerator or small power producer is dispatched by East Kentucky Power Cooperative.
- b. \$0.00614 per kWh is applicable if cogenerator or small power producer is not dispatched by East Kentucky Power Cooperative.

2. Energy – A base payment per kWh is listed below for a time-differentiated basis or a non-time differentiated basis for the specified years.

a. Time Differentiated Rates:

Year	<u>Winter</u>		<u>Summer</u>	
	On-Peak	Off-Peak	On-Peak	Off-Peak
2008	\$0.06032	\$0.04293	\$0.06637	\$0.03199
2009	\$0.05722	\$0.03881	\$0.05447	\$0.02094
2010	\$0.05647	\$0.03461	\$0.05069	\$0.02203
2011	\$0.06015	\$0.03899	\$0.06448	\$0.03069
2012	\$0.05875	\$0.03817	\$0.05737	\$0.02486

b. Non-Time Differentiated Rates:

Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Rate	\$0.05120	\$0.04428	\$0.04219	\$0.04933	\$0.04596

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ISSUED BY _____

TITLE President & Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

The on-peak and off-peak energy rates are applicable during the hours listed below for each season:

Winter (October - April)

On-Peak 7:00 a.m. - 12:00 noon
5:00 p.m. - 10:00 p.m.

Off-Peak 12:00 noon - 5:00 p.m.
10:00 p.m. - 7:00 a.m.

Summer (May - September)

On-Peak 10:00 a.m. - 10:00 p.m.

Off-Peak 10:00 p.m. - 10:00 a.m.

TERMS AND CONDITIONS

1. All power from a Qualifying Facility (QF) will be sold only to East Kentucky Power Cooperative.
2. Seller must provide good quality electric power within a reasonable range of voltage, frequency, flicker, harmonic currents, and power factor.
3. Qualifying Facility (QF) shall provide reasonable protection for EKPC and the member cooperative's system.
4. Qualifying Facility (QF) shall design, construct, install, own, operate, and maintain the Qualifying Facility in accordance with all applicable codes, laws, regulations, and generally accepted utility practices.
5. Qualifying Facility shall reimburse EKPC and its member cooperative for all costs incurred as a result of interconnecting with the QF, including operation, maintenance, administration, and billing.

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6. Qualifying Facility shall obtain insurance in the following minimum amounts for each occurrence:
 - a. Public Liability for Bodily Injury - \$1,000,000.00
 - b. Property Damage - \$500,000.00
7. Initial contract term shall be for a minimum of five years.
8. Qualifying Facilities proposing to supply as available (non-firm) electric power shall not be entitled to a capacity payment.
9. Qualifying cogeneration and small power production facilities must meet the definition set forth in 807 KAR 5:054 to be eligible for this tariff.
10. Updated rates will be filed with the Public Service Commission of Kentucky by March 31 of each year.

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EAST KENTUCKY POWER COOPERATIVE, INC.

COGENERATION AND SMALL POWER PRODUCTION
POWER PURCHASE RATE SCHEDULE
LESS THAN 100 kW

AVAILABILITY

Available only to qualified cogeneration or small power production facilities with a design capacity of less than 100 kW which have executed a contract with East Kentucky Power Cooperative and one of EKPC's member distribution systems for the purchase of electric power by East Kentucky Power Cooperative.

RATES

1. Capacity

- a. \$40.40 per kW per year is applicable if cogenerator or small power producer is dispatched by East Kentucky Power Cooperative.
- b. \$0.00614 per kWh is applicable if cogenerator or small power producer is not dispatched by East Kentucky Power Cooperative.

2. Energy – A base payment per kWh is listed below for a time-differentiated basis or a non-time differentiated basis for the specified years.

a. Time Differentiated Rates:

Year	<u>Winter</u>		<u>Summer</u>	
	On-Peak	Off-Peak	On-Peak	Off-Peak
2008	\$0.06032	\$0.04293	\$0.06637	\$0.03199
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2011	\$0.06015	\$0.03899	\$0.06448	\$0.03069
2012	\$0.05875	\$0.03817	\$0.05737	\$0.02486

b. Non-Time Differentiated Rates:

Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Rate	\$0.05120	\$0.04428	\$0.04219	\$0.04933	\$0.04596

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