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August 24, 2005

Honorable Charles A. Lile
Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

CERTIFICATE OF SERVICE

RE: Case No. 2005-00267
East Kentucky Power Cooperative, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on August 24, 2005.

Executive Director

BOD/jc
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR APPROVAL OF AN)	
UNSECURED REVOLVING CREDIT FACILITY)	CASE NO. 2005-00267
IN AN AMOUNT UP TO \$700 MILLION FOR A)	
TERM OF UP TO FIVE YEARS)	

O R D E R

On June 28, 2005, East Kentucky Power Cooperative, Inc. ("East Kentucky") applied to the Commission for approval of an unsecured revolving credit facility in an amount up to \$700 million for a term of up to 5 years, to be provided by a syndicate of financial institutions arranged by the National Rural Utilities Cooperative Finance Corporation ("CFC") and the Bank of Tokyo-Mitsubishi, Ltd., with CFC serving as the administrative agent. Due to the single obligor exposure limits of CFC, it was necessary for CFC to arrange syndicated financing for this facility. East Kentucky provided information showing that CFC has past experience with this type of financing arrangement.

The terms of the credit facility require East Kentucky to pay off any existing unsecured debt so that the new credit facility will be East Kentucky's only significant unsecured debt. East Kentucky currently has two outstanding unsecured credit facilities, both with CFC. The first is a 2-year loan for \$50 million that was used to fund the purchase and installation of combustion turbines ("CT") Nos. 6 and 7 at the J. K. Smith Station. The Rural Utilities Service ("RUS") has approved the long-term

financing for those CTs, but has not yet released the funds. The second is a 2-year loan for \$100 million, of which \$50 million is outstanding, that was used as interim financing to construct the Gilbert Unit at the Spurlock Station. RUS long-term financing is also pending for this unit. East Kentucky noted that repaying the current outstanding credit facilities will reduce its interest expense due to the lower interest rate of the new credit facility.

East Kentucky also intends to use the proceeds from the credit facility as interim financing to fund the construction of additional generation and transmission facilities once the Commission has issued the requisite Certificates of Public Convenience and Necessity ("CPCN"). More specifically, those additional facilities include two new 278 MW base load coal-fired circulating fluidized bed generating units, the required transmission systems for these new generating units, the purchase and installation of five CTs, and transmission facilities to serve a new member, Warren Rural Electric Cooperative Corporation.

On August 11, 2005, East Kentucky filed an amended application in which it committed that no funds would be drawn on the proposed credit facility for any construction that requires, but has not yet been issued, a CPCN.¹ Applications for each

¹ Amended application filed August 11, 2005, Prepared Testimony of David G. Eames.

of the major construction projects discussed above are pending before the Commission.²

The Commission, having considered the evidence of record and being otherwise advised, finds that the approval of the unsecured revolving credit facility in an amount up to \$700 million for a term of up to 5 years is for lawful objects within the corporate purpose of East Kentucky's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved. The Commission also finds that East Kentucky should not draw down any funds for any construction project that requires, but has not been issued, a CPCN.

IT IS THEREFORE ORDERED that:

1. East Kentucky is authorized to enter into an unsecured revolving credit facility as set forth in its application.
2. The proceeds from the credit facility authorized herein shall be used only for the lawful purposes set out in the application.

² See Case No. 2004-00423, Application of East Kentucky Power Cooperative, Inc. For a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, For the Construction of a 278 MW (Nominal) Circulating Fluidized Bed Coal Fired Unit in Mason County, Kentucky; Case No. 2005-00053, Application of East Kentucky Power Cooperative, Inc. For a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, For the Construction of a 278 MW (Nominal) Circulating Fluidized Bed Coal Fired Unit and Five 90 MW (Nominal) Combustion Turbines in Clark County, Kentucky; and Case No. 2005-00207, The Application of East Kentucky Power Cooperative, Inc. For a Certificate of Public Convenience and Necessity to Construct a 161 kV Transmission Line in Barren, Warren, Butler, and Ohio Counties, Kentucky.

3. East Kentucky shall agree only to such terms and prices that are consistent with the parameters set out in its application.

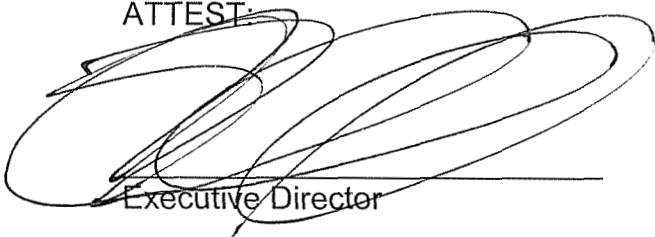
4. East Kentucky shall not draw any funds from the credit facility authorized herein to fund the construction of any facility that requires, but has not yet been issued, a CPCN.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 24th day of August, 2005.

By the Commission

ATTEST

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director