

EAST KENTUCKY POWER COOPERATIVE

December 28, 2006

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

RECEIVED

JAN 03 2007  
PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

RE: PSC Case No. 2006-00236

In accordance with the Order in the above referenced case, please find enclosed a copy of the RUS approval of the new depreciation rates.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dale W. Henley".

Dale W. Henley  
General Counsel

Enclosure



United States Department of Agriculture  
Rural Development

December 21, 2006

**RECEIVED**

Mr. Roy M. Palk  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
P.O. Box 707  
Winchester, Kentucky 40392-0707

JAN 03 2007

PUBLIC SERVICE  
COMMISSION

Dear Mr. Palk:

We have reviewed the depreciation study for East Kentucky Power Cooperative, Inc., (East Kentucky) prepared by Gannett Fleming, Inc., completed based on all assets in service as of December 31, 2005. The study requests the Rural Utilities Service's (RUS) approval of depreciation rates as listed below. RUS approval is required since East Kentucky is setting depreciation rates that vary from those prescribed in RUS Bulletin 183-1, *Depreciation Rates and Procedures*.

Based upon the information provided in the study and in response to your request, RUS hereby approves the utilization of the following depreciation rates.

	Account	Proposed Rates
	<b>Production Plant</b>	
311	Structures and Improvements	1.06%
312	Boiler Plant and Equipment	1.89%
314	Turbo generator Units	1.29%
315	Accessory Electric Equipment	1.28%
316	Miscellaneous Power Plant Equipment	0.99%
341	Structure and Improvements	2.20%
342	Fuel Holders, Producers and Accessories	2.18%
343	Prime Movers	2.33%
344	Generators	2.37%
345	Accessory Electric Equipment	2.22%
346	CT Common	1.50%
346	Green Valley LF	2.56%
346	Laurel Ridge LF	2.56%
346	Bavarian LF	2.56%
	<b>Transmission Plant</b>	
353	Station Equipment	1.79%
354	Towers and Fixtures	0.71%
355	Poles and Fixtures	1.56%
356	Overhead Conductors and Devices	1.49%
	<b>Distribution Plant</b>	
362	Station Equipment	3.42%
368	Line Transformers	1.80%

1400 Independence Ave., S.W. • Washington, DC 20250-0700  
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

USDA is an equal opportunity provider, employer and lender.

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,  
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-8882 (TDD).

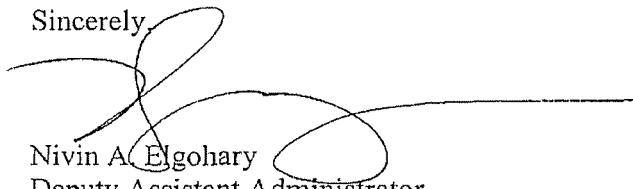
Mr. Roy M. Palk

2

RUS' approval is granted for a 5-year period beginning January 1, 2006, and terminating December 31, 2010. If East Kentucky wishes to continue to utilize depreciation rates that fall outside of the RUS' prescribed ranges of rates beyond this 5-year period, a revised depreciation study updating this information must be submitted to RUS.

If you have any questions or if we can be of further assistance, please contact Mr. Victor T. Vu, Director, Power Supply Division, 1400 Independence Ave. SW, Stop 1568, Washington, D.C. 20250-1568.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nivin A. Elgohary', with a long horizontal line extending to the right.

Nivin A. Elgohary  
Deputy Assistant Administrator  
Rural Development - Utilities Programs  
Electric Programs