

EAST KENTUCKY POWER COOPERATIVE

April 13, 2007

HAND DELIVERED

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

RECEIVED

APR 13 2007

**PUBLIC SERVICE
COMMISSION**

Re: PSC Case No. 2006-00455

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case, supplemental responses to Request Nos. 1-3 of Commission Staff's Supplemental Data Request Dated January 3, 2007.

Very truly yours,

A handwritten signature in cursive script that reads "Charles A. Lile".

Charles A. Lile
Senior Corporate Counsel

aw

Enclosures

c: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE FINANCIAL)
CONDITION OF EAST KENTUCKY POWER) CASE NO.
COOPERATIVE, INC.) 2006-00455

SUPPLEMENTAL RESPONSES TO COMMISSION STAFF'S
SUPPLEMENTAL DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED JANUARY 3, 2007

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2006-00455
SUPPLEMENTAL DATA REQUEST RESPONSE

COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 1/3/07
REQUEST 1

RESPONSIBLE PERSON: Ann F. Wood/Frank J. Oliva
COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. As soon as they are completed, produce a copy of any uncertified financial information for the 12-month period ending December 31, 2006, including:

- a. Financial statements.
- b. Cash flow statements.
- c. Balance sheets.
- d. Documents reflecting EKPC's net margin on a month-by-month and year-end basis.
- e. Determination of EKPC's year-end Times Interest Earned Ratio ("TIER").
- f. Determination of EKPC's year-end Debt Service Coverage Ratio ("DSC Ratio").
- g. Determination of EKPC's year-end equity-to-assets ratio and equity-to-capitalization ratio.
- h. An updated schedule of all draws on the unsecured credit facility.
- i. An updated statement of the undrawn balance on the unsecured credit facility.
- j. An updated schedule of all pending loan applications submitted by EKPC to the Rural Utilities Service ("RUS").

k. An updated schedule of all EKPC's outstanding loans, notes, guarantees or other evidences of indebtedness.

Response 1 (a). A copy of the RUS Form 12 (financial statements) for the 12-month period ending December 31, 2006, is on pages 3 through 35.

Response 1 (b-c). See pages 8 and 9 of the response to PSC Request 3 for the cash flow statement for the 12-month period ending December 31, 2006, and page 5 of the response to PSC Request 3 for the balance sheet as of December 31, 2006.

Response 1 (d). See page 36.

Response 1 (e-g). See page 37.

Response 1 (h-i). Filed with original response on January 24, 2007.

Response 1 (j). Filed with original response on January 24, 2007.

Response 1 (k). Filed with original response on January 24, 2007.

<p><i>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.</i></p>	
UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0059
OPERATING REPORT - FINANCIAL	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see RUS Bulletin 1717B-3.	BORROWER NAME East Kentucky Power Cooperative, Inc.
<p><i>This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i></p>	
CERTIFICATION	
<p>We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.</p>	
<p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p>	
<p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p>DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII <i>(check one of the following)</i></p>	
<input type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.	<input checked="" type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Form 12a Section C of this report.
Robert Marshall	3/21/2007 DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0059		
OPERATING REPORT - FINANCIAL		PERIOD ENDED December, 2006		
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.		This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.		
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	617,306,017	637,835,224	703,914,541	60,036,495
2. Income From Leased Property (Net)	0	0	0	0
3. Other Operating Revenue and Income	13,990,854	13,124,717	12,485,056	1,218,588
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	631,296,871	650,959,941	716,399,597	61,255,083
5. Operating Expense - Production - Excluding Fuel	63,420,822	68,259,844	73,497,718	5,587,258
6. Operating Expense - Production - Fuel	263,434,248	278,209,877	288,731,913	24,975,732
7. Operating Expense - Other Power Supply	116,313,210	83,353,027	107,864,543	10,235,055
8. Operating Expense - Transmission	15,362,740	21,470,646	16,776,642	1,836,673
9. Operating Expense - Distribution	864,406	929,376	2,014,379	123,872
10. Operating Expense - Customer Accounts	(1,030)	0	0	0
11. Operating Expense - Customer Service & Information	3,922,001	4,343,011	4,451,731	698,950
12. Operating Expense - Sales	127,400	128,469	49,401	7,858
13. Operating Expense - Administrative & General	31,722,703	31,620,566	31,982,572	3,122,426
14. TOTAL OPERATION EXPENSE (5 thru 13)	495,166,500	488,314,816	525,368,899	46,587,824
15. Maintenance Expense - Production	33,469,444	38,550,633	49,123,398	2,874,911
16. Maintenance Expense - Transmission	3,803,633	3,953,907	5,407,722	310,659
17. Maintenance Expense - Distribution	998,692	1,202,831	1,098,458	109,303
18. Maintenance Expense - General Plant	744,421	612,007	1,070,404	27,610
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	39,016,190	44,319,378	56,699,982	3,322,483
20. Depreciation and Amortization Expense	52,037,569	39,384,188	58,843,004	(11,409,926)
21. Taxes	234,938	560	800	47,831
22. Interest on Long-Term Debt	69,570,845	84,634,104	86,278,734	8,145,403
23. Interest Charged to Construction - Credit	0	0	0	0
24. Other Interest Expense	273,188	199,868	199,452	(19,258)
25. Asset Retirement Obligations	0	0	0	0
26. Other Deductions	33,884,038	1,079,103	1,984,986	(13,727)
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	690,183,268	657,932,017	729,375,857	46,660,630
28. OPERATING MARGINS (4 less 27)	(58,886,397)	(6,972,076)	(12,976,260)	14,594,453
29. Interest Income	5,898,139	8,432,882	3,640,318	877,597
30. Allowance For Funds Used During Construction	6,225,998	9,191,679	14,171,958	1,227,167
31. Income (Loss) from Equity Investments	0	0	0	0
32. Other Non-operating Income (Net)	179,284	206,013	(198,806)	5,037
33. Generation & Transmission Capital Credits	0	0	0	0
34. Other Capital Credits and Patronage Dividends	575,454	315,491	340,400	472
35. Extraordinary Items	0	0	0	0
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	(46,007,522)	11,173,989	4,977,610	16,704,726

RUS Form 12a

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0059
OPERATING REPORT - FINANCIAL	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.	<i>This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i>

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	2,079,932,685	32. Memberships	1,600
2. Construction Work in Progress	402,386,576	33. Patronage Capital	
3. TOTAL UTILITY PLANT (1 + 2)	2,482,319,261	a Assigned and Assignable	165,660,310
4. Accum. Provision for Depreciation and Amort.	798,533,512	b Retired This year	0
5. NET UTILITY PLANT (3 - 4)	1,683,785,749	c Retired Prior years	0
6. Non-Utility Property (Net)	820	d Net Patronage Capital	165,660,310
7. Investments in Subsidiary Companies		34. Operating Margins - Prior Years	(104,377,194)
8. Invest. in Assoc. Org. - Patronage Capital	989,707	35. Operating Margin - Current Year	(6,656,586)
9. Invest. in Assoc. Org. - Other - General Funds	14,504,314	36. Non-Operating Margins	48,932,731
10. Invest. in Assoc. Org. - Other - Nongeneral - Funds	0	37. Other Margins and Equities	3,470,606
11. Investments in Economic Development Projects	0	38. TOTAL MARGINS & EQUITIES (32 + 33d thru 37)	107,031,467
12. Other Investements	26,697,448	39. Long-Term Debt - RUS (Net)	44,335,879
13. Special Funds	24,221,022	40. Long-Term Debt - FFB - RUS Guaranteed	1,069,190,023
14. TOTAL OTHER PROPERTY AND INVESTMENTS (6 thru 13)	66,413,311	41. Long-Term Debt - Other - RUS Guaranteed	
15. Cash - General Funds	1,275,379	42. Long-Term Debt - Other (Net)	531,761,767
16. Cash - Construction Funds - Trustee	500	43. Long-Term Debt - RUS - Econ. Devel. (Net)	0
17. Special Deposits	425	44. Payments - Unapplied	0
18. Temporary Investments	69,212,625	45. TOTAL LONG-TERM DEBT (39 thru 43 - 44)	1,645,287,669
19. Notes Receivable (Net)	0	46. Obligations Under Capital Leases - Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)	60,965,779	47. Accumulated Operating Provisions and Asset Retirement Obligations	102,203,330
21. Accounts Receivable - Other (Net)	1,822,453	48. TOTAL OTHER NONCURRENT LIABILITIES (46 + 47)	102,203,330
22. Fuel Stock	103,602,168	49. Notes Payable	57,781,881
23. Materials and Supplies - Other	34,939,742	50. Accounts Payable	89,386,941
24. Prepayments	1,619,986	51. Current Maturities Long-Term Debt	
25. Other Current and Accrued Assets	364,515	52. Current Maturities Long-Term Debt - Rural Development	
26. TOTAL CURRENT AND ACCRUED ASSETS (15 thru 25)	273,803,572	53. Current Maturities Capital Leases	
27. Unamortized Debt Discount & Extraor. Prop. Losses	4,498,550	54. Taxes Accrued	876,903
28. Regulatory Assets	0	55. Interest Accrued	18,953,076
29. Other Deferred Debits	0	56. Other Current and Accrued Liabilities	4,016,218
30. Accumulated Deferred Income Taxes	0	57. TOTAL CURRENT & ACCRUED LIABILITIES (49 thru 56)	171,015,019
31. TOTAL ASSETS AND OTHER DEBITS (5+14+26 thru 30)	2,028,501,182	58. Deferred Credits	2,963,697
		59. Accumulated Deferred Income Taxes	
		60. TOTAL LIABILITIES AND OTHER CREDITS (38 + 45 + 48 + 57 thru 59)	2,028,501,182

USDA-RUS OPERATING REPORT INSTRUCTIONS - See RUS Bulletin 1717B-3	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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OPERATING REPORT SALES OF ELECTRICITY						
Sale No.	Name Of Company or Public Authority (a)	Statistical Classification (b)	RUS Borrower Designation (c)	Average Monthly Billing Demand (MW) (d)	Actual Average Monthly NCP Demand (e)	Actual Average Monthly CP Demand (f)
1	Ultimate Consumer(s)					
2	Big Sandy Rural Elec Coop Corp (KY)	RQ	KY0058	52,098		52,098
3	Blue Grass Energy Coop Corp (KY)	RQ	KY0064	225,348		225,348
4	Clark Energy Cooperative, Inc (KY)	RQ	KY0049	86,340		86,340
5	Cumberland Valley Rural E C C (KY)	RQ	KY0057	98,070		98,070
6	Farmers Rural Elec Coop Corp (KY)	RQ	KY0034	91,620		91,620
7	Grayson Rural Elec Coop Corp (KY)	RQ	KY0061	51,586		51,586
8	Fleming-Mason Rural E C C (KY)	RQ	KY0052	205,052		205,052
9	Inter-County Energy (KY) (KY0027)	RQ	KY0027	93,382		93,382
10	Jackson Energy Cooperative Crp (KY)	RQ	KY0003	190,386		190,386
11	Licking Valley Rural E C C (KY)	RQ	KY0056	52,763		52,763
12	Nolin Rural Electric Coop Corp (KY)	RQ	KY0051	135,817		135,817
13	Owen Electric Cooperative, Inc (KY)	RQ	KY0037	360,146		360,146
14	Salt River Electric Coop Corp (KY)	RQ	KY0021	177,907		177,907
15	Shelby Energy Cooperative, Inc (KY)	RQ	KY0030	77,679		77,679
16	South Kentucky R. E. C. C. (KY)	RQ	KY0054	236,627		236,627
17	Taylor County Rural E C C (KY)	RQ	KY0023	103,405		103,405
18	American Electric Power (AEP)	OS				
19	Associated Electric Coop, Inc (MO)	OS	MO0073			
20	Cargill-Alliant LLC	OS				
21	Duke Energy Corporation	OS				
22	Cobb Electric Membership Corp	OS				
23	Duke Energy Corporation	OS				
24	Louisville Gas & Electric Co	OS				
25	Midwest Independent Transmission	OS				
26	North Carolina Power Company	OS				
27	North Carolina Mun Power Agny	OS				
28	Oglethorpe Power Corporation (GA)	OS	GA0109			
29	PJM Interconnection (PA)	OS				
30	Progress Energy Ventures, Inc	OS				
31	Tenaska Power Services	OS				
32	Tennessee Valley Authority	OS				
33	The Energy Authority	OS				
	Total for Ultimate Consumer(s)					
	Total for Distribution Borrowers			2,238,226	0	2,238,226
	Total for G&T Borrowers			0	0	0
	Total for Other			0	0	0
	Grand Total			2,238,226	0	2,238,226

USDA-RUS OPERATING REPORT INSTRUCTIONS - See RUS Bulletin 1717B-3	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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OPERATING REPORT SALES OF ELECTRICITY					
Sale No	Electricity Sold (MWh) (g)	Revenue Demand Charges (h)	Revenue Energy Charges (i)	Revenue Other Charges (j)	Revenue Total (h + i + j) (k)
1					
2	264,888	3,143,573	8,195,380	3,354,596	14,693,549
3	1,215,593	14,254,306	36,853,139	15,248,370	66,355,815
4	438,361	5,282,004	13,557,790	5,779,383	24,619,177
5	519,010	6,047,105	16,059,501	6,561,422	28,668,028
6	516,265	5,615,750	15,752,774	6,369,364	27,737,888
7	265,732	3,138,932	8,174,354	3,521,318	14,834,604
8	1,184,117	10,935,875	34,995,621	12,879,439	58,810,935
9	455,869	5,751,504	13,922,536	5,766,612	25,440,652
10	954,602	11,709,408	29,280,782	12,118,947	53,109,137
11	271,462	3,207,757	8,404,413	3,495,928	15,108,098
12	775,501	8,421,063	23,058,637	9,540,883	41,020,583
13	2,122,288	20,093,526	57,942,728	24,264,127	102,300,381
14	998,251	11,208,785	30,664,083	12,355,586	54,228,454
15	454,344	4,871,291	13,465,963	5,601,905	23,939,159
16	1,169,831	14,593,497	35,711,142	14,846,482	65,151,121
17	523,288	5,820,594	17,672,766	5,965,363	29,458,723
18	2,798		124,925		124,925
19	250		12,000		12,000
20	9,513		399,663		399,663
21	284		26,705		26,705
22	13,636		457,274		457,274
23	50		1,939		1,939
24	590		43,966		43,966
25	5,505		165,935		165,935
26	1,690		141,650		141,650
27	20		2,500		2,500
28	395		21,750		21,750
29	30,554		1,683,144		1,683,144
30	50		2,500		2,500
31	150		7,200		7,200
32	10,890		346,670		346,670
33	635		19,975		19,975
	12,129,402	134,094,970	363,711,609	147,669,725	645,476,304
	645	0	33,750	0	33,750
	76,365	0	3,424,046	0	3,424,046
	12,206,412	134,094,970	367,169,405	147,669,725	648,934,100

<p>USDA-RUS</p> <p>OPERATING REPORT</p> <p>INSTRUCTIONS - See RUS Bulletin 1717B-3</p>	<p>BORROWER DESIGNATION KY0059</p> <p>PERIOD ENDED December, 2006</p>
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OPERATING REPORT SALES OF ELECTRICITY	
Sale No	Comments
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USDA-RUS OPERATING REPORT INSTRUCTIONS - See RUS Bulletin 1717B-3	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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OPERATING REPORT PURCHASED POWER						
Purchase No.	Name Of Company or Public Authority (a)	Statistical Classification (b)	RUS Borrower Designation (c)	Average Monthly Billing Demand (MW) (d)	Actual Average Monthly NCP Demand (e)	Actual Average Monthly CP Demand (f)
1	Duke Energy Corporation	OS				
2	American Electric Power (AEP)	OS				
3	Big Rivers Electric Corp (KY) (KY0062)	OS	KY0062			
4	Cargill-Alliant LLC	OS				
5	Progress Energy Ventures, Inc.	OS				
6	Cinergy Services Corporation	OS				
7	*Miscellaneous Purchases	OS				
8	North Carolina Power Company	OS				
9	DTE Energy Trading, Inc	OS				
10	Duke Energy Trading&Marketing	OS				
11	Dynegy Power Marketing Inc	OS				
12	Entergy-Koch Trading	OS				
13	Exelon Energy Company	OS				
14	Hoosier Energy R E C, Inc (IN) (IN0106)	OS	IN0106			
15	Louisville Gas & Electric Co	OS				
16	Louisville Gas & Electric Co	RQ				
17	Carolina Power & Light Company	OS				
18	Southeastern Power Admin	RQ				
19	Southern Co. Services-Network Service	OS				
20	Southern Illinois Power Coop (IL) (IL0050)	OS	IL0050			
21	Southern Indiana Gas & Elec Co	OS				
22	Tennessee Valley Authority	OS				
23	Wabash Valley Power Assn, Inc (IN) (IN0107)	OS	IN0107			
24	Western Farmers Elec Coop, Inc (OK) (OK0032)	OS	OK0032			
25	The Energy Authority	OS				
26	Associated Electric Coop, Inc (MO) (MO0073)	OS	MO0073			
27	Sempra Energy Trading Corp	OS				
28	Northern Indiana Pub Serv Co	OS				
29	Indianapolis Power & Light Co	OS				
30	Progress Energy Ventures, Inc.	OS				
31	Sempra Energy Trading Corp	OS				
32	TEC Trading, Inc.	OS				
33	Tenaska Power Services	OS				
34	Cobb Electric Membership Corp	OS				
35	North Carolina Mun Power Agny	OS				
36	PJM Interconnection (PA)	OS				
37	*Miscellaneous	OS				
38	Midwest Independent Transmission System Operator	OS				
	Total for Distribution Borrowers			0	0	0
	Total for G&T Borrowers			0	0	0
	Total for Other			0	0	0
	Grand Total			0	0	0

USDA-RUS OPERATING REPORT INSTRUCTIONS - See RUS Bulletin 1717B-3	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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OPERATING REPORT PURCHASED POWER							
Purchase No	Electricity Purchased (MWh) (g)	Electricity Received (MWh) (h)	Electricity Delivered (MWh) (i)	Demand Charges (j)	Energy Charges (k)	Other Charges (l)	Total (j + k + l) (m)
1	357,322				17,574,275		17,574,275
2	43,235				2,439,544		2,439,544
3	14,466				791,143		791,143
4	76,712				5,099,076		5,099,076
5							
6							
7	1,268			1,394	47,040		48,434
8	100				9,400		9,400
9	30,000				1,470,000		1,470,000
10	13,801				894,482		894,482
11							
12							
13							
14							
15	8,642				362,399		362,399
16							
17							
18	219,900			4,553,280	2,007,688		6,560,968
19	49,208				3,009,412		3,009,412
20							
21							
22	6,645				471,447		471,447
23	12,450				551,787		551,787
24							
25	1,540				114,958		114,958
26	64,951				3,822,566		3,822,566
27							
28							
29							
30	5,609				331,555		331,555
31	50				4,142		4,142
32							
33	7,700				497,400		497,400
34	66,737				4,342,263		4,342,263
35	2,295				128,434		128,434
36	495,980				25,600,471		25,600,471
37							
38	45,034				2,011,087		2,011,087
	0	0	0	0	0	0	0
	79,417	0	0	0	4,613,709	0	4,613,709
	1,444,228	0	0	4,554,674	66,966,860	0	71,521,534
	1,523,645	0	0	4,554,674	71,580,569	0	76,135,243

<i>USDA-RUS</i> OPERATING REPORT <i>INSTRUCTIONS - See RUS Bulletin 1717B-3</i>	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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OPERATING REPORT PURCHASED POWER	
Purchase No	Comments
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION		
OPERATING REPORT SOURCES AND DISTRIBUTION OF ENERGY		KY0059		
		PERIOD ENDED December, 2006		
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.		This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq) and may be confidential.		
SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW) (c)	NET ENERGY RECEIVED BY SYSTEM (MWh) (d)	COST (\$) (e)
GENERATED IN OWN PLANT (Details on Forms 12d, e, f, and g)				
1. Fossil Steam	3	1,748,161	10,910,386	424,552,808
2. Nuclear	0	0	0	0
3. Hydro	0	0	0	0
4. Combined Cycle	0	0	0	0
5. Internal Combustion	6	642,800	287,246	49,654,652
6. Other	0	0	0	0
7. TOTAL in Own Plant (Sum of lines 1 thru 6)	9	2,390,961	11,197,632	474,207,460
PURCHASED POWER				
8. TOTAL PURCHASED POWER			1,523,645	76,135,243
INTERCHANGED POWER				
9. Received Into System (Gross)			78,854	1,025,112
10. Delivered Out of System (Gross)			29,164	379,130
11. Net Interchange (Line 9 minus 10)			49,690	645,982
TRANSMISSION FOR OR BY OTHERS - (WHEELING)				
12. Received Into System			6,022,869	0
13. Delivered Out of System			6,022,869	0
14. Net Energy Wheeled (Line 12 minus 13)			0	0
15. TOTAL Energy Available for Sale (Sum of lines 7 + 8 + 11 + 14)			12,770,967	
DISTRIBUTION OF ENERGY				
16. TOTAL Sales			12,206,412	
17. Energy Furnished to Others Without Charge			0	
18. Energy Used by Borrower (Excluding Station Use)			7,568	
19. TOTAL Energy Accounted For (Sum of lines 16 thru 18)			12,213,980	
LOSSES				
20. Energy Losses - MWh (Line 15 minus 19)			556,987	
21. Energy Losses - Percentage ((Line 20 divided by line 15) * 100)			4.36 %	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - STEAM PLANT	BORROWER DESIGNATION KY0059 PLANT William C. Dale PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. BOILERS/TURBINES											
LINE NO.	UNIT NO.	TIMES STARTED	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE	
			Scheduled		Unsched						
			(j)	(k)							
1.	1	12	124,835.80	34.69				7,835	231	473	221
2.	2	5	127,384.20	20.39				8,082	219	282	177
3.	3	4	399,817.30	50.39				8,404	0	202	154
4.	4	12	338,422.00	57.94				7,359	12	1,263	126
5.											
6.	TOTAL	33	990,459	163.42	0.00	0.00		31,680	462	2,220	678
7.	Average BTU		12,345	138,601.80							
8.	Total BTU (10 ⁶)		12,227,220.00	22,651			12,249,871				
9.	Total Del. Cost (\$)		59	1.98							

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO.	SIZE (kW)	GROSS GEN. (MWh)	BTU PER kWh	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
		(l)	(m)	(n)			(o)			
1.	1	24,000	135,140.00		1.	No. Employees Full-Time (Inc. Superintendent)	65	1.	Load Factor (%)	62.65%
2.	2	24,000	140,181.00							
3.	3	79,836	457,712.00		2.	No. Employees Part-Time	1	2.	Plant Factor (%)	61.85%
4.	4	79,836	392,086.00		3.	Total Empl. - Hrs. Worked	134,223	3.	Running Plant Capacity Factor (%)	68.59%
5.					4.	Oper. Plant Payroll (\$)	3,612,901	4.	15 Minute Gross Maximum Demand (kW)	
6.	TOTAL	207,672	1,125,119.00	10,888	5.	Maint. Plant Payroll (\$)	1,048,787	5.	Indicated Gross Maximum Demand (kW)	205,000
7.	Station Service (MWh)		84,695.00		6.	Other Accts. Plant Payroll (\$)	782			
8.	Net Generation (MWh)		1,040,424.00	11,773.92	7.	Total Plant Payroll (\$)	4,662,470			
9.	Station Service (%)		7.52							

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$)	MILLS/NET kWh	\$/10 ⁶ BTU
			(a)	(b)	(c)
1.	Operation, Supervision and Engineering	500	2,150,643		
2.	Fuel, Coal	501.1	29,632,907		2.42
3.	Fuel, Oil	501.2	323,181		14.26
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	FUEL SUB-TOTAL (2 thru 5)	501	29,956,088	28.79	2.44
7.	Steam Expenses	502	1,725,533		
8.	Electric Expenses	505	1,063,255		
9.	Miscellaneous Steam Power Expenses	506	1,030,147		
10.	Allowances	509	4,462,286		
11.	Rents	507	0		
12.	NON-FUEL SUB-TOTAL (1 + 7 thru 11)		10,431,864	10.02	
13.	OPERATION EXPENSE (6 + 12)		40,387,952	38.81	
14.	Maintenance, Supervision and Engineering	510	31,892		
15.	Maintenance of Structures	511	254,901		
16.	Maintenance of Boiler Plant	512	4,880,590		
17.	Maintenance of Electric Plant	513	3,285,095		
18.	Maintenance of Miscellaneous Plant	514	1,663		
19.	MAINTENANCE EXPENSE (14 thru 18)		8,454,141	8.12	
20.	TOTAL PRODUCTION EXPENSE (13 + 19)		48,842,093	46.94	
21.	Depreciation	403.1, 411.10	27,768		
22.	Interest	427	3,089,735		
23.	TOTAL FIXED COST (21 + 22)		3,117,503	2.99	
24.	POWER COST (20 + 23)		51,959,596	49.94	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - STEAM PLANT	BORROWER DESIGNATION KY0059 PLANT Cooper PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see Bulletin 1717B-3.	This data will be used to review your financial situation. Your response is required (7 U.S.C 901 et seq) and may be confidential.

SECTION A. BOILERS/TURBINES											
LINE NO.	UNIT NO.	TIMES STARTED	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	Scheduled (j)	Unsched. (k)
1.	1	6	582,720.00	42.86				8,145	6	479	130
2.	2	13	1,081,780.00	109.05				7,912	0	583	265
3.											
4.											
5.											
6.	TOTAL	19	1,664,500	151.91	0.00	0.00		16,057	6	1,062	395
7.	Average BTU		12,147	138,602.91							
8.	Total BTU (10 ⁶)		20,218,682.00	21,056			20,239,738				
9.	Total Del. Cost (\$)		54	1.95							

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO.	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	1	100,000	742,887.00		1.	No. Employees Full-Time (Inc. Superintendent)	71	1.	Load Factor (%)	67.21%
2.	2	220,850	1,364,815.00		2.	No. Employees Part-Time	0	2.	Plant Factor (%)	74.99%
3.					3.	Total Empl. - Hrs. Worked	166,660	3.	Running Plant Capacity Factor (%)	82.27%
4.					4.	Oper. Plant Payroll (\$)	3,778,974	4.	15 Minute Gross Maximum Demand (kW)	
5.					5.	Maint. Plant Payroll (\$)	1,748,930	5.	Indicated Gross Maximum Demand (kW)	358,000
6.	TOTAL	320,850	2,107,702.00	9,603	6.	Other Accts. Plant Payroll (\$)	0			
7.	Station Service (MWh)		135,245.00		7.	Total Plant Payroll (\$)	5,527,904			
8.	Net Generation (MWh)		1,972,457.00	10,261.18						
9.	Station Service (%)		6.41							

SECTION D. COST OF NET ENERGY GENERATED						
LINE NO.	PRODUCTION EXPENSE		ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering		500	2,072,462		
2.	Fuel, Coal		501.1	46,222,135		2.28
3.	Fuel, Oil		501.2	296,491		14.08
4.	Fuel, Gas		501.3	0		0.00
5.	Fuel, Other		501.4	0		0.00
6.	FUEL SUB-TOTAL (2 thru 5)		501	46,518,626	23.58	2.29
7.	Steam Expenses		502	1,402,019		
8.	Electric Expenses		505	1,125,325		
9.	Miscellaneous Steam Power Expenses		506	1,731,797		
10.	Allowances		509	10,910,420		
11.	Rents		507	0		
12.	NON-FUEL SUB-TOTAL (1 + 7 thru 11)			17,242,023	8.74	
13.	OPERATION EXPENSE (6 + 12)			63,760,649	32.32	
14.	Maintenance, Supervision and Engineering		510	253,242		
15.	Maintenance of Structures		511	451,282		
16.	Maintenance of Boiler Plant		512	3,606,281		
17.	Maintenance of Electric Plant		513	701,217		
18.	Maintenance of Miscellaneous Plant		514	83,421		
19.	MAINTENANCE EXPENSE (14 thru 18)			5,095,443	2.58	
20.	TOTAL PRODUCTION EXPENSE (13 + 19)			68,856,092	34.90	
21.	Depreciation		403.1, 411.10	425,185		
22.	Interest		427	3,941,318		
23.	TOTAL FIXED COST (21 + 22)			4,366,503	2.21	
24.	POWER COST (20 + 23)			73,222,595	37.12	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - STEAM PLANT	BORROWER DESIGNATION KY0059 PLANT Spurlock PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. BOILERS/TURBINES											
LINE NO.	UNIT NO.	TIMES STARTED	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE Scheduled (j)	Unsched. (k)
1.	1	2	1,936,356.00	95.01				8,430	0	329	1
2.	2	3	3,383,640.00	63.46				8,556	0	186	18
3.	3	13	1,439,878.00	306.87				6,664	0	1,650	446
4.											
5.											
6.	TOTAL	18	6,759,874	465.35	0.00	0.00		23,650	0	2,165	465
7.	Average BTU		11,591	138,600.45							
8.	Total BTU (10 ⁶)		78,353,700.00	64,498			78,418,198				
9.	Total Del. Cost (\$)		50	1.98							

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO.	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	1	340,277	2,357,275.00		1.	No. Employees Full-Time (Inc. Superintendent)	125	1.	Load Factor (%)	82.54%
2.	2	585,765	4,284,469.00		2.	No. Employees Part-Time	6	2.	Plant Factor (%)	79.25%
3.	3	293,597	1,825,266.00		3.	Total Empl. - Hrs. Worked	397,400	3.	Running Plant Capacity Factor (%)	86.07%
4.					4.	Oper. Plant Payroll (\$)	7,272,411	4.	15 Minute Gross Maximum Demand (kW)	
5.					5.	Maint. Plant Payroll (\$)	5,569,934	5.	Indicated Gross Maximum Demand (kW)	1,171,000
6.	TOTAL	1,219,639	8,467,010.00	9,262	6.	Other Accts. Plant Payroll (\$)	470,490			
7.	Station Service (MWh)		569,505.00		7.	Total Plant Payroll (\$)	13,312,835			
8.	Net Generation (MWh)		7,897,505.00	9,929.49						
9.	Station Service (%)		6.72							

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	500	3,002,058		
2.	Fuel, Coal	501.1	177,064,512		2.25
3.	Fuel, Oil	501.2	919,555		14.25
4.	Fuel, Gas	501.3	0		0.00
5.	Fuel, Other	501.4	277,470		0.00
6.	FUEL SUB-TOTAL (2 thru 5)	501	178,261,537	22.57	2.27
7.	Steam Expenses	502	5,049,855		
8.	Electric Expenses	505	2,320,607		
9.	Miscellaneous Steam Power Expenses	506	7,767,149		
10.	Allowances	509	18,330,245		
11.	Rents	507	0		
12.	NON-FUEL SUB-TOTAL (7 thru 11)		36,469,914	4.61	
13.	OPERATION EXPENSE (6 + 12)		214,731,451	27.18	
14.	Maintenance, Supervision and Engineering	510	1,372,702		
15.	Maintenance of Structures	511	1,506,364		
16.	Maintenance of Boiler Plant	512	15,319,611		
17.	Maintenance of Electric Plant	513	2,049,281		
18.	Maintenance of Miscellaneous Plant	514	6,383		
19.	MAINTENANCE EXPENSE (14 thru 18)		20,254,341	2.56	
20.	TOTAL PRODUCTION EXPENSE (13 + 19)		234,985,792	29.75	
21.	Depreciation	403.1, 411.10	20,666,384		
22.	Interest	427	43,718,441		
23.	TOTAL FIXED COST (21 + 22)		64,384,825	8.15	
24.	POWER COST (20 + 23)		299,370,617	37.90	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION	KY0059
	PLANT	Smith
	PERIOD ENDED	December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see Bulletin 1717B-3.		This data will be used to review your financial situation Your response is required (7 U.S.C. 901 et. seq.) and may be confidential

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
LINE NO.	UNIT NO.	SIZE (kW)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh)	BTU PER kWh
			OIL (1000 Gals.)	GAS (1000 C.F.)	OTHER	TOTAL	IN SERVICE	ON STANDBY	OUT OF SERVICE	Sche.		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1.	1	110,000	23.51	307.44			357	6,988	1,320	95	20,905	
2.	2	110,000	3.29	551.77			634	7,899	224	3	36,477	
3.	3	110,000	1.68	198.12			216	8,539	0	5	13,553	
4.	4	74,000	1.94	355.64			443	8,317	0	0	28,712	
5.	5	74,000	.87	254.53			297	8,463	0	0	21,490	
6.	TOTAL	626,000	33.48	2,670.10	0.00		3,086	56,314	1,817	103	207,337	
7.	Average BTU		138,595.23	1,000,000.00			STATION SERVICE (MWh)				7,804.00	
8.	Total BTU (10 ⁶)		4,641.00	2,670,107.00		2,674,748.00	NET GENERATION (MWh)				199,533.00	13,405.04
9.	Total Del. Cost (\$)		1.02	8.49			STATION SERVICE % OF GROSS				3.76	

SECTION B. LABOR REPORT						SECTION C. FACTORS & MAXIMUM DEMAND		
LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)	11	5.	Maint. Plant Payroll (\$)	124,683	1.	Load Factor (%)	3.59%
2.	No. Emp. Part Time	2	6.	Other Accounts Plant Payroll (\$)	6,822	2.	Plant Factor (%)	3.78%
3.	Total Emp. - Hrs. Worked	29,707				3.	Running Plant Capacity Factor (%)	76.28%
4.	Oper. Plant Payroll (\$)	910,967	7.	TOTAL Plant Payroll (\$)	1,042,472	4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	659,000

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$)	MILLS/NET kWh	\$/10 ⁶ BTU
			(a)	(b)	(c)
1.	Operation, Supervision and Engineering	546	277,167		
2.	Fuel, Oil	547.1	34,022		7.33
3.	Fuel, Gas	547.2	23,399,718		8.76
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	23,433,740	117.44	8.76
7.	Generation Expenses	548	2,170,288		
8.	Miscellaneous Other Power Generation Expenses	549	1,102,478		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		3,549,933	17.79	
11.	OPERATION EXPENSE (6 + 10)		26,983,673	135.23	
12.	Maintenance, Supervision and Engineering	551	158,678		
13.	Maintenance of Structures	552	65,846		
14.	Maintenance of Generating and Electric Plant	553	3,607,987		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	44,609		
16.	MAINTENANCE EXPENSE (12 thru 15)		3,877,120	19.43	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		30,860,793	154.66	
18.	Depreciation	553.512	5,848,741		
19.	Interest	554.513	10,247,427		
20.	TOTAL FIXED COST (18 + 19)		16,096,168	80.66	
21.	POWER COST (17 + 20)		46,956,961	235.33	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION KY0059
	PLANT Smith
	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3	This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE Sche. (i) Unsche. (j)			
1.	6	74,000	1.34	561.13			633	7,854	273	0	48,406	
2.	7	74,000	.81	441.43			506	8,254	0	0	37,794	
3.												
4.												
5.												
6.	TOTAL											
7.	Average BTU						STATION SERVICE (MWh)					
8.	Total BTU (10 ⁶)						NET GENERATION (MWh)					
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS					

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)		5.	Maint. Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	Total Emp. - Hrs. Worked		7.	TOTAL Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	
4.	Oper. Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546			
2.	Fuel, Oil	547.1			
3.	Fuel, Gas	547.2			
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	FUEL SUBTOTAL (2 thru 5)	547			
7.	Generation Expenses	548			
8.	Miscellaneous Other Power Generation Expenses	549			
9.	Rents	550			
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)				
11.	OPERATION EXPENSE (6 + 10)				
12.	Maintenance, Supervision and Engineering	551			
13.	Maintenance of Structures	552			
14.	Maintenance of Generating and Electric Plant	553			
15.	Maintenance of Miscellaneous Other Power Generating Plant	554			
16.	MAINTENANCE EXPENSE (12 thru 15)				
17.	TOTAL PRODUCTION EXPENSE (11 + 16)				
18.	Depreciation	553,512			
19.	Interest	554,513			
20.	TOTAL FIXED COST (18 + 19)				
21.	POWER COST (17 + 20)				

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION KY0059 PLANT Cagle's PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
LINE NO.	UNIT NO.	SIZE (kW)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh)	BTU PER kWh
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE (i)	Unsche. (j)		
1.	1	1,600	0.00				5	8,755			0	
2.	2	1,600	0.00				5	8,755			0	
3.												
4.												
5.												
6.	TOTAL	3,200	0.00	0.00	0.00			10	17,510	0	0	
7.	Average BTU		0.00				STATION SERVICE (MWh)					
8.	Total BTU (10 ⁶)		0.00			0.00	NET GENERATION (MWh)				0.00	
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS					

SECTION B. LABOR REPORT						SECTION C. FACTORS & MAXIMUM DEMAND		
LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)		5.	Maint. Plant Payroll (\$)	5,074	1.	Load Factor (%)	0%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	0%
3.	Total Emp. - Hrs. Worked	205				3.	Running Plant Capacity Factor (%)	0%
4.	Oper. Plant Payroll (\$)		7.	TOTAL Plant Payroll (\$)	5,074	4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$)	MILLS/NET kWh	\$/10 ⁶ BTU
			(a)	(b)	(c)
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	1,943		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	1,943	0.00	
7.	Generation Expenses	548	0		
8.	Miscellaneous Other Power Generation Expenses	549	4,341		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		4,341	0.00	
11.	OPERATION EXPENSE (6 + 10)		6,284	0.00	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	8,262		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	MAINTENANCE EXPENSE (12 thru 15)		8,262	0.00	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		14,546	0.00	
18.	Depreciation	553,512	30,900		
19.	Interest	554,513	0		
20.	TOTAL FIXED COST (18 + 19)		30,900	0.00	
21.	POWER COST (17 + 20)		45,446	0.00	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION KY0059
	PLANT Cooper
	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	<i>This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i>

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kW (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE			
				Sche. (i)	Unsche. (j)							
1.	3	1,600	0.00				8,760					
2.												
3.												
4.												
5.												
6.	TOTAL	1,600	0.00	0.00	0.00	0	8,760	0	0	0		
7.	Average BTU											
8.	Total BTU (10 ⁶)				0.00					0.00	0.00	
9.	Total Del. Cost (\$)											

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)		5.	Maint. Plant Payroll (\$)	2,388	1.	Load Factor (%)	0%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	Total Emp. - Hrs. Worked	96	7.	TOTAL Plant Payroll (\$)	2,388	3.	Running Plant Capacity Factor (%)	0%
4.	Oper. Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	914		0.00
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	914	0.00	0.00
7.	Generation Expenses	548	0		
8.	Miscellaneous Other Power Generation Expenses	549	2,043		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		2,043	0.00	
11.	OPERATION EXPENSE (6 + 10)		2,957	0.00	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	3,888		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	MAINTENANCE EXPENSE (12 thru 15)		3,888	0.00	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		6,845	0.00	
18.	Depreciation	553,512	20,340		
19.	Interest	554,513	0		
20.	TOTAL FIXED COST (18 + 19)		20,340	0.00	
21.	POWER COST (17 + 20)		27,185	0.00	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0059
OPERATING REPORT - INTERNAL COMBUSTION PLANT	PLANT Green Valley
	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	<i>This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.</i>

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE Sche. (i) Unsche. (j)			
1.	1	2,400			414.00		7,923	0	33	804	18,646	
2.												
3.												
4.												
5.												
6.	TOTAL	2,400	0.00	0.00	414.00		7,923	0	33	804	18,646	
7.	Average BTU						STATION SERVICE (MWh)		521,521.73		1,131.00	
8.	Total BTU (10 ⁶)				215,910.00	215,910.00	NET GENERATION (MWh)				17,515.00	12,327.14
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS				6.06	

SECTION B. LABOR REPORT					SECTION C. FACTORS & MAXIMUM DEMAND			
LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)	1	5.	Maint. Plant Payroll (\$)	0	1.	Load Factor (%)	88.39%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)	0	2.	Plant Factor (%)	88.69%
3.	Total Emp. - Hrs. Worked	2,505	7.	TOTAL Plant Payroll (\$)	79,477	3.	Running Plant Capacity Factor (%)	98.06%
4.	Oper. Plant Payroll (\$)	79,477				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	2,408

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	28,735		
2.	Fuel, Oil	547.1	0		0.00
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	(19,994)		(.09)
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	(19,994)	(1.14)	(.09)
7.	Generation Expenses	548	80,483		
8.	Miscellaneous Other Power Generation Expenses	549	31,984		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		141,202	8.06	
11.	OPERATION EXPENSE (6 + 10)		121,208	6.92	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	655		
14.	Maintenance of Generating and Electric Plant	553	158,642		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	MAINTENANCE EXPENSE (12 thru 15)		159,297	9.09	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		280,505	16.01	
18.	Depreciation	553.512	53,637		
19.	Interest	554.513	177,105		
20.	TOTAL FIXED COST (18 + 19)		230,742	13.17	
21.	POWER COST (17 + 20)		511,247	29.18	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION KY0059
	PLANT Laurel Ridge
	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
LINE NO.	UNIT NO.	SIZE (kW)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh)	BTU PER kWh
			OIL (1000 Gals.)	GAS (1000 C.F.)	OTHER	TOTAL	IN SERVICE	ON STANDBY	OUT OF SERVICE	Sche.		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1.	1	4,000			575.00		7,405	0	232	1,123	28,056	
2.												
3.												
4.												
5.												
6.	TOTAL	4,000	0.00	0.00	575.00		7,405	0	232	1,123	28,056	
7.	Average BTU						STATION SERVICE (MWh)		488,093.91		1,536.00	
8.	Total BTU (10 ⁶)				280,654.00	280,654.00	NET GENERATION (MWh)				26,520.00	10,582.73
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS				5.47	

SECTION B. LABOR REPORT					SECTION C. FACTORS & MAXIMUM DEMAND			
LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)	1	5.	Maint. Plant Payroll (\$)	26,872	1.	Load Factor (%)	84.22%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)	0	2.	Plant Factor (%)	80.07%
3.	Total Emp. - Hrs. Worked	3,255	7.	TOTAL Plant Payroll (\$)	103,060	3.	Running Plant Capacity Factor (%)	94.72%
4.	Oper. Plant Payroll (\$)	76,188				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	3,803

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$)	MILLS/NET kWh	\$/10 ⁶ BTU
			(a)	(b)	(c)
1.	Operation, Supervision and Engineering	546	40,301		
2.	Fuel, Oil	547.1	0		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	(23,877)		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	(23,877)	(.90)	
7.	Generation Expenses	548	70,486		
8.	Miscellaneous Other Power Generation Expenses	549	30,777		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		141,564	5.34	
11.	OPERATION EXPENSE (6 + 10)		117,687	4.44	
12.	Maintenance, Supervision and Engineering	551	79,966		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	294,875		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	MAINTENANCE EXPENSE (12 thru 15)		374,841	14.13	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		492,528	18.57	
18.	Depreciation	553,512	127,844		
19.	Interest	554,513	202,079		
20.	TOTAL FIXED COST (18 + 19)		329,923	12.44	
21.	POWER COST (17 + 20)		822,451	31.01	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0059	
OPERATING REPORT - INTERNAL COMBUSTION PLANT		PLANT Bavarian Landfill	
		PERIOD ENDED December, 2006	
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.		This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential	

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE Sche. (i) Unsche. (j)			
1.	1	3,200			593.00		8,369	0	77	314	27,116	
2.												
3.												
4.												
5.												
6.	TOTAL	3,200	0.00	0.00	593.00		8,369	0	77	314	27,116	
7.	Average BTU						STATION SERVICE (MWh)		534,652.61		1,236.00	
8.	Total BTU (10 ⁶)				317,049.00	317,049.00	NET GENERATION (MWh)				25,880.00	12,250.73
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS			4.55		

SECTION B. LABOR REPORT						SECTION C. FACTORS & MAXIMUM DEMAND		
LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)	1	5.	Maint. Plant Payroll (\$)	10,702	1.	Load Factor (%)	93.12%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	96.73%
3.	Total Emp. - Hrs. Worked	2,228	7.	TOTAL Plant Payroll (\$)	88,619	3.	Running Plant Capacity Factor (%)	101.25%
4.	Oper. Plant Payroll (\$)	77,917				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	3,324

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	47,439		
2.	Fuel, Oil	547.1	0		0.00
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	(40,580)		(.12)
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	(40,580)	(1.56)	(.12)
7.	Generation Expenses	548	69,119		
8.	Miscellaneous Other Power Generation Expenses	549	27,117		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		143,675	5.55	
11.	OPERATION EXPENSE (6 + 10)		103,095	3.98	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	655		
14.	Maintenance of Generating and Electric Plant	553	245,554		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	MAINTENANCE EXPENSE (12 thru 15)		246,209	9.51	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		349,304	13.49	
18.	Depreciation	553,512	95,317		
19.	Interest	554,513	207,259		
20.	TOTAL FIXED COST (18 + 19)		302,576	11.69	
21.	POWER COST (17 + 20)		651,880	25.18	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE OPERATING REPORT - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION	KY0059
	PLANT	Hardin Landfill
	PERIOD ENDED	December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3		This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE			
								Sche. (i)	Unsche. (j)			
1.	1	2,400			398.00		7,643	0	102	319	18,625	
2.												
3.												
4.												
5.												
6.	TOTAL	2,400	0.00	0.00	398.00		7,643	0	102	319	18,625	11,640.69
7.	Average BTU						STATION SERVICE (MWh)		544,743.71		827.00	
8.	Total BTU (10 ⁶)				216,808.00	216,808.00	NET GENERATION (MWh)				17,798.00	12,181.59
9.	Total Del. Cost (\$)						STATION SERVICE % OF GROSS				4.44	

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)	1	5.	Maint. Plant Payroll (\$)		1.	Load Factor (%)	80.75%
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	88.59%
3.	Total Emp. - Hrs. Worked	2,228	7.	TOTAL Plant Payroll (\$)	70,797	3.	Running Plant Capacity Factor (%)	101.54%
4.	Oper. Plant Payroll (\$)	70,797				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	2,633

SECTION D. COST OF NET ENERGY GENERATED

LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	17,054		
2.	Fuel, Oil	547.1	0		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	121,480		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	FUEL SUBTOTAL (2 thru 5)	547	121,480	6.83	
7.	Generation Expenses	548	91,111		
8.	Miscellaneous Other Power Generation Expenses	549	25,120		
9.	Rents	550	0		
10.	NON-FUEL SUBTOTAL (1 + 7 thru 9)		133,285	7.49	
11.	OPERATION EXPENSE (6 + 10)		254,765	14.31	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	400		
14.	Maintenance of Generating and Electric Plant	553	76,691		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	MAINTENANCE EXPENSE (12 thru 15)		77,091	4.33	
17.	TOTAL PRODUCTION EXPENSE (11 + 16)		331,856	18.65	
18.	Depreciation	553.512	105,804		
19.	Interest	554.513	201,822		
20.	TOTAL FIXED COST (18 + 19)		307,626	17.28	
21.	POWER COST (17 + 20)		639,482	35.93	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0059
OPERATING REPORT - ANNUAL SUPPLEMENT	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3	<i>This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.</i>

SECTION A. UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Total Intangible Plant (301 thru 303)	1,820,987				1,820,987
2. Total Steam Production Plant (310 thru 317)	877,078,562	418,833,254	7,402,883		1,288,508,933
3. Total Nuclear Production Plant (320 thru 326)	0				0
4. Total Hydro Production Plant (330 thru 337)	0				0
5. Total Other Production Plant (340 thru 347)	264,261,550	5,889,784			270,151,334
6. Total Production Plant (2 thru 5)	1,141,340,112	424,723,038	7,402,883		1,558,660,267
7. Land and Land Rights (350)	32,958,982	1,931,751		6,975	34,897,708
8. Structures and Improvements (352)	0				0
9. Station Equipment (353)	117,844,448	7,162,519	73,050	(1,723,785)	123,210,132
10. Other Transmission Plant (354 thru 359.1)	143,225,153	7,956,293	402,680	176,135	150,954,901
11. Total Transmission Plant (7 thru 10)	294,028,583	17,050,563	475,730	(1,540,675)	309,062,741
12. Land and Land Rights (360)	5,677,667	415,361	32,090		6,060,938
13. Structures and Improvements (361)	0				0
14. Station Equipment (362)	108,868,642	8,775,903	1,516,584	14,106	116,142,067
15. Other Distribution Plant (363 thru 374)	1,313,761				1,313,761
16. Total Distribution Plant (12 thru 15)	115,860,070	9,191,264	1,548,674	14,106	123,516,766
17. Total General Plant (389 thru 399.1)	69,724,252	1,242,296	2,485,415	37,034	68,518,167
18. Electric Plant in Service (1 + 6 + 11 + 16 + 17)	1,622,774,004	452,207,161	11,912,702	(1,489,535)	2,061,578,928
19. Electric Plant Purchased or Sold (102)	0				0
20. Electric Plant Leased to Others (104)	0				0
21. Electric Plant Held for Future Use (105)	27,462				27,462
22. Completed Construction Not Classified (106)	416,873,032	47,840,714		(446,387,451)	18,326,295
23. Acquisition Adjustments (114)	0				0
24. Other Utility Plant (118)	0				0
25. Nuclear Fuel Assemblies (120.1 thru 120.4)	0				0
26. Total Utility Plant in Service (18 thru 25)	2,039,674,498	500,047,875	11,912,702	(447,876,986)	2,079,932,685
27. Construction Work in Progress (107)	152,584,883	295,867,138		(46,065,445)	402,386,576
28. Total Utility Plant (26 + 27)	2,192,259,381	795,915,013	11,912,702	(493,942,431)	2,482,319,261

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

ITEM	COMP. RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1)		538,588,894	21,067,460	8,742,072		550,914,282
2. Depr. of Nuclear Prod. Plant (108.2)		0				0
3. Depr. of Hydraulic Prod. Plant (108.3)		0				0
4. Depr. of Other Prod. Plant (108.4)		47,739,990	6,282,580			54,022,570
5. Depr. of Transmission Plant (108.5)		120,035,682	4,264,925	1,062,585		123,238,022
6. Depr. of Distribution Plant (108.6)		28,865,873	3,925,600	660,517		32,130,956
7. Depr. of General Plant (108.7)		39,364,860	3,791,741	2,483,863		40,672,738
8. Retirement Work in Progress (108.8)		19,413		(1,101,133)	(3,998,116)	(2,877,570)
9. Total Depr. for Elec. Plant in Serv. (1-8)		774,614,712			(3,998,116)	798,100,998
10. Depr. of Plant Leased to Others (109)		0				0
11. Depr. of Plant Held for Future Use (110)		0				0
12. Amort. of Elec. Plant in Service (111)		380,632	51,882			432,514
13. Amort. of Leased Plant (112)		0				0
14. Amort. of Plant Held for Future Use		0				0
15. Amort. of Acquisition Adj. (115)		0				0
16. Depr. & Amort. Other Plant (119)		0				0
17. Amort. of Nuclear Fuel (120.5)		0				0
18. Total Prov. for Depr. & Amort. (9 - 17)		774,995,344	39,384,188	11,847,904	(3,998,116)	798,533,512

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0059				
OPERATING REPORT - ANNUAL SUPPLEMENT		PERIOD ENDED December, 2006				
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3		This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.				
SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (Continued)						
19. Amount of Annual Accrual Charged to Expense \$ 39,384,188	20. Amount of Annual Accrual Charged to Other Accounts \$ 0	21. Book Cost of Property Retired \$ 11,912,702				
22. Removal Cost of Property Retired \$ 2,117,758	23. Salvage Material from Property Retired \$ 1,009,231	24. Renewal and Replacement Cost \$ 438,012,145				
SECTION C. NONUTILITY PLANT						
ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)	
1. NONUTILITY PROPERTY (121)	820				820	
2. PROVISION FOR DEPR. & AMORT. (122)	0				0	
SECTION D. DEMAND AND ENERGY AT POWER SOURCES						
MONTH	PEAK DEMAND (MW) (a)	MONTHLY PEAKS			ENERGY OUTPUT (MWh) (e)	
		DATE (b)	TIME (c)	TYPE OF READING (d)		
1. JANUARY	2,222	01/26/2006	7	Coincident	1,221,404	
2. FEBRUARY	2,488	02/19/2006	9	Coincident	1,145,217	
3. MARCH	2,115	03/21/2006	20	Coincident	1,113,376	
4. APRIL	1,744	04/10/2006	7	Coincident	862,469	
5. MAY	1,999	05/30/2006	16	Coincident	928,091	
6. JUNE	2,114	06/22/2006	17	Coincident	1,010,357	
7. JULY	2,298	07/19/2006	17	Coincident	1,170,301	
8. AUGUST	2,332	08/03/2006	17	Coincident	1,200,799	
9. SEPTEMBER	1,652	09/09/2006	15	Coincident	890,935	
10. OCTOBER	1,922	10/25/2006	7	Coincident	956,892	
11. NOVEMBER	2,155	11/21/2006	8	Coincident	1,055,580	
12. DECEMBER	2,735	12/08/2006	8	Coincident	1,215,546	
13. ANNUAL PEAK	2,735			ANNUAL TOTAL	12,770,967	
SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS						
MONTH	DELIVERED TO RUS BORROWERS		DELIVERED TO OTHERS		TOTAL DELIVERED	
	DEMAND (MW) (a)	ENERGY (MWh) (b)	DEMAND (MW) (c)	ENERGY (MWh) (d)	DEMAND (MW) (e)	ENERGY (MWh) (f)
1. JANUARY	2,283	1,130,133		696	2,283	1,130,829
2. FEBRUARY	2,585	1,123,959		4,442	2,585	1,128,401
3. MARCH	2,283	1,066,909		5,516	2,283	1,072,425
4. APRIL	1,763	853,794		1,156	1,763	854,950
5. MAY	2,104	913,736		58	2,104	913,794
6. JUNE	2,177	975,558		7,805	2,177	983,363
7. JULY	2,385	1,134,159		9,231	2,385	1,143,390
8. AUGUST	2,422	1,160,287		6,500	2,422	1,166,787
9. SEPTEMBER	1,742	870,372		1,022	1,742	871,394
10. OCTOBER	1,996	916,078		13,127	1,996	929,205
11. NOVEMBER	2,246	990,665		15,474	2,246	1,006,139
12. DECEMBER	2,547	993,752		11,983	2,547	1,005,735
13. PEAK OR TOTAL	2,585	12,129,402		77,010	2,585	12,206,412

USDA-RUS FINANCIAL AND STATISTICAL REPORT INSTRUCTIONS - See RUS Bulletin 1717B-3	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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SECTION F: Part I. INVESTMENTS					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
	Temporary Investments - Cooperative Finance Corp				
	Totals				
1	Non-Utility Property (NET)				
	Switching Station Site-No longer Utilized	820			
	Totals	820			
10	Commitments to Invest Within 12 Months but not actually purchased				
	Not applicable				
	Totals				
2	Investments in Associated Organizations				
	Harrison Electric Cooperative-Patronage Capital	737			
	Taylor County RECC-Patronage Capital	655			
	Grayson County RECC-Patronage Capital	101			
	Ky Assn of Electric Cooperatives-Patronage Capital	66,683			
	Cumberland Valley Electric-Patronage Capital	22			
	Jackson Energy Cooperative-Patronage Capital	593			
	Fleming-Mason Energy Cooperative-Patronage Capital	1,589			
	Inter-County Energy Cooperative-Patronage Capital	357			
	Licking Valley RECC-Patronage Capital	454			
	Nolin RECC -Patronage Capital	171			
	South Kentucky RECC-Patronage Capital	796			
	National Rural Utilities CFC-Patronage Capital		791,152		
	United Utility Supply - Patronage Capital	119,447			
	NRECA - Touchstone Energy	5,807			
	National Rural Utilities CFC - Capital & Subordinate Term Certificates		8,216,493	399,649	
	National Rural Electric Coop Assn - Membership Fee	10			
	Clark Energy Cooperative - Membership Fee	75			
	Harrison Electric Cooperative - Membership Fee	5			
	Salt River RECC - Membership Fee	15			
	Taylor County RECC-Membership Fee	5			
	Owen Electric Cooperative-Membership Fee	10			
	Grayson RECC-Membership Fee	15			
	Jackson Energy Cooperative - Membership Fee	35			
	National Rural Utilities CFC-Membership Fee	1,000			
	Peoples Rural Telephone - Membership Fee	10			
	Foothill Rural Telephone -Membership Fee	90			
	South Central Rural Telephone-Membership Fee	105			
	Duo County Rural Telephone-Membership Fee	10			
	Assn of Rural Electric Gen Coops-Membership Fee	15			
	Fleming-Mason Energy Cooperative-Membership Fee	40			
	Adams RECC-Membership Fee	15			
	Licking Valley RECC-Membership Fee	10			
	Farmers RECC-Membership Fee	25			
	BlueGrass Energy Cooperative-Membership Fee	25			
	Inter-County Energy Cooperative - Membership Fee	50			
	Nolin RECC - Membership Fee	25			
	Fox Creek RECC - Membership Fee	25			
	Big Sandy RECC - Membership Fee	25			
	Farmers RECC-Capital Stock	234,630			
	Shelby Energy - Capital Stock	273,077			

USDA-RUS		FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION
				KY0059
				PERIOD ENDED
				December, 2006
<i>INSTRUCTIONS - See RUS Bulletin 1717B-3</i>				
SECTION F: Part I. INVESTMENTS				
Clark Energy - Capital Stock	348,070			
Jackson Energy - Capital Stock	404,110			
Ky Assn of Electric Cooperatives - CD	5,000		245	
ACES Power Marketing - Equity Investment	624,085			
CoBank - Membership Fee	1,000			
Member Cooperatives-Marketing Loans	56,144		2,884	
Member Cooperatives-Line of Credit				
Member Cooperatives-Industrial Development Loans	947,678		34,875	
Member Cooperatives-Notes	3,392,387		238,601	
CoBank		1,143		
Totals	6,483,841	9,008,788	676,254	
4 Other Investments				
NRTC-Capital Credits	424,420			
Highland Telephone-Capital Credits	53			
National Information Solutions Cooperative-Capital Credits	123			
Due County Telephone-Capital Credits	2,443			
Pollution Control National Rural Utilities CFC-US Treasury Bonds	12,000	20,555,763		
Inland Container Receivable	4,482,409			
Lake Cumberland Development Center-Capital Stock	100			
Southern States Coop Clark-Capital Credits	27			
South Central Rural Telephone-Capital Credits	20,766			
Southern States Coop Maysville-Capital Credits	36			
Central Area Data Processing Coop-Capital Credits	123			
Foothills Rural Telephone-Capital Credits	7,026			
Southern States Gateway Oil & Gas-Capital Credits	31			
Adams Rural Electric-Capital Credits	287			
Hardin County Landfill loan	578,519			
Pendleton County Landfill Loan	613,322			
Totals	6,141,685	20,555,763		
5 Special Funds				
Insurance Escrow Investments-US Zero Coupon Bonds		335,230		
PNC Bank, Louisville, KY				
Citizens Plaza				
Louisville, KY 40296				
Insurance Escrow Investments-US Treasury Bill		199,406		
Federal Reserve Bank of Cleveland				
P O Box 999				
Cincinnati, OH 42501-0999				
Insurance Escrow Investments - US Zero Coupon Bonds		2,799,040		
Fifth Third Bank of Ky				
250 W Main Street Suite 100				
Lexington Ky 40507-1755				
Insurance Escrow Investments-US Treasury Bill		20,030,607		
National City Bank				
101 South Fifth Street				
Louisville, KY 40202				
NRECA - Homestead Funds Deferred Compensation				
Insurance Escrow Investments-Cash Surrender Value	856,739			
Life Insurance				
Totals	856,739	23,364,283		
6 Cash - General				
Cash General-Bank Accounts	1,275,379			

USDA-RUS		FINANCIAL AND STATISTICAL REPORT		
INSTRUCTIONS - See RUS Bulletin 1717B-3		BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006		
SECTION F: Part I. INVESTMENTS				
	PNC Bank, Kentucky Inc			
	Totals	1,275,379		
7	Special Deposits			
	Special Deposits	425		
	Totals	425		
8	Temporary Investments			
	Provident Bank - Temp Fund	26,764,000		
	103 Bellevue Parkway			
	Wilmington, Delaware 19809			
	The Northern Trust Co	42,125,000		
	Goldman Sachs- FS POP			
	4900 Sears Tower			
	Chicago IL 60606			
	CFC Promissory Note		23,625	
	Midwest Independent System Operators (MISO) - Pledged Escrow			
	National Rural Utilities CFC	300,000		
	Totals	69,189,000	23,625	
9	Accounts and Notes Receivable - NET			
	Accounts Receivable			
	Miscellaneous	1,822,453		
	Totals	1,822,453		
11	TOTAL INVESTMENTS (1 thru 10)	85,771,734	52,952,459	676,254

USDA-RUS FINANCIAL AND STATISTICAL REPORT <i>INSTRUCTIONS - See RUS Bulletin 1717B-3</i>	BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006
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SECTION F: PART II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	Total				
	TOTAL (Include Loan Guarantees Only)				

USDA-RUS FINANCIAL AND STATISTICAL REPORT INSTRUCTIONS - See RUS Bulletin 1717B-3				BORROWER DESIGNATION KY0059 PERIOD ENDED December, 2006	
SECTION F: Part III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT (Total Of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form12a, Section B, Line3))					3.45 %
SECTION F: PART IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
3	Member Cooperatives		5,060,101	4,396,209	
	Total		5,060,101	4,396,209	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0059
OPERATING REPORT - ANNUAL SUPPLEMENT	PERIOD ENDED December, 2006
	<i>This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.</i>
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see Bulletin 1717B-3.	

SECTION G. MATERIALS AND SUPPLIES INVENTORY

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal	34,425,465	267,283,844	261,744,972	39,964,337
2. Other Fuel	8,897,294	92,734,796	37,994,259	63,637,831
3. Production Plant Parts and Supplies	19,724,646	3,609,750	1,468,146	21,866,250
4. Station Transformers and Equipment	6,402,737	3,046,115	2,567,482	6,881,370
5. Line Materials and Supplies	5,110,834	4,009,992	3,370,621	5,750,205
6. Other Materials and Supplies	681,592	620,056	859,731	441,917
7. TOTAL (Sum of lines 1 thru 6)	75,242,568	371,304,553	308,005,211	138,541,910

RUS Form 12h

USDA-RUS					BORROWER DESIGNATION
FINANCIAL AND STATISTICAL REPORT					KY0059
INSTRUCTIONS - See RUS Bulletin 1717B-3					PERIOD ENDED
					December, 2006
SECTION H. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	RUS (Excludes RUS - Economic Development Loans)	44,335,879	2,477,965	5,135,882	7,613,847
2	National Rural Utilities Cooperative Finance Corporation	424,059,161	15,488,940	1,329,187	16,818,127
3	Bank for Cooperatives				
4	Federal Financing Bank	1,069,190,023	61,727,051	36,157,552	97,884,603
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	Other	107,702,606	4,940,150	10,885,000	15,825,150
Total		1,645,287,669	84,634,106	53,507,621	138,141,727

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0059	
OPERATING REPORT - ANNUAL SUPPLEMENT		PERIOD ENDED December, 2006	
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see Bulletin 1717B-3.		<i>This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.</i>	
SECTION I. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/13/2006	2. Total Number of Members 16	3. Number of Members Present at Meeting 16	4. Was Quorum Present? Yes
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Membas 16	7. Total Amount of Fees and Expenses for Board Members \$ 360,537	8. Does Manager Have Written Contract? No
SECTION J. MAN-HOUR AND PAYROLL STATISTICS			
1. Number of Full Time Employees 620	2. Man-Hours Worked - Regular Time 1,347,016	3. Man-Hours Worked - Overtime 106,973	4. Payroll Expensed 41,580,114
			5. Payroll Capitalized 4,464,328
			6. Payroll Other 1,063,020

RUS Form 12h

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0059
OPERATING REPORT - LINES AND STATIONS	PERIOD ENDED December, 2006
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	<i>This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.</i>

SECTION A. EXPENSE AND COSTS

ITEM	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. Supervision and Engineering	560	1,184,057	1,516,041
2. Load Dispatching	561	2,337,504	
3. Station Expenses	562		2,790,256
4. Overhead Line Expenses	563	1,770,275	
5. Underground Line Expenses	564		
6. Miscellaneous Expenses	566	183,370	
7. SUBTOTAL (1 thru 6)		5,475,206	4,306,297
8. Transmission of Electricity by Others	565	11,179,429	
9. Rents	567	509,714	
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		17,164,349	4,306,297
TRANSMISSION MAINTENANCE			
11. Supervision and Engineering	568	347	464
12. Structures	569		
13. Station Equipment	570		1,419,890
14. Overhead Lines	571	2,490,735	
15. Underground Lines	572		
16. Miscellaneous Transmission Plant	573	42,471	
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		2,533,553	1,420,354
18. TOTAL TRANSMISSION EXPENSE (10 + 17)		19,697,902	5,726,651
19. Distribution Expense - Operation	580-589		929,376
20. Distribution Expense - Maintenance	590-598		1,202,831
21. TOTAL DISTRIBUTION EXPENSE (19 + 20)			2,132,207
22. TOTAL OPERATION AND MAINTENANCE (18 + 21)		19,697,902	7,858,858
FIXED COSTS			
23. Depreciation - Transmission	403.5	3,326,641	938,283
24. Depreciation - Distribution	403.6		3,925,600
25. Interest - Transmission	427	7,654,187	4,729,582
26. Interest - Distribution	427		4,729,582
27. TOTAL TRANSMISSION (18 + 23 + 25)		30,678,730	11,394,516
28. TOTAL DISTRIBUTION (21 + 24 + 26)			10,787,389
29. TOTAL LINES AND STATIONS (27 + 28)		30,678,730	22,181,905

SECTION B. FACILITIES IN SERVICE

SECTION C. LABOR AND MATERIAL SUMMARY

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES		
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS		
1. 138 KV	393.10	13. Distr. Lines		2. Oper. Labor	1,090,464	2,028,731		
2. 161 KV	335.97			3. Maint. Labor	569,099	843,937		
3. 345 KV	63.47			4. Oper. Material	372,322	389,801		
4. 69 KV	1,879.44	14. TOTAL (12 + 13)	2,672.84	5. Maint. Material	1,542,980	1,184,564		
5. 34.5 KV	.86	15. Stepup at Generating Plants	1,972,000	SECTION D. OUTAGES				
6.		16. Transmission	3,488,517	1. TOTAL		312,999.00		
7.		17. Distribution	3,549,549	2. Avg. No. Dist. Cons. Served		499,309.00		
8.		18. TOTAL	9,010,066	3. Avg. No. Hours Out Per Cons.		.60		
9.		(15 thru 17)						
10.								
11.								
12. TOTAL (1 thru 11)	2,672.84							

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2006-00455
SUPPLEMENTAL DATA REQUEST RESPONSE

NET MARGINS - 2006

	<u>2006 Monthly</u>	<u>2006 Year-to-Date</u>
January	8,898,355	8,898,355
February	3,492,578	12,390,933
March	(84,034)	12,306,899
April	(5,231,312)	7,075,587
May	(3,109,184)	3,966,403
June	(4,331,140)	(364,737)
July	(2,163,911)	(2,528,648)
August	408,336	(2,120,312)
September	(1,715,404)	(3,835,716)
October	2,501,807	(1,333,909)
November	(4,196,828)	(5,530,737)
December	16,704,726	11,173,989

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2006-00455
SUPPLEMENTAL DATA REQUEST RESPONSE

for 2006

<u>Tier</u>	Net Margins	11,173,988 89			
	Interest on Long Term Debt	84,634,105.69			
		95,808,094 58	/	84,634,105 69 =	1.132027
<u>Equity Ratio</u>	Total Equities & Margins	107,031,467 00	/		
	Total Assets & Debts	2,028,501,182 00	=		5.2764%
<u>DSC</u>	Depreciation	\$ 39,384,187			
	Interest on L-T Debt	84,634,106			
	Net Margins	11,173,989			
	Interest + Principal	138,141,727			
	DSC	0.97865			
<u>Capitalization Ratio</u>	Total Equities & Margins	107,031,467 00	/		
	Total Equities & Margins + Long-Term Debt	1,752,319,136 00	=		6.1080%

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2006-00455
SUPPLEMENTAL DATA REQUEST RESPONSE

COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 1/3/07
REQUEST 2

RESPONSIBLE PERSON: Ann F. Wood/Frank J. Oliva
COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. As soon as they are certified by your staff or independent auditors, produce a copy of all certified financial information for the 12-month period ending December 31, 2006, including:

- a. Financial statements.
- b. Cash flow statements.
- c. Balance sheets.
- d. Documents reflecting EKPC's net margin on a month-by-month and year-end basis.
- e. Determination of EKPC's year-end TIER.
- f. Determination of EKPC's year-end DSC Ratio.
- g. Determination of EKPC's year-end equity-to-asset ratio and equity to-capitalization ratio.
- h. An updated schedule of all draws on the unsecured credit facility.
- i. An updated statement of the undrawn balance on the unsecured credit facility.
- j. An updated schedule of all pending loan applications submitted by EKPC to the RUS.

k. An updated schedule of all EKPC's outstanding loans, notes, guarantees, or other evidences of indebtedness.

Response 2 (a-c). On April 10, 2007, the EKPC Board of Directors approved the 2006 audit reports. These reports are on pages 2 through 50 of the response to PSC Request 3. The cash flow statement is on pages 8 and 9 and the balance sheet is on page 5.

Response 2 (d). See response to 1 (d).

Response 2 (e-g). See response to 1 (e-g).

Response 2 (h-i). Filed with original response on January 24, 2007.

Response 2 (j). Filed with original response on January 24, 2007.

Response 2 (k). Filed with original response on January 24, 2007.

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

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 1/3/07
REQUEST 3**

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Within three days of receipt, provide a copy of any and all reports from EKPC's auditors relating to EKPC's financial condition in 2006.

Response 3. The EKPC Board of Directors approved the 2006 financial reports from Crowe Chizek and Company LLC, EKPC's external auditors, on April 10, 2007. These reports are on pages 2 through 50.

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
East Kentucky Power Cooperative, Inc.
and Subsidiary

We have audited the accompanying consolidated balance sheets of East Kentucky Power Cooperative, Inc. and Subsidiary (the Cooperative) as of December 31, 2006 and 2005, and the related consolidated statements of revenue and expenses, changes in members' equities, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of East Kentucky Power Cooperative, Inc. and Subsidiary as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2007 on our consideration of East Kentucky Power Cooperative, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Crowe Chizek and Company LLC".
Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005

(Dollars in Thousands)

ASSETS	<u>2006</u>	<u>2005</u>
Electric plant, at original cost		
In-service	\$ 2,079,932	\$ 2,039,674
Construction in progress	<u>402,387</u>	<u>152,585</u>
	2,482,319	2,192,259
Less accumulated depreciation	<u>798,533</u>	<u>774,996</u>
Electric plant, net	1,683,786	1,417,263
Long-term accounts receivable	8,572	9,002
Investment securities		
Available for sale	43,956	42,581
Held to maturity	8,216	8,237
Current assets		
Cash and cash equivalents	69,202	43,863
Accounts receivable	62,091	77,663
Fuel	44,682	39,236
Materials and supplies	37,129	33,578
Emission allowances	58,920	4,087
Other	<u>1,986</u>	<u>1,769</u>
Total current assets	<u>274,010</u>	<u>200,196</u>
Deferred charges	4,499	4,751
Other	<u>7,053</u>	<u>5,864</u>
Total assets	<u>\$ 2,030,092</u>	<u>\$ 1,687,894</u>
LIABILITIES AND MEMBERS' EQUITIES		
Members' equities	\$ 107,033	\$ 96,108
Long-term debt, excluding current portion	1,643,305	1,339,263
Current liabilities		
Current portion of long-term debt	57,782	53,085
Accounts payable	90,977	75,855
Accrued expenses	<u>23,846</u>	<u>20,101</u>
Total current liabilities	<u>172,605</u>	<u>149,041</u>
Accrued postretirement benefit cost	48,663	46,604
Other	<u>58,486</u>	<u>56,878</u>
Total liabilities and members' equities	<u>\$ 2,030,092</u>	<u>\$ 1,687,894</u>

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

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Operating revenue	\$ 650,960	\$ 631,297
Operating expenses		
Production		
Fuel	278,210	263,434
Other	113,382	103,632
Purchased power	76,781	109,571
Transmission and distribution	27,557	21,029
Depreciation	39,384	52,038
General and administrative	<u>38,436</u>	<u>38,642</u>
	<u>573,750</u>	<u>588,346</u>
Operating margins	77,210	42,951
Interest expense	<u>84,834</u>	<u>69,844</u>
Net operating deficit	(7,624)	(26,893)
Nonoperating margins		
Interest income	8,433	5,898
Allowance for interest on borrowed funds used during construction	9,192	6,226
Assessments	-	(32,555)
Miscellaneous	<u>858</u>	<u>742</u>
	<u>18,483</u>	<u>(19,689)</u>
Capital credits and patronage capital allocations	<u>315</u>	<u>575</u>
Net margin (deficit)	<u>\$ 11,174</u>	<u>\$ (46,007)</u>

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

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Donated Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Members' Equities</u>
Balances, January 1, 2005	\$ 2	\$ 138,393	\$ 3,035	\$ 620	\$ 142,050
Comprehensive loss					
Net deficit	-	(46,007)	-	-	(46,007)
Unrealized gains on investments available for sale	-	-	-	65	<u>65</u>
Total comprehensive loss	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(45,942)</u>
Balances, December 31, 2005	2	92,386	3,035	685	96,108
Comprehensive income					
Net margin	-	11,174	-	-	11,174
Unrealized losses on investments available for sale	-	-	-	(249)	<u>(249)</u>
Total comprehensive income	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>10,925</u>
Balances, December 31, 2006	<u>\$ 2</u>	<u>\$ 103,560</u>	<u>\$ 3,035</u>	<u>\$ 436</u>	<u>\$ 107,033</u>

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

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Net margin (deficit)	\$ 11,174	\$ (46,007)
Adjustments to reconcile net deficit to net cash from operating activities		
Depreciation	39,384	52,038
Amortization of loan costs	2,843	1,418
Changes in:		
Accounts receivable	15,572	(21,156)
Fuel	(19,237)	(21,158)
Materials and supplies	(4,034)	(6,206)
Emission allowances	(54,833)	(3,888)
Accounts payable, trade	43,810	42,630
Accrued expenses	3,745	3,980
Accrued postretirement benefit cost	2,059	1,972
Other	(18,236)	33,669
Net cash from operating activities	<u>22,247</u>	<u>37,292</u>
Cash flows from investing activities		
Additions to electric plant	(304,474)	(190,277)
Maturities and calls of securities available for sale	57,785	79,465
Purchases of securities available for sale	(59,409)	(82,278)
Maturities of securities held to maturity	21	14,311
Payments received on long-term accounts receivable	<u>430</u>	<u>799</u>
Net cash from investing activities	<u>(305,647)</u>	<u>(177,980)</u>
Cash flows from financing activities		
Proceeds from long-term debt	360,000	345,132
Principal payments on long-term debt	<u>(51,261)</u>	<u>(220,691)</u>
Net cash from financing activities	<u>308,739</u>	<u>124,441</u>
Net change in cash and cash equivalents	25,339	(16,247)
Cash and cash equivalents at beginning of year	<u>43,863</u>	<u>60,110</u>
Cash and cash equivalents at end of year	<u>\$ 69,202</u>	<u>\$ 43,863</u>

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

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 82,183	\$ 65,925
Non-cash operating transaction		
Fuel included in accounts payable	\$ 13,791	\$ 18,434
Materials and supplies included in accounts payable	483	-
Non-cash investing transaction		
Additions to electric plant included in accounts payable	\$ 14,414	\$ 23,332
Unrealized (losses) gains on securities available for sale	(249)	65

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

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The Cooperative is engaged in generating and transmitting electrical power primarily to its sixteen member cooperatives throughout central and eastern Kentucky. The financial statements are prepared in accordance with policies prescribed or permitted by the Kentucky Public Service Commission (KPSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform with accounting principles generally accepted in the United States of America as applied to regulated enterprises.

Principles of Consolidation: The consolidated financial statements include the accounts of East Kentucky Power Cooperative, Inc. and its subsidiary, Charleston Bottoms Rural Electric Cooperative Corporation (CBRECC). All significant intercompany accounts and transactions have been eliminated.

Estimates in the Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Electric Plant: Electric plant is stated at original cost, which is the cost when first dedicated to public service, including applicable labor and overhead cost and an allowance for interest on borrowed funds used during construction.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation.

Provision for depreciation has been made on the basis of estimated useful lives at straight-line composite rates or end dates generally as follows:

Production plant	years 2019 - 2045
Transmission and distribution plant	0.71% - 3.42%
General plant	2.00% - 20.00%

Long-Term Assets: Electric plant and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. No impairment has been recognized on long-term assets for the years ended December 31, 2006 or 2005.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Interest on Borrowed Funds Used During Construction: In accordance with practices permitted by the prescribed system of accounts, the Cooperative provides an allowance for interest on borrowed funds used during construction. The allowance represents the calculated net interest cost of funds borrowed for construction of major projects which take longer than one year and cost in excess of \$100,000.

Investment Securities: Investment securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available for sale when they might be sold before maturity. Investment securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. Trading securities are carried at fair value, with changes in unrealized holding gains and losses included in income.

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Investment securities are written down to fair value when a decline in fair value is not temporary.

Revenue and Fuel Costs: Revenue is recorded monthly based on meter readings made at month-end.

The state regulatory authority has adopted a uniform fuel adjustment clause for all electric utilities within its jurisdiction. Under this clause, fuel cost above or below a stated amount per kWh is charged or credited to the member cooperatives for all energy sales.

In September 2004, the Cooperative applied to the KPSC for the recovery of certain costs incurred in compliance with the Federal Clean Air Act. This environmental surcharge was effective for service rendered on or after July 1, 2005, and is being billed on a percentage of revenue basis.

The Cooperative's sales are primarily to its member cooperatives and amounted to approximately \$645,476,000 and \$620,509,000 for 2006 and 2005, respectively. Accounts receivable at December 31, 2006 and 2005 were primarily from billings to member cooperatives. At December 31, 2006 and 2005, individual account balances that exceeded 10 percent of total accounts receivable are as follows:

	<u>2006</u>	<u>2005</u>
Owen Electric Cooperative	\$ 8,748,000	\$10,137,000
South Kentucky RECC	6,408,000	-
Blue Grass Energy Cooperative	6,304,000	-

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For purposes of the consolidated financial statements, the Cooperative considers temporary investments having a maturity of three months or less when purchased to be cash equivalents.

At December 31, 2006 and 2005, respectively, the Cooperative had \$1,205,394 and \$674,661 of cash on deposit at one bank, which is in excess of federally insured limits.

Fuel and Materials and Supplies: Inventories of fuels and materials and supplies are stated at average cost.

Emission Allowances: Title IV of the Clean Air Act Amendments of 1990 provides for the issuance of allowances as a means to limit the emissions of certain airborne pollutants. Allowances are stated at cost. Issuances of allowances are recognized using a monthly weighted-average method of cost determination. Gains and losses are recorded upon the disposition of allowances.

Members' Equities: Memberships represent contributions to the Cooperative made by members. Should the Cooperative cease business, these amounts, if available, will be returned to the members. In addition, any available capital credits will also be allocated to members on a contribution-to-gross margins basis.

A provision in the Cooperative's bylaws prohibits the return of capital contributed by patrons unless, after any proposed retirement, the total capital of the Cooperative equals or exceeds 40 percent of total assets. In addition, provisions of certain loan agreements prohibit the retirement of capital until stipulated requirements as to liquid assets (cash and U.S. Government obligations) are met. Accordingly, at December 31, 2006, no patronage capital was available for refunds or retirement.

Comprehensive Income: Comprehensive income includes both net margin (deficit) and other comprehensive income. Other comprehensive income represents the change in unrealized gains and losses on securities available for sale.

Income Taxes: The Cooperative is exempt under section 501(c)(12) of the Internal Revenue Code from federal income tax for any year in which at least 85 percent of its gross income is derived from members but is responsible for income taxes on certain unrelated business income.

Reclassifications: Certain 2005 amounts have been reclassified in these consolidated financial statements to conform to the 2006 presentation. Such reclassifications had no effect on net deficit or members' equities as previously presented.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 2 - ELECTRIC PLANT

Electric plant in-service consisted of the following:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Production plant	\$ 1,558,660	\$ 1,141,340
Transmission plant	432,580	409,889
General plant	68,517	69,724
Completed construction, not classified and other	<u>20,175</u>	<u>418,721</u>
Electric plant in service	<u>\$ 2,079,932</u>	<u>\$ 2,039,674</u>

Depreciation expense was \$39,384,000 and \$52,038,000 for 2006 and 2005, respectively.

As required by the KPSC environmental surcharge order (addressed in Note 1), the Cooperative engaged an outside firm to conduct a depreciation study. As a result, useful lives of production plant were extended, and rates on transmission and distribution plant were changed. These changes in estimated useful lives reduced 2006 depreciation expense by approximately \$16.1 million.

NOTE 3 - LONG-TERM ACCOUNTS RECEIVABLE

Long-term receivables include modifications to Spurlock Power Station in order to provide steam to a paper mill that recycles container board. The paper mill is reimbursing the Cooperative for the cost of the modifications through a monthly facilities charge over the 20-year life of the contract. Long-term receivables also include interest-bearing notes from joint ventures owned by the Cooperative and four of the Cooperative's member systems for the buyout of a propane company. The joint ventures of the member systems will make five years of interest-only (prime rate minus one-half of one percent, adjust annually) payments, with principal and interest payments beginning in 2005. The notes will be payable in full in 2015.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 - INVESTMENT SECURITIES

Amortized cost and estimated fair value of investment securities available for sale at December 31 are as follows (in thousands):

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2006</u>				
National Rural Utilities Cooperative Finance Corporation Promissory Note	\$ 24	\$ -	\$ -	\$ 24
U.S. Treasury bill	39,698	28	-	39,726
Zero Coupon Bond	2,737	397	-	3,134
Other	<u>1,061</u>	<u>11</u>	<u>-</u>	<u>1,072</u>
	<u>\$ 43,520</u>	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 43,956</u>
<u>2005</u>				
National Rural Utilities Cooperative Finance Corporation Promissory Note	\$ 24	\$ -	\$ -	\$ 24
U.S. Treasury bill	37,374	-	(10)	37,364
Zero Coupon Bond	2,563	465	-	3,028
Other	<u>1,935</u>	<u>230</u>	<u>-</u>	<u>2,165</u>
	<u>\$ 41,896</u>	<u>\$ 695</u>	<u>\$ (10)</u>	<u>\$ 42,581</u>

Proceeds from maturities and calls of securities were \$57,785,000 and \$79,465,000 in 2006 and 2005, respectively. There were no realized gains or losses on those calls.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 - INVESTMENT SECURITIES (Continued)

Amortized cost and estimated fair value of investment securities held to maturity at December 31 are as follows (in thousands):

	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>2006</u>				
National Rural Utilities Cooperative Finance Corporation				
3-5% capital term certificates	\$ 7,655	\$ -	\$ (459)	\$ 7,196
6.5875% subordinated term certificate	455	87	-	542
0% subordinated term certificate	<u>106</u>	<u>-</u>	<u>(26)</u>	<u>80</u>
	<u>\$ 8,216</u>	<u>\$ 87</u>	<u>\$ (485)</u>	<u>\$ 7,818</u>
<u>2005</u>				
National Rural Utilities Cooperative Finance Corporation				
3-5% capital term certificates	\$ 7,655	\$ -	\$ (1,624)	\$ 6,031
6.5875% subordinated term certificate	470	113	-	583
0% subordinated term certificate	<u>112</u>	<u>-</u>	<u>(28)</u>	<u>84</u>
	<u>\$ 8,237</u>	<u>\$ 113</u>	<u>\$ (1,652)</u>	<u>\$ 6,698</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 - INVESTMENT SECURITIES (Continued)

Investment securities held to maturity with unrealized losses at December 31 not recognized in net margin (deficit) are as follows (in thousands):

	<u>Unrealized Loss</u> <u>Less than 12 months</u>		<u>Unrealized Loss</u> <u>12 Months or More</u>	
	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>
<u>2006</u>				
3-5% capital term certificates	\$ -	\$ -	\$ 7,196	\$ (459)
0% subordinated term certificate	-	-	80	(26)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,276</u>	<u>\$ (485)</u>
<u>2005</u>				
3-5% capital term certificates	\$ -	\$ -	\$ 6,031	\$ (1,624)
0% subordinated term certificate	-	-	84	(28)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,115</u>	<u>\$ (1,652)</u>

The maturity dates on the above securities range from 2019 to 2080 and have no available trading market. However, it is management's intent to hold these securities until maturity, at which time management expects to recover full value.

The amortized cost and fair value of securities at December 31, 2006, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized</u> <u>Cost</u> (in thousands)	<u>Fair</u> <u>Value</u>
Available for sale		
Due in one year or less	\$ 40,063	\$ 40,085
Due after one year through five years	2,396	2,799
Due after ten years	<u>1,061</u>	<u>1,072</u>
	<u>\$ 43,520</u>	<u>\$ 43,956</u>
Held to maturity		
Due after ten years	<u>\$ 8,216</u>	<u>\$ 7,818</u>
	<u>\$ 8,216</u>	<u>\$ 7,818</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2006 and 2005 consisted of the following (in thousands):

	<u>2006</u>	<u>2005</u>
First mortgage notes:		
4.241% - 10.657%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2038	\$ 1,108,580	\$ 1,107,491
2%, 5%, and 5.125% payable quarterly to RUS in varying amounts through 2024	49,507	54,643
3.8%, payable quarterly to CFC in varying amounts through 2014	20,440	21,769
Fixed rate loan, 7.7%, payable semiannually in varying amounts to National Cooperative Services Corporation through 2012	8,400	9,600
Promissory notes:		
6.20% - 6.45% variable rate note payable to CFC in 2010	405,000	80,000
Pollution control bonds:		
Series 1984B, variable rate bonds, due October 15, 2014, 4.03% at December 31, 2006 and 3.70% at December 31, 2005	82,100	88,600
Series 1984J, variable rate bonds, due October 15, 2014, 3.55% at December 31, 2006 and 2.95% at December 31, 2005	18,260	21,145
Solid waste disposal revenue bonds, Series 1993B, variable rate bonds, due August 15, 2023, interest rate 3.68% at December 31, 2006 and 2.85% at December 31, 2005	<u>8,800</u>	<u>9,100</u>
	1,701,087	1,392,348
Less current portion of long-term debt	<u>57,782</u>	<u>53,085</u>
	<u>\$ 1,643,305</u>	<u>\$ 1,339,263</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT (Continued)

In September 2002, RUS approved a loan application in the amount of \$223,500,000 for the design, purchase, and installation of NOx reduction equipment and electrostatic precipitators, including plant modifications and related expenditures on Spurlock Power Station Units No. 1 and 2. Advances on these loans are subject to certain conditions outlined by RUS, and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, \$15,200,000 of these amounts remained to be advanced.

In September 2003, RUS approved a loan application in the amount of \$433,863,000 for the construction of the Gilbert Unit at the Spurlock Power Station, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, \$49,863,000 of these amounts remained to be advanced.

In September 2003, RUS approved a loan application in the amount of \$27,645,000 for the construction of five landfill gas to energy generating units including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. As of December 31, 2006, \$14,453,000 of these amounts remained to be advanced.

In May 2005, RUS approved a loan application in the amount of \$55,240,000 for the construction of two additional combustion turbines at the J.K. Smith site, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. As of December 31, 2006, \$2,240,000 of these amounts remained to be advanced.

In August 2005, RUS approved a loan application in the amount of \$64,240,000 for the construction of various transmission projects. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, this loan has not been cleared by RUS for advance of loan funds.

In September 2005, the Cooperative entered into an unsecured credit facility syndicate with the co-arrangers of CFC and the Bank of Tokyo-Mitsubishi. This loan was approved for a total of \$650,000,000 for general operating expenses and capital construction projects. As of December 31, 2006, \$245,000,000 of this amount remained to be advanced.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT (Continued)

In March 2006, RUS approved a loan application in the amount of \$481,388,000 for the construction of the Unit #4 at the Spurlock Power Station, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, this loan has not been cleared by RUS for advance of loan funds.

In accordance with the Rural Electrification Act of 1936 (RE Act), as amended, the RUS established a cushion of credit program. Under this program, RUS borrowers may make voluntary deposits into a special cushion of credit account. This cushion of credit account balance accrues interest at a rate of 5 percent per annum. The amounts in the cushion of credit account (deposits and earned interest) can only be used to make scheduled payments on loans made or guaranteed under the RE Act. As of December 31, 2006 and 2005, the Cooperative's cushion of credit account balance was \$75,875,000 and \$26,375,000.

The interest rate on the Series 1984B Pollution Control Bonds is subject to change weekly and the interest rate on the Series 1984J Pollution Control Bonds and the Series 1993B Solid Waste Disposal Revenue Bonds are subject to change semiannually. The interest rate adjustment period on any series of the above-mentioned variable rate bonds may be converted to a weekly, semiannual, annual or three-year basis or to a fixed-rate basis, at the option of the Cooperative.

Long-term pollution control and solid waste disposal revenue bonds require that debt service reserve funds be on deposit with a trustee throughout the term of the bonds. Debt service reserve requirements are as follows: Series 1984B - \$12,717,000; Series 1984J - \$5,368,500; and Series 1993B - \$1,062,000. In addition, mandatory sinking fund payments are required for each series as follows: Series 1984B - payments range from \$7,500,000 in 2007 to \$13,150,000 in 2013; Series 1984J - payments range from \$3,190,000 in 2007 to \$4,325,000 in 2010; and Series 1993B - payments range from \$300,000 in 2007 to \$700,000 in 2023. Debt service reserve and construction funds are held by trustees and are invested primarily in U.S. Government securities and CFC promissory notes. These funds are included in investment securities available for sale and have a fair value of approximately \$20,567,000 at December 31, 2006.

Estimated maturities of long-term debt for the five years subsequent to December 31, 2006 are as follows: 2007 - \$57,782,000; 2008 - \$60,438,000; 2009 - \$63,618,000; 2010 - \$471,990,000; 2011 - \$70,241,000; and thereafter - \$977,018,000.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT (Continued)

Under the terms of the loan agreements with RUS, CFC and institutional investors, the Cooperative is required to maintain certain levels of members' equities, interest coverage, and debt service coverage. Because of the 2006 Environmental Protection Agency ("EPA") Notice of Violation discussed in detail in Note 7, the Cooperative was in technical default of the members' equities covenant related to the \$80,000,000 in outstanding debt under the Credit Facility in 2005. Under the terms of the Credit Facility loan agreement, the required lenders had the right to immediately demand payment of the entire principal and interest balances owed them, or to terminate the loan commitment. On April 6, 2006, the required lenders waived their rights related to this technical default. On April 6, 2006, the covenants in the Credit Facility loan agreement were modified and the Cooperative was in compliance with the amended agreement.

Effects of this Notice of Violation have caused the Cooperative not to meet certain loan covenants as of December 31, 2006. Although the Cooperative is not in default of any of its loan agreements, the lenders have required the Cooperative to file a plan of corrective action. The Cooperative has developed a plan of corrective action and presented it to the lenders.

Substantially all assets are pledged as collateral for first mortgage notes payable to the United States of America (RUS and FFB) and CFC.

NOTE 6 - RETIREMENT BENEFITS

Pension Plan: Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association's Retirement and Security Program, a multi-employer defined benefit plan. The Cooperative's required contributions were approximately \$7,883,000 and \$7,094,000 for 2006 and 2005, respectively. The Cooperative expects to contribute approximately \$8,500,000 to the plan in 2007.

Retirement Savings Plan: The Cooperative has a Retirement Savings Plan for all employees who are eligible to participate in the Cooperative's benefit programs. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. The Cooperative makes matching contributions to the account of each participant up to 2 percent of the participant's compensation. The Cooperative contributed approximately \$775,000 and \$743,000 to the plan in 2006 and 2005, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative. The Cooperative expects to contribute approximately \$743,000 to the plan in 2007.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 - RETIREMENT BENEFITS (Continued)

Supplemental Death Benefit Plan: The Cooperative provides a Supplemental Death Benefit Plan to all employees eligible to participate in the pension plan. The supplemental death benefit is payable to a deceased employee's beneficiary if the lump sum value of a 100% survivor benefit under the pension plan exceeds the pension plan benefits plus the Cooperative's group life insurance proceeds. Management believes that any liability related to this plan will not have a material effect on the consolidated financial statements.

Postretirement Medical Benefits: The Cooperative sponsors a defined benefit plan that provides medical and life insurance coverage to retirees and their dependents. Participating retirees and dependents contribute 50 percent of the projected cost of coverage. For purposes of the liability estimates, the substantive plan is assumed to be the same as the extant written plan. The plan is not funded.

The following table sets forth the plan's status reconciled with the amount shown in the Cooperative's balance sheets at December 31, 2006 and 2005 (dollars in thousands):

	<u>2006</u>	<u>2005</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contribution	487	611
Plan participants' contribution	487	610
Benefits paid	<u>(974)</u>	<u>(1,221)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 35,151	\$ 34,258
Service cost-benefits attributed to service during the period	1,219	1,166
Interest cost on accumulated postretirement benefit obligation	2,095	1,931
Benefits paid	(974)	(1,221)
Plan participants' contribution	487	610
Actuarial gain	<u>249</u>	<u>(1,593)</u>
Benefit obligation at end of year	<u>38,227</u>	<u>35,151</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 - RETIREMENT BENEFITS (Continued)

	<u>2006</u>	<u>2005</u>
Funded status	\$ (38,227)	\$ (35,151)
Unrecognized actuarial gain	<u>(10,436)</u>	<u>(11,453)</u>
Accrued benefit cost	<u>\$ (48,663)</u>	<u>\$ (46,604)</u>
Components of net periodic postretirement benefit cost (dollars in thousands):		
Service cost-benefits attributed to service during the period	\$ 1,219	\$ 1,166
Interest cost on accumulated postretirement benefit obligation	2,095	1,931
Amortization of unrecognized actuarial gain	<u>(767)</u>	<u>(514)</u>
Net periodic benefit cost	<u>\$ 2,547</u>	<u>\$ 2,583</u>

The discount rate used in determining the accumulated postretirement benefit obligation for 2006 and 2005 was 6.00%.

The Cooperative expects to contribute approximately \$805,000 to the plan in 2007.

The following expected benefit payments from the plan, which reflect anticipated future service, are (dollars in thousands):

2007	\$ 805
2008	934
2009	1,046
2010	1,173
2011	1,312
2012 - 2016	<u>9,147</u>
Total	<u>\$ 14,417</u>

For measurement purposes, a 10 percent annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2006. The rate is assumed to decline to 5 percent after five years.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 - RETIREMENT BENEFITS (Continued)

The health care cost trend rate assumption has a significant effect on the amounts reported.

	<u>2006</u>	<u>2005</u>
Effect on total of service cost and interest cost components (dollars in thousands)		
1-percentage-point increase	\$ 697	\$ 705
1-percentage-point decrease	(540)	(514)
Effect on postretirement benefit obligation (dollars in thousands)		
1-percentage-point increase	\$ 6,776	\$ 6,986
1-percentage-point decrease	(5,381)	(5,476)

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Cooperative is required to adopt SFAS 158 in 2007. Had the Cooperative adopted SFAS 158 in 2006, comprehensive income would have increased by approximately \$10,436,000.

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES

The Cooperative has entered into long-term power purchase agreements having minimum payment obligations for the five years subsequent to December 31, 2006 as follows (dollars in thousands):

2007	\$ 4,553
2008	5,314
2009	7,595
2010	7,595
2011	7,595

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES (Continued)

The Cooperative is committed to purchase coal for its generating plants under long-term contracts having minimum purchase obligations as follows (dollars in thousands):

2007	\$ 163,741
2008	99,612
2009	85,845
2010	56,334
2011	45,159

The minimum cost of the coal purchases, based on the latest contractual prices, is subject to escalation clauses that are generally based on government-published indices and market price re-openers.

There are pending civil claims in litigation against the Cooperative. Under the Cooperative's general liability insurance program, it is responsible for a deductible amount up to \$1,000,000 for each occurrence. Neither the probable outcome nor ultimate liability resulting from any claims and litigation can be readily determined at this time. Accruals have been made when appropriate and management believes that any liability for such matters will, in any case, not have a material effect on the consolidated financial statements.

On January 28, 2004, the federal Environmental Protection Agency (EPA) sued the Cooperative alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration provision of the Clean Air Act; the New Source Performance Standards of the Clean Air Act; and the State Implementation Plan for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief, and civil penalties of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then.

As a result of this lawsuit, the Cooperative has done the following:

On January 17, 2006, EKPC filed four motions with the court asking that most, if not all of the claims, be dismissed. These motions for summary judgment involved,

- (a) statute of limitation issues;
- (b) federal enforceability of the Spurlock No. 2 operating permit;
- (c) applicability of the routine maintenance exclusion; and
- (d) calculation of emissions under PSD based on post-change actual annual emission where the baseline emission calculations are based on actual historic annual emissions prior to project work, and not based on hypothetical emissions.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES (Continued)

On September 26, 2006, the court issued an order dismissing most of the government's motions without prejudice pending a final decision in a similar case. A decision in this similar case is expected in summer 2007.

The Cooperative believes that when all the evidence is presented, the facts will bear out that the Cooperative complied with the requirements, and acted in good faith.

On January 17, 2006, the Cooperative received a Notice of Violation (NOV) from the EPA alleging violations of the Federal Clean Air Act's Acid Rain Program and NOx SIP Call Allowance Trading Program at Dale Units 1 and 2. At issue is EPA's allegation that the Cooperative incorrectly reported the turbine, rather than the generator, nameplate ratings, thus placing the Units under the Acid Rain Program. On February 10, 2006, the Cooperative received an NOV from the Kentucky Environmental and Public Protection Cabinet regarding the same matter. The NOV's cover the years 2000 through 2004.

Under a strict application of the Acid Rain Program, owners and operators of a unit that is determined to have excess emissions of SO₂ are subject to non-discretionary penalties, must surrender SO₂ allowances to cover previous emissions, and also may be subject to discretionary penalties. There may also be penalties relating to NOx emissions requirements.

Because the Cooperative did not have emissions monitoring equipment in place on Dale Units 1 and 2, on March 1, 2006, the Cooperative petitioned EPA to allow the calculation of the emissions on coal burn fuel data versus missing data procedures. Depending on the resolution of this petition, an additional \$68,000,000 in non-discretionary penalties could be assessed. At this time, it is not possible to predict the likelihood of success or whether these non-discretionary penalties could be waived or reduced by the agency or a court. The Cooperative is also required to surrender SO₂ allowances to cover the emissions for 2000 through 2004. Additional expense to cover such emissions, assuming current market prices, could be \$25,000,000. Civil penalties similar to those outlined above from the EPA lawsuit may also apply.

The Cooperative has certain generating plants that contain asbestos, which is required by law to be removed or contained if the plants are renovated or demolished. The Cooperative has no plans to retire any of its generating plants. Because there is an indeterminate settlement date for the asset retirement obligation, the range of time over which the Cooperative may settle the obligation is unknown. Therefore, a fair value determination of an asset retirement obligation cannot be reasonably estimated.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES (Continued)

In September 2004, the Board approved the construction of a 278-megawatt circulating fluidized bed baseload unit at Spurlock Station. The cost of construction of the generating unit, including related interconnection facilities, will approximate \$522 million.

In November 2004, the Board approved the construction of a 278-megawatt circulating fluidized bed baseload unit at the J.K. Smith Station. The cost of construction of the generating unit, including related interconnection facilities, will approximate \$625 million.

In December 2004, the Board approved the construction of five gas-fired combustion turbines to be located at the Cooperative's J.K. Smith Power Station. Construction of three of the combustion turbines has been deferred until after 2009. The first two combustion turbines are expected to cost approximately \$66 million and are scheduled to become operational in 2009.

In September 2005, the Board approved construction of a new limestone scrubber for Spurlock Unit 2, with a wet precipitator, at a cost of approximately \$159 million.

In January 2006, the Board approved the construction of a new limestone scrubber for Spurlock Unit 1, with a wet precipitator, at a cost of approximately \$145 million.

The construction projects mentioned above are subject to KPSC approval.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents: The carrying amount approximates fair value because of the short maturity of these instruments.

Accounts Receivable and Accounts Payable: The fair values of accounts receivable and payable are based on carrying value due to the short-term nature of the instruments.

Investment Securities: The fair values of investment securities are estimated based on quoted market prices for the same or similar investments.

Long-Term Accounts Receivable: The fair values of long-term accounts receivable are estimated based on quoted interest rates for similar maturities.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Notes Payable: The carrying amount approximates fair value because of the variable rate and payable on demand terms of the financial instrument.

Long-Term Debt: The fair value of the Cooperative's long-term debt that is practicable to estimate, is estimated based on the quoted market prices for the same or similar issues or on the current rates available to the Cooperative for debt of the same remaining maturities, including the appropriate redemption premium, if any.

The estimated fair values of the Cooperative's financial instruments are as follows (in thousands):

	<u>2006</u>		<u>2005</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 69,202	\$ 69,202	\$ 43,863	\$ 43,863
Accounts receivable	62,091	62,091	77,663	77,663
Investment securities				
Available for sale	43,956	43,956	42,581	42,581
Held to maturity	8,216	7,818	8,237	6,698
Long-term accounts receivable	8,572	9,266	9,002	10,067
Financial liabilities				
Long-term debt	\$1,701,087	\$1,713,203	\$1,392,348	\$1,418,017
Accounts payable	90,977	90,977	75,855	75,855



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
East Kentucky Power Cooperative, Inc.
and Subsidiary

Our report on the audits of the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary as of December 31, 2006 and 2005 and for the years then ended appears on page 1. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The supplementary consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads "Crowe Chizek and Company LLC".

Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET**
December 31, 2006
(Dollars in Thousands)

ASSETS	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Electric plant, at original cost				
In-service	\$ 1,962,676	\$ 117,256	\$ -	\$ 2,079,932
Construction in progress	<u>402,387</u>	<u>-</u>	<u>-</u>	<u>402,387</u>
	2,365,063	117,256	-	2,482,319
Less accumulated depreciation	<u>714,935</u>	<u>83,598</u>	<u>-</u>	<u>798,533</u>
Electric plant, net	1,650,128	33,658	-	1,683,786
Long-term accounts receivable	8,572	-	-	8,572
Subordinated notes receivable from subsidiary	7,942	-	(7,942)	-
Investment securities				
Available for sale	43,956	-	-	43,956
Held to maturity	8,216	-	-	8,216
Current assets				
Cash and cash equivalents	69,202	-	-	69,202
Accounts receivable	62,091	-	-	62,091
Fuel	43,770	912	-	44,682
Materials and supplies	36,309	820	-	37,129
Emission allowances	58,920	-	-	58,920
Other	<u>1,986</u>	<u>-</u>	<u>-</u>	<u>1,986</u>
Total current assets	<u>272,278</u>	<u>1,732</u>	<u>-</u>	<u>274,010</u>
Intercompany payable	-	(10,393)	10,393	-
Deferred charges	21,554	-	(17,055)	4,499
Other	<u>7,053</u>	<u>-</u>	<u>-</u>	<u>7,053</u>
Total assets	<u>\$ 2,019,699</u>	<u>\$ 24,997</u>	<u>\$ (14,604)</u>	<u>\$ 2,030,092</u>
LIABILITIES AND MEMBERS' EQUITIES				
Members' equities	\$ 107,033	\$ -	\$ -	\$ 107,033
Long-term debt, excluding current portion	1,643,305	7,942	(7,942)	1,643,305
Current liabilities				
Current portion of long-term debt	57,782	-	-	57,782
Accounts payable, trade	90,977	-	-	90,977
Accounts payable, construction	-	17,055	(17,055)	-
Accrued expenses	<u>23,846</u>	<u>-</u>	<u>-</u>	<u>23,846</u>
Total current liabilities	<u>172,605</u>	<u>17,055</u>	<u>(17,055)</u>	<u>172,605</u>
Intercompany receivable	(10,393)	-	10,393	-
Accrued postretirement benefit cost	48,663	-	-	48,663
Other	<u>58,486</u>	<u>-</u>	<u>-</u>	<u>58,486</u>
Total liabilities and members' equities	<u>\$ 2,019,699</u>	<u>\$ 24,997</u>	<u>\$ (14,604)</u>	<u>\$ 2,030,092</u>

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET**
December 31, 2005
(Dollars in Thousands)

ASSETS	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Electric plant, at original cost				
In-service	\$ 1,920,950	\$ 118,724	\$ -	\$ 2,039,674
Construction in progress	<u>152,585</u>	<u>-</u>	<u>-</u>	<u>152,585</u>
	2,073,535	118,724	-	2,192,259
Less accumulated depreciation	<u>690,733</u>	<u>84,263</u>	<u>-</u>	<u>774,996</u>
Electric plant, net	1,382,802	34,461	-	1,417,263
Long-term accounts receivable	9,002	-	-	9,002
Subordinated notes receivable from subsidiary	10,127	-	(10,127)	-
Investment securities				
Available for sale	42,581	-	-	42,581
Held to maturity	8,237	-	-	8,237
Current assets				
Cash and cash equivalents	43,863	-	-	43,863
Accounts receivable	77,663	-	-	77,663
Fuel	38,324	912	-	39,236
Materials and supplies	32,758	820	-	33,578
Emission allowances	4,087	-	-	4,087
Other	<u>1,769</u>	<u>-</u>	<u>-</u>	<u>1,769</u>
Total current assets	<u>198,464</u>	<u>1,732</u>	<u>-</u>	<u>200,196</u>
Intercompany payable	-	(9,012)	9,012	-
Deferred charges	21,805	-	(17,054)	4,751
Other	<u>5,864</u>	<u>-</u>	<u>-</u>	<u>5,864</u>
Total assets	<u>\$ 1,678,882</u>	<u>\$ 27,181</u>	<u>\$ (18,169)</u>	<u>\$ 1,687,894</u>
LIABILITIES AND MEMBERS' EQUITIES				
Members' equities	\$ 96,108	\$ -	\$ -	\$ 96,108
Long-term debt, excluding current portion	1,339,263	10,127	(10,127)	1,339,263
Current liabilities				
Current portion of long-term debt	53,085	-	-	53,085
Accounts payable, trade	75,855	-	-	75,855
Accounts payable, construction	-	17,054	(17,054)	-
Accrued expenses	<u>20,101</u>	<u>-</u>	<u>-</u>	<u>20,101</u>
Total current liabilities	<u>149,041</u>	<u>17,054</u>	<u>(17,054)</u>	<u>149,041</u>
Intercompany receivable	(9,012)	-	9,012	-
Accrued postretirement benefit cost	46,604	-	-	46,604
Other	<u>56,878</u>	<u>-</u>	<u>-</u>	<u>56,878</u>
Total liabilities and members' equities	<u>\$ 1,678,882</u>	<u>\$ 27,181</u>	<u>\$ (18,169)</u>	<u>\$ 1,687,894</u>

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF
REVENUE AND EXPENSES
For the Year Ended December 31, 2006
(Dollars in Thousands)

	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Consolidated</u>
Operating revenue	\$ 588,916	\$ 62,044	\$ 650,960
Operating expenses			
Production:			
Fuel	229,435	48,775	278,210
Other	101,189	12,193	113,382
Purchased power	76,781	-	76,781
Transmission and distribution	27,557	-	27,557
Depreciation	38,581	803	39,384
General and administrative	38,436	-	38,436
	<u>511,979</u>	<u>61,771</u>	<u>573,750</u>
Operating margins	76,937	273	77,210
Interest expense	<u>84,561</u>	<u>273</u>	<u>84,834</u>
Net operating deficit	(7,624)	-	(7,624)
Nonoperating margins			
Interest income	8,433	-	8,433
Allowance for interest on borrowed funds used during construction	9,192	-	9,192
Miscellaneous	858	-	858
	<u>18,483</u>	<u>-</u>	<u>18,483</u>
Capital credits and patronage capital allocations	<u>315</u>	<u>-</u>	<u>315</u>
Net margin	<u>\$ 11,174</u>	<u>\$ -</u>	<u>\$ 11,174</u>

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF
REVENUE AND EXPENSES**
For the Year Ended December 31, 2005
(Dollars in Thousands)

	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Consolidated</u>
Operating revenue	\$ 576,217	\$ 55,080	\$ 631,297
Operating expenses			
Production:			
Fuel	219,451	43,983	263,434
Other	94,151	9,481	103,632
Purchased power	109,571	-	109,571
Transmission and distribution	21,029	-	21,029
Depreciation	50,745	1,293	52,038
General and administrative	<u>38,642</u>	<u>-</u>	<u>38,642</u>
	<u>533,589</u>	<u>54,757</u>	<u>588,346</u>
Operating margins	42,628	323	42,951
Interest expense	<u>69,521</u>	<u>323</u>	<u>69,844</u>
Net operating deficit	(26,893)	-	(26,893)
Nonoperating margins			
Interest income	5,898	-	5,898
Allowance for interest on borrowed funds used during construction	6,226	-	6,226
Assessments	(32,555)	-	(32,555)
Miscellaneous	<u>742</u>	<u>-</u>	<u>742</u>
	<u>(19,689)</u>	<u>-</u>	<u>(19,689)</u>
Capital credits and patronage capital allocations	<u>575</u>	<u>-</u>	<u>575</u>
Net deficit	<u>\$ (46,007)</u>	<u>\$ -</u>	<u>\$ (46,007)</u>

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY**

AUDIT COMMITTEE COMMUNICATION

December 31, 2006

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY**

AUDIT COMMITTEE COMMUNICATION

December 31, 2006

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Crowe Chizek and Company LLC
Member Horwath International

Audit Committee
East Kentucky Power Cooperative, Inc.
Winchester, Kentucky

To assist the Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible, Statement on Auditing Standards No. 61 requires auditors to ensure that certain matters are communicated to the Audit Committee. The matters communicated are discussed below.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Audit Committee should understand that an audit conducted in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement. Similarly, under these same standards, the auditor obtains a sufficient understanding of internal control to plan the audit, but this understanding and the tests of selected internal controls that are performed are not sufficient for the auditor to express an opinion on the effective operation of internal control.

Our responsibility under generally accepted auditing standards was communicated in our engagement letter, which was issued April 11, 2006.

SIGNIFICANT ACCOUNTING POLICIES AND UNUSUAL TRANSACTIONS

The Audit Committee should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Audit Committee should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Audit Committee about such matters. We direct your attention to Note 1 in the financial statements where significant accounting policies are disclosed.

In 2006, the Cooperative completed a depreciation study which is discussed in detail in the next section.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates primarily involve the following areas for 2006:

Management determines the actuarial assumptions used in determining the postretirement liability in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." Under accounting principles generally accepted in the United States of America, changes to these assumptions are required in response to changes in market conditions. We have reviewed the underlying rationale and support for the assumptions and have concluded that they are reasonable.

When securities are purchased, management classifies the securities as held-to-maturity, available-for-sale, or trading. At December 31, 2006, management classified securities in all three categories. Held-to-maturity securities are those which the Cooperative has the positive intent and ability to hold to maturity, and are reported at amortized cost. Available-for-sale securities are those which the Cooperative may decide to sell if needed for liquidity, asset-liability management, or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of members' equities. Trading securities are bought principally for sale in the near term, and are reported at fair value, with unrealized gains or losses included in income; at December 31, 2006, the balance of trading securities is zero. We reviewed the documentation maintained by management and performed procedures to determine the reasonableness of management's judgments and accounting estimates related to securities classified as held-to-maturity, available-for-sale and trading.

Management estimates the provision for depreciation of plant assets based on the estimated useful lives using straight-line composite rates. As part of the PSC Order in the environmental surcharge filing, EKPC was required to have a depreciation study performed. Gannett Fleming, Inc. performed the depreciation study in 2006, based on assets in service at December 31, 2005. EKPC received approval of the depreciation study by both the PSC and RUS. Both approvals allowed EKPC to retroactively apply the depreciation rates on production and transmission plant, for accounting purposes, on January 1, 2006. This change in estimate reduced depreciation expense by approximately \$16.1 million. We have reviewed the support for these useful lives and composite rates and have concluded that they are appropriate.

Management has estimated a liability resulting from the January 2006 Notice of Violation from the EPA alleging violations of the Federal Clean Air Act's Acid Rain Program and NOx SIP Call Allowance Trading Program at Dale Units 1 and 2. Note 7 of the financial statements discusses the specific details of the allegations. Management, in consultation with outside counsel, estimates the liability recorded as a result of the Notice of Violation. We reviewed the underlying rationale and assumptions and have concluded they are reasonable.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

The Audit Committee often considers information prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by auditing standards generally accepted in the United States of America to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information inconsistent based on this reading, we are to seek a resolution of the matter.

Accordingly, we will read East Kentucky Power Cooperative, Inc. and Subsidiary's 2006 annual report and compare the information therein to the financial statements.

AUDIT ADJUSTMENTS

We are responsible for informing the Audit Committee about adjustments to the financial statements arising from our audit that could, in our judgment, have a significant effect on your financial reporting process, including the potential that future financial statements could be materially misstated. There were no such adjustments for 2006.

We are also responsible for informing the Audit Committee about uncorrected financial statement misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A schedule of those misstatements follows:

<u>Misstatement</u>	-----Increase (Decrease)-----			
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Net Margin</u>
Operating Margins				(\$556,515)
Purchased Power				\$556,515
(To adjust inadvertent power liability)				

DISAGREEMENTS WITH MANAGEMENT

We are required to discuss with the Audit Committee any disagreements with management over the application of accounting principles or the basis for management's judgment about accounting estimates.

There were no such disagreements with management about matters related to the Cooperative's financial statements or our reports thereon.

CONSULTATION WITH OTHER ACCOUNTANTS

If management consulted with other accountants about auditing and accounting matters, we are to inform the Audit Committee of such consultation if we are aware of it and provide our views on the matters discussed.

We are not aware of any instances where management consulted with other accountants about matters which might affect your financial statements since no other accountants contacted us which they are required to by Statement on Auditing Standards No. 50 before they provide written or oral advice.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

We are to discuss with the Audit Committee any major issues discussed with management in connection with our retention as auditors, including the application of accounting principles or auditing standards.

There were no major issues discussed with management in connection with our retention as auditors.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We are to inform the Audit Committee of any serious difficulties encountered in dealing with management related to the performance of the audit.

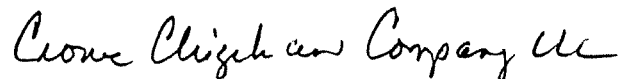
There were no difficulties encountered in dealing with management related to the performance of the audit.

IRREGULARITIES AND ILLEGAL ACTS

During our audit, we did not become aware of any irregularities or illegal acts.

* * * *

We were pleased to serve East Kentucky Power Cooperative, Inc. as its independent auditors for 2006 and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This report is intended solely for the information and use of the audit committee, board of directors, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. If further assistance or consultation is desired, we will be pleased to help.



Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

INDEPENDENT AUDITORS' MANAGEMENT LETTER



Crowe Chizek and Company LLC
Member Horwath International

Audit Committee
East Kentucky Power Cooperative, Inc.
Winchester, Kentucky

We have audited the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary (the Cooperative) for the year ended December 31, 2006, and have issued our report thereon dated March 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Section 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33(e)(1), related party transactions, depreciation rates, and a schedule of deferred debits and credits, and a schedule of investments, upon which (the two aforementioned schedules) we express an opinion. In addition, our audit of the consolidated financial statements also included the procedures specified in 7 CFR 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters other than the two aforementioned schedules, and accordingly, we express no opinion thereon.

No reports other than our Report of Independent Auditors and our Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, all dated March 14, 2007 or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding East Kentucky Power Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated March 14, 2007, and should be read in conjunction with this report. At your request we have performed the procedures enumerated below with respect to the Cooperative's compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed and our findings are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in 1773.33(e)(1)(i) for the year ended December 31, 2006:

We reviewed Board of Director minutes, read the provisions of 1773.33(e)(1)(i), and inquired of management and determined that the Cooperative did not enter into any of these contracts for the year ended December 31, 2006.

- Procedure performed with respect to the requirement as defined in 1773.33(e)(1)(ii) that the Cooperative submit RUS Form 12 to the RUS and the Form 12, Financial and Statistical Report, as of December 31, 2006, is in agreement with Cooperative's audited records in all material respects:

We agreed amounts reported in Form 12 to the Cooperative's records.

The results of our tests indicate that, with respect to the items tested, the Cooperative complied, in all material respects, with the specific RUS loan and security instrument provisions referred to above. No exceptions were noted related to these provisions.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary, nothing came to our attention that caused us to believe that the Cooperative failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);

- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Part 1773.33(c)(3) and (4);
- Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Transactions*, for the year ended December 31, 2006, in the financial statements referenced in the first paragraph of this report addressed at 7 Part CFR 1773.33(f);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(h), and the detailed schedule of investments required by 7 CFR 1773.33(i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**East Kentucky Power Cooperative, Inc.
Detailed Schedule of Deferred Debits
December 31, 2006**

<u>Description</u>	<u>Amount</u>
Unamortized debt expense—Spurlock Pollution Control Bond issue cost	\$ 399,995
Unamortized debt expense—Smith Pollution Control Bond issue cost	183,188
Unamortized debt expense—Cooper Pollution Control Bond issue cost	166,773
Unamortized debt expense—Unsecured Credit Facility	<u>3,748,595</u>
Deferred charges	\$ 4,498,551

**East Kentucky Power Cooperative, Inc.
Detailed Schedule of Deferred Credits
December 31, 2006**

<u>Description</u>	<u>Amount</u>
Other Deferred Credit—Cooperative Power Bill Prepayment	\$2,963,697*

*Included in Other Liabilities in Consolidated Financial Statements

East Kentucky Power Cooperative, Inc.
Detailed Schedule of Investments
December 31, 2006

Alliance for Cooperative Energy Services (ACES) Power Marketing, LLC, is an organization formed primarily to purchase and sell power. The Cooperative is a 6.7 percent owner. The Cooperative accounts for this investment on the cost basis since ownership is less than 20 percent.

<u>Original Investment</u>	<u>Advances</u>	<u>Repayments</u>	<u>Accumulated Loss</u>	<u>Current Investment</u>
ACES Power Marketing, LLC				

\$750,000	\$507,058	\$(503,979)	\$(128,994)	\$624,085
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The Cooperative, along with four of its member systems, own propane ventures. The Cooperative is a 25 percent owner.

<u>Original Investment</u>	<u>Advances</u>	<u>Accumulated Loss</u>	<u>Current Investment</u>
Farmers Energy Services Corporation			

\$75,000	\$185,000	\$(25,370)	\$234,630
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Shelby Energy Services

\$3,000	\$457,000	\$(186,923)	\$273,077
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Jackson Energy Services

\$3,000	\$445,000	\$(43,890)	\$404,110
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Clark Energy Services

\$3,000	\$395,000	\$(49,929)	\$348,071
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COMMENTS FOR MANAGEMENT

We noted the following internal control deficiencies during our audit.

1. Deficiency: Derivative transactions can be extremely complex and require guidelines and procedures to ensure proper recording in the Cooperative's financial statements. Internal policies and procedures help outline the appropriate ways to handle various transactions and ensure that the appropriate controls are in place to safeguard an organization from fraudulent financial reporting and transactions.

We recommend that East Kentucky develop a policy depicting the appropriate individuals and the procedures to be followed when the Cooperative enters into these types of transactions.

Management Response: In conjunction with ACES Power Marketing, the Cooperative is in process of drafting a Risk Management Policy. Included in this policy will be approval procedures and an authority matrix for derivative transactions.

2. Deficiency: During our inquiries with the Cooperative, we noted that maintenance and support fees related to the PeopleSoft Financials application were terminated during 2003. Therefore, the Cooperative is responsible for maintaining the application without any help from the vendor. Despite the fact that the Cooperative has skilled employees in its IT department, they are not trained to support any number of unknown problems specific to PeopleSoft.

In addition, the Cooperative has not upgraded PeopleSoft since the fees were terminated. This fact presents a separate problem, as most consultants are now trained on current versions, and would likely not know how to support the outdated version. The fact that the Cooperative has no vendor support, coupled with the fact that they are running an outdated version, presents the possibility that a problem in the system could halt all processing of information for an indeterminate amount of time.

We recommend that East Kentucky negotiate a settlement with the vendor, such that they will be supported and upgraded in the future.

Management Response: East Kentucky is contemplating negotiating a settlement with PeopleSoft for a possible upgrade in 2009. We believe by purchasing a database and having two separate databases, one for Human Resources and one for Financials, there should be no critical issues with our current release of PeopleSoft Financials until possible implementation of the newest version available in 2009.

3. Deficiency: During our inquiries with the Cooperative, we noted that formal change management policies and procedures do not exist. By not formally defining the process through which changes to applications should be made, the Cooperative cannot hold its employees to a standard.

We recommend that East Kentucky formally document all change management policies and procedures.

Management Response: A change request application is used to track all changes within the PeopleSoft systems. Power Billing and Coal Accounting are department applications that use an informal change procedure. All requested changes are first completed and tested in a development system. After testing by the end user is approved the requested change is migrated in to production. A backup copy of the production code is taken before the requested change is migrated in to production.

4. Deficiency: During inquiries with the Cooperative, we noted segregation of duties problems in the change management processes for the Coal Accounting system and the Power Billing system. In both cases, one programmer is responsible for making program changes, and for migrating those changes back to the production environment. By not segregating the duties of programming and migration, the Cooperative increases the risk that unauthorized and/or fraudulent changes can be made to these applications.

We recommend that East Kentucky require that someone independent of the programming function be the one to migrate changes to the production environment.

Management Response: For PeopleSoft migration, IT has a formal sign-off procedure. Because the Power Billing System and Coal Accounting System are small applications, coupled with IT staffing limitations, it is not practical to assign separate personnel for the testing and migration functions.

* * * *

This report is intended solely for the information and use of the audit committee, board of directors, management, and the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. We were pleased to serve your Cooperative as its independent auditors. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Crowe Chizek and Company LLC
Member Horwath International

Audit Committee
East Kentucky Power Cooperative, Inc.
Winchester, Kentucky

We have audited the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary (the "Cooperative") as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 14, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

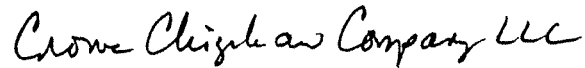
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting and its operation that might be of interest to you and we have reported these to the management of the Cooperative in a separate letter dated March 14, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, board of directors, management, and the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Audit Committee of
East Kentucky Power Cooperative, Inc. and
the National Rural Utilities Cooperative Finance Corporation

We have audited the consolidated balance sheets of East Kentucky Power Cooperative, Inc. and Subsidiary ("the Cooperative") as of December 31, 2006 and 2005, and the related consolidated statements of revenue and expenses, changes in members' equities and cash flows for the years then ended, and have issued our report thereon dated March 14, 2007.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of Article IV of the Restated and Consolidated Mortgage and Security Agreement dated June 12, 1995, made by and among the Cooperative, RUS, and CFC insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the audit committee, board of directors and management of East Kentucky Power Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Crowe Chizek and Company LLC".

Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007