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PUBLIC SERVICE
COMMISSION

August 31, 2007

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

Re: PSC Case No. 2006-00472

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the Joint Stipulation and Recommendation, filed on behalf of East Kentucky Power Cooperative, Inc.; the Office of the Attorney General, Utility and Rate Intervention Division; and Kentucky Industrial Utility Customers, Inc.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of: General Adjustment of Electric
Rates of East Kentucky Power Cooperative, Inc.

Case No. 2006-00472

JOINT STIPULATION AND RECOMMENDATION

This Joint Stipulation and Recommendation, is submitted to the Public Service Commission (the “Commission”), by and among East Kentucky Power Cooperative, Inc., (hereinafter referred to as “EKPC”); the Kentucky Office of the Attorney General (hereinafter referred to as the “Attorney General”); and Kentucky Industrial Utility Customers, Inc. (hereinafter referred to as “KIUC”), hereinafter collectively referred to as the “Parties”. The Parties hereto state to the Commission as follows:

1. The Parties to this Joint Stipulation and Recommendation have conducted and reviewed extensive discovery, reviewed EKPC’s pre-filed direct testimony and prepared testimony submitted by intervenors in the case, participated in settlement conferences on May 29 and June 20, 2007, and engaged in additional discussions by teleconferences. The Parties have discussed and resolved the issues of the amount and timing of EKPC’s general rate increase, the allocation of the increase to all wholesale rate classes, including commercial, large industrial and special contract customer classes. The Parties have not resolved the issues raised by the Cumberland Chapter of the Sierra Club in its Intervenor Testimony, which was filed with the Commission in this case on June 29, 2007, and do not submit this Joint Stipulation and Recommendation as a full settlement of the case.

2, It is understood by all parties hereto that this Stipulation and Recommendation is not binding upon the Public Service Commission (“Commission”), nor does it represent agreement on any specific

theory supporting the appropriateness of any recommended adjustments to EKPC's rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Stipulation and Recommendation. All of the parties, representing diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

3. In addition, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. It is the position of the parties hereto that this Stipulation and Recommendation is supported by sufficient and adequate data and information, and is entitled to serious consideration by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

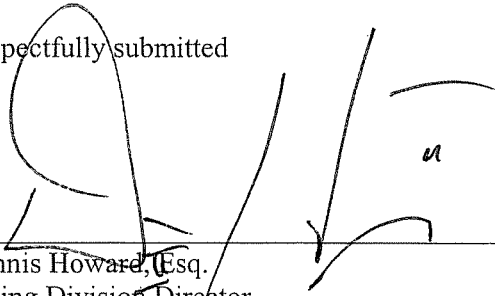
1. The Parties agree EKPC and its Member Systems will retain the rate increase of \$19 million granted by the Commission on an interim basis, effective on April 1, 2007, as a permanent rate increase; and that EKPC and the Member Systems will raise rates by an additional annualized amount of \$19.5 million for service rendered no earlier than November 1, 2007, and no later than January 1, 2008, for a total general rate increase of \$38.5 million. The timing of the \$19.5 million second phase rate increase will be determined by EKPC. EKPC will not implement the second phase rate increase of \$19.5 million until January 1, 2008 unless an earlier effective date is reasonably expected to be needed to meet the 2007 TIER and DSC requirements set forth in its loan agreements. The Parties agree that the rate increase agreed to by the Parties herein shall be in addition to EKPC's total base rates in effect as of the effective date.
2. The Parties agree that this rate increase will be allocated to EKPC's individual customer classes on the proportion of demand-related revenues, and in accordance with the rate design methodology, reflected in Exhibit A, which is attached hereto.
3. The Parties agree that this rate increase will be passed through to EKPC's Member Systems by the methodology specified by the Commission, pursuant to KRS §278.455.
4. The Parties agree that this Joint Stipulation and Recommendation in no way resolves the issues raised by the Sierra Club in its Intervenor Testimony, filed in this case on June 29, 2007.
5. The Parties agree that if the Commission materially alters this Joint Stipulation and Recommendation, then any Party hereto may elect to withdraw its consent and this Joint Stipulation and Recommendation

will be null and void. Before withdrawing from the Joint Stipulation and Recommendation, the Parties agree to renegotiate in good faith to try to reach a supplemental settlement.

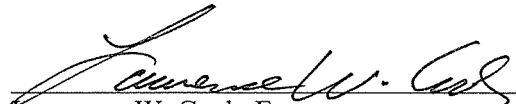
6. This Joint Stipulation and Recommendation is submitted for the review and consideration of the Commission and shall not be deemed to affect the jurisdiction of the Commission or to in any way supersede Chapter 278 of the Kentucky Revised Statutes.
7. The Parties agree that this Joint Stipulation and Recommendation is reasonable given EKPC's status as an electric power cooperative, owned by its members, rather than an investor-owned utility, the unique and unusual circumstances in this proceeding, and the belief based on those circumstances and the evidence that the failure to grant this amount of general increase will materially impair or damage the Company's credit or operations. Nothing in this Joint Stipulation and Recommendation shall be considered as precedent in future cases before the Commission.
8. Upon formal adoption and acceptance by the Commission of any of the terms of this Joint Stipulation and Recommendation as a resolution of the issues dealt with herein in regard to EKPC's proposed wholesale rate adjustment, all Parties agree that no petition for rehearing, pursuant to KRS §278.400, nor any appeal, pursuant to KRS §278.410, will be filed by any Party regarding such issues so resolved in this case.
9. Attached to this Stipulation and Recommendation as Exhibit B are proof-of-revenue sheets, showing that the rates set forth in Exhibit A will generate the proposed revenue increase to which the parties have agreed in Paragraph number 1 hereof.
10. Each party hereto waives all cross-examination of the witnesses of the other parties hereto unless such cross-examination is necessary to support the terms of this Stipulation and Recommendation, or unless the Commission disapproves this Stipulation and Recommendation, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.
11. This Stipulation and Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving EKPC or any other utility.
12. If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.
13. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation, or impose additional conditions or requirements upon the signatory parties, each signatory party shall have the right, within thirty (30) days of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Stipulation and Recommendation by filing a notice with the Commission. Upon rehearing, any signatory party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Stipulation and Recommendation. In such event the terms of this Stipulation and Recommendation shall not be deemed binding upon the parties hereto, nor shall such Stipulation and Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto.
14. All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Stipulation and Recommendation in its entirety.

WHEREFORE, The Parties hereto hereby submit this Joint Stipulation and Recommendation in this case and request that the Commission give due consideration to, and accept those recommendations in regard to the issues specified herein.

Respectfully submitted



Dennis Howard, Esq.
Acting Division Director



Lawrence W. Cook, Esq.
Assistant Attorney General
OFFICE OF THE ATTORNEY GENERAL
UTILITY & RATE INTERVENTION DIVISION
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204



Charles A. Lile, Esq.
Senior Corporate Counsel
EAST KENTUCKY POWER COOPERATIVE, INC.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707



Michael L. Kurtz, Esq. *by att. per authorization*
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS INC.

CERTIFICATE OF SERVICE

This is to certify that an original and 10 copies of the Joint Stipulation and Recommendation among East Kentucky Power Cooperative, Inc., the Office of the Attorney General Utility and Rate Intervention Division, and Kentucky Industrial Utility Customers, Inc. in PSC Case No. 2006-00472 were delivered to the office of Elizabeth O'Donnell, Executive Director of the Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and copies were mailed to the parties listed below, this 31st day of August, 2007.

Dennis G. Howard, II, Esq.
Lawrence W. Cook, Esq.
Assistant Attorneys General
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601-8204

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street
Cincinnati, Ohio 45202

Oscar H. Geraldts, Jr., Esq.
259 West Short Street
Lexington, Kentucky 40507

Stephen A. Sanders, Esq.
Appalachian Citizens Law Center, Inc.
207 W. Court Street, Suite 202
Prestonsburg, Kentucky 41653-7725



Charles A. Lile

FOR SETTLEMENT PURPOSES ONLY \$38.5M INCREASE
Revenue Allocation to Major Classes & Rate Design

I. Test Year Demand Rate Revenue	\$
Total Test Yr Revenue	\$510,669,029
Load Center Rev	(\$10,219,764)
Metering	(\$433,500)
TGP	(\$9,663,647)
All Energy \$	<u>(\$358,129,662)</u>
Demand Rate Revenue	<u>\$132,222,456</u>

II. Derivation of Proposed Increase

% of Demand Revenue total	Allocate to Class	Billing kW	\$/kW	Proposed Rate Increase
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Proposed Revenue Increase

\$38,500,000

Demand Revenues Only

Rate B	\$6,676,264
Rate B - Interr	\$546,551
Rate C	\$4,218,721

\$11,441,536

	\$11,441,536	8.65%	3,331,500	2,138,666	\$1.558	\$1.56
Inland Electric	\$1,755,728	1.33%	511,226	325,738		
AGC	\$1,218,151	0.92%	354,696	226,002		
Inland Steam	\$1,765,367	1.34%	514,032	508,649		
Total	\$4,739,246	3.58%	1,379,954	1,060,389	\$1.301	\$1.30
Gallatin	\$4,414,903	3.34%	1,285,514	1,942,343	\$0.662	\$0.66
Total Spec Contracts	\$9,154,149	6.92%	2,665,468			

III. Energy Adder to "E" Rate

"E" Billing kWh	\$/kWh
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Total Revenue Increase	38,500,000			
B & C	(\$3,331,500)			
Special Contracts	(\$2,665,468)			
Amount Remaining	<u>\$32,503,032</u>	9,181,636,048	\$0.003540	\$0.003540

Rate Schedule	EKPC REVENUE INCREASE BY RATE CLASS FOR SETTLEMENT PURPOSES ONLY										Increase in Revenues	Percentage Increase		
	PRESENT RATES					PROPOSED RATES								
	Base Rate Revenue	Buy-Through Revenue	Total Base Rate Revenue	FAC Revenues	ES Revenues	Base Rate Revenue	Buy-Through Revenue	Total Base Rate Revenue	FAC Revenues	ES Revenues				
Section E	392,232,413	66,451	392,232,413	68,632,419	45,722,083	506,586,915	424,707,305	66,451	424,707,305	68,632,419	45,722,083	539,061,807	32,474,892	6.41%
Section B	30,041,555		30,106,006	6,195,072	3,540,537	39,844,585	32,156,871		32,223,322	6,195,072	3,540,517	41,959,911	2,115,316	5.31%
Section C	15,987,564		15,987,564	3,210,663	1,871,288	21,069,515	17,208,567		17,208,567	3,210,663	1,871,288	22,290,518	1,221,003	5.80%
Inland Electric	7,391,355		7,391,355	1,546,661	884,906	9,922,922	7,814,815		7,814,815	1,546,661	884,906	10,346,382	423,460	4.27%
Inland Steam	8,554,161		8,554,161	2,016,154	1,019,185	11,589,500	9,215,396		9,215,396	2,016,154	1,019,185	12,250,735	661,235	5.71%
Gallatin Steel	30,870,772	1,289,822	32,160,594	7,737,702	3,763,296	43,661,592	33,442,540	1,289,822	33,442,540	7,737,702	3,763,296	44,943,538	1,281,946	2.94%
AGC Automotive	4,959,800		4,959,800	1,035,773	599,856	6,645,429	5,253,603		5,253,603	1,085,773	599,856	6,939,232	293,803	4.42%
Schedule A														
TCP	9,663,647		9,663,647			10,210,207	9,663,647		9,663,647			10,210,207		0.00%
EK Offices	314,468		314,468	61,825	35,689	411,982	342,598		342,598	61,825	35,689	440,092	28,100	6.82%
Total	500,015,765	1,356,273	501,372,038	90,587,269	57,983,360	649,942,667	536,515,520	1,356,273	539,871,793	90,587,269	57,983,360	686,442,422	38,499,755	5.92%
Load Center & Metering Point	10,653,264		10,653,264	0	0	10,653,264	10,653,264		10,653,264	0	0	10,653,264		0.00%
Total	510,669,029	1,356,273	512,025,302	90,587,269	57,983,360	660,595,931	549,168,784	1,356,273	550,525,057	90,587,269	57,983,360	699,095,686	38,499,755	5.83%

Member System	EKPC Revenue Increase by Member System Per Settlement Agreement										Amount to be Recovered	
	Present Rates					Proposed Rates						Percentage Increase
	Base	FAC	ES	Total	ES	FAC	ES	Total	Total			
Big Sandy	\$ 11,716,472	\$ 2,013,267	\$ 1,325,333	\$ 15,055,072	\$ 2,013,267	\$ 1,325,333	\$ 16,001,007	\$ 16,001,007	\$ 945,935	6.28%		
Blue Grass	\$ 52,390,639	\$ 9,151,496	\$ 5,979,254	\$ 67,521,389	\$ 9,151,496	\$ 5,979,254	\$ 71,593,714	\$ 71,593,714	\$ 4,072,325	6.03%		
Clark	\$ 19,645,505	\$ 3,321,637	\$ 2,229,895	\$ 25,197,037	\$ 3,321,637	\$ 2,229,895	\$ 26,768,878	\$ 26,768,878	\$ 1,571,841	6.24%		
CVECC	\$ 22,673,225	\$ 3,924,715	\$ 2,572,958	\$ 29,170,898	\$ 3,924,715	\$ 2,572,958	\$ 31,017,594	\$ 31,017,594	\$ 1,846,696	6.33%		
Farmers	\$ 21,777,590	\$ 3,861,588	\$ 2,496,643	\$ 28,135,821	\$ 3,861,588	\$ 2,496,643	\$ 29,910,128	\$ 29,910,128	\$ 1,774,307	6.31%		
F-M W/O Inland & TGP	\$ 25,936,162	\$ 4,676,923	\$ 2,965,000	\$ 33,578,085	\$ 4,676,923	\$ 2,965,000	\$ 35,645,169	\$ 35,645,169	\$ 2,067,084	6.16%		
Inland Electric	\$ 7,391,355	\$ 1,646,661	\$ 884,906	\$ 9,922,922	\$ 1,646,661	\$ 884,906	\$ 10,346,382	\$ 10,346,382	\$ 423,460	4.27%		
Inland Steam	\$ 8,554,161	\$ 2,016,144	\$ 1,019,185	\$ 11,589,490	\$ 2,016,144	\$ 1,019,185	\$ 12,250,725	\$ 12,250,725	\$ 661,235	5.71%		
TGP	\$ 5,602,582	\$ -	\$ 313,519	\$ 5,916,101	\$ -	\$ 313,519	\$ 5,916,101	\$ 5,916,101	\$ -	0.00%		
F-M Total	\$ 47,484,260	\$ 8,339,728	\$ 5,182,610	\$ 61,006,598	\$ 8,339,728	\$ 5,182,610	\$ 64,158,377	\$ 64,158,377	\$ 3,151,779	5.17%		
Grayson	\$ 11,890,088	\$ 2,026,114	\$ 1,346,778	\$ 15,262,980	\$ 2,026,114	\$ 1,346,778	\$ 16,205,065	\$ 16,205,065	\$ 942,085	6.17%		
Inter-County	\$ 20,221,967	\$ 3,445,142	\$ 2,283,809	\$ 25,950,918	\$ 3,445,142	\$ 2,283,809	\$ 27,545,004	\$ 27,545,004	\$ 1,594,086	6.14%		
Jackson	\$ 42,364,688	\$ 7,278,321	\$ 4,783,781	\$ 54,426,790	\$ 7,278,321	\$ 4,783,781	\$ 57,819,462	\$ 57,819,462	\$ 3,392,672	6.23%		
Licking Valley	\$ 12,034,882	\$ 2,064,583	\$ 1,362,658	\$ 15,462,123	\$ 2,064,583	\$ 1,362,658	\$ 16,433,390	\$ 16,433,390	\$ 971,267	6.28%		
Nolin	\$ 31,936,390	\$ 5,748,666	\$ 3,675,917	\$ 41,360,973	\$ 5,748,666	\$ 3,675,917	\$ 43,818,173	\$ 43,818,173	\$ 2,457,200	5.94%		
Owen (w/o Gallatin)	\$ 48,148,373	\$ 8,527,755	\$ 5,534,803	\$ 62,210,931	\$ 8,527,755	\$ 5,534,803	\$ 66,094,475	\$ 66,094,475	\$ 3,883,544	6.24%		
Owen Gallatin	\$ 32,160,594	\$ 7,737,702	\$ 3,763,296	\$ 43,661,592	\$ 7,737,702	\$ 3,763,296	\$ 44,943,638	\$ 44,943,638	\$ 1,281,946	2.94%		
Owen Total	\$ 80,308,967	\$ 16,265,457	\$ 9,298,099	\$ 105,872,523	\$ 16,265,457	\$ 9,298,099	\$ 111,038,013	\$ 111,038,013	\$ 5,165,490	4.88%		
Salt River	\$ 42,526,335	\$ 7,366,794	\$ 4,872,801	\$ 54,765,930	\$ 7,366,794	\$ 4,872,801	\$ 58,214,649	\$ 58,214,649	\$ 3,448,719	6.30%		
Shelby	\$ 18,871,430	\$ 3,414,773	\$ 2,169,423	\$ 24,455,626	\$ 3,414,773	\$ 2,169,423	\$ 25,884,972	\$ 25,884,972	\$ 1,429,346	5.84%		
SKRECC	\$ 51,840,181	\$ 8,886,870	\$ 5,867,977	\$ 66,595,028	\$ 8,886,870	\$ 5,867,977	\$ 70,713,116	\$ 70,713,116	\$ 4,118,088	6.18%		
Taylor W/O TGP	\$ 19,967,120	\$ 3,416,292	\$ 2,274,737	\$ 25,658,209	\$ 3,416,292	\$ 2,274,737	\$ 27,248,029	\$ 27,248,029	\$ 1,589,820	6.20%		
TGP	\$ 4,061,065	\$ -	\$ 225,018	\$ 4,286,083	\$ -	\$ 225,018	\$ 4,286,083	\$ 4,286,083	\$ -	0.00%		
Taylor Total	\$ 24,028,185	\$ 3,416,352	\$ 2,499,755	\$ 29,944,292	\$ 3,416,352	\$ 2,499,755	\$ 31,534,112	\$ 31,534,112	\$ 1,589,820	5.31%		
EK Offices	\$ 314,488	\$ 61,826	\$ 35,669	\$ 411,993	\$ 61,826	\$ 35,669	\$ 440,093	\$ 440,093	\$ 28,100	6.82%		
	\$ 512,025,302	\$ 90,587,269	\$ 57,983,360	\$ 660,595,991	\$ 90,587,269	\$ 57,983,360	\$ 699,095,747	\$ 699,095,747	\$ 38,499,756	5.83%		