

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR GENERAL) CASE NO. 2010-00167
ADJUSTMENT OF ELECTRIC RATES)

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on December 9, 2010 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on December 9, 2010 in this proceeding;
- A written list of the exhibits introduced at the evidentiary hearing conducted on December 9, 2010 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on December 9, 2010.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2010-00167/2010-00167_09Dec10_Inter.aspx. Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2010%20cases/2010-00167/>.

Done at Frankfort, Kentucky, this 14th day of December 2010.



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Director, Filings Division
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR GENERAL) CASE NO. 2010-00167
ADJUSTMENT OF ELECTRIC RATES)
)

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on December 9, 2010;

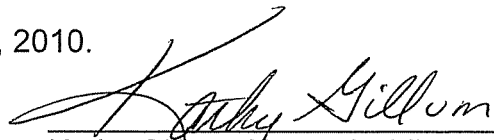
2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing;

4. All Exhibits introduced at the hearing of December 9, 2010 are attached to this Certificate, as well as the "Exhibit List", which correctly lists all exhibits introduced at the hearing of December 9, 2010.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of December 9, 2010 and the time at which each occurred. The hearing of December 9, 2010 is Part 2 of 2, with Part 1 being heard on November 30, 2010.

Given this 14th day of December, 2010.



Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2010-167_09Dec10

Case Title: East Kentucky Power Cooperative, Inc.

Case Type: General Rates

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 12/9/2010

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
8:21:15 AM	Case Started	
8:21:22 AM	Case Recessed	
10:00:56 AM	Case Resumed	
10:01:02 AM	Camera Lock Mode Deactivated	
10:01:02 AM	Normal Mode Activated	
10:01:02 AM	Camera Lock Deactivated	
10:01:07 AM	Preliminary Remarks	
10:01:56 AM	Introductions Note: Kathy Gillum	Mark David Goss, counsel for EKPC; Anthony Campbell, Pres.\CEO EKPC ; Lawrence Cook and Dennis Howard, counsel for OAG; Mike Kurtz, counsel for Gallatin Steel; and Quang Nguyen, PSC Staff Attorney
10:03:01 AM	Housekeeping Issues Discussed Note: Kathy Gillum	Notice has been given and pre-filed into the record. Motion made to file the settlement agreement. No objections to the filing of motion.
10:04:14 AM	No Public Comments	
10:04:20 AM	Witness, Anthony Campbell, EKPC Note: Kathy Gillum	Witness called by Mark David Goss, EKPC. Mr. Goss requested that Mr. Campbell and Mr. McNalley testify, then any other witnesses would be called for cross at the other parties discretion. Parties agreed. Witness made changes to pre-filed testimony. The first change is page 3, line 13 and 14, name should be changed to Mr. McNalley due to Mr. Eames retirement. The 2nd change is page 4, lines 21 and 22, John Twitcher should be changed to Julie Tucker. Witness adopts pre-filed testimony with the 2 changes.
10:08:57 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding the small number of persons showing up at the public meetings. Questions regarding Audit Management Report used by EKPC.

10:12:24 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding loan\financing for projects.
10:14:00 AM	Cross Examination by Dennis Howard, OAG Note: Kathy Gillum	Questions regarding recommendations.
10:15:19 AM	Witness excused (Campbell)	
10:15:30 AM	Witness, Mike McNalley, EKPC Note: Kathy Gillum	Witness called to testify by Mark David Goss, EKPC. Witness adopts pre-filed testimony. Mr. Goss makes Motion to Admit Pre-filed Testimony in Support of Settlement Agreement.
10:17:41 AM	Statement by Lawrence Cook (OAG) Note: Kathy Gillum	Mr. Cook reserves the right to recall witness.
10:17:57 AM	Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding pages 3 and 4. Questions regarding Settlement, pages 4 and 5, regarding over earning mechanism. Questions regarding Paragraph 6(b). Questions regarding TIERS. Questions regarding page 5, paragraph 8 pertaining to Smith I. Questions regarding reduction of base rates. Questions regarding 10 year amort. Questions regarding page 6, paragraph 3 of Settlement Agreement. Questions regarding Page 8, paragraph 7 of Settlement Agreement.
10:16:14 AM	Exhibit introduced by Mark David Goss (EKPC) Note: Kathy Gillum	Mr. Goss introduced Motion for Leave to file Settlement Agreement and Supporting Testimony. Marked as EKPC Exhibit 1.
10:28:35 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding settlement elements. Questions regarding page 2 and page 8.
10:32:16 AM	Statement by Dennis Howard (OAG) Note: Kathy Gillum	AG agrees to the many items but not the revenue.
10:33:07 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding base rate case and surcredit mechanism. Questions regarding Smith costs.
10:36:10 AM	Statement by Mark David Goss, EKPC Note: Kathy Gillum	Mr. Goss explains Case No. 2010-449
10:36:39 AM	Statement by Quang Nguyen (PSC) Note: Kathy Gillum	2010-238 is the investigation case. 2010-449 is case to recover costs already expended in Smith I.
10:37:29 AM	Questions by Commissioner Gardner continues Note: Kathy Gillum	Questions regarding TIER.
10:40:49 AM	Statement by Dennis Howard (OAG) Note: Kathy Gillum	Clarification of question regarding over-earning.
10:41:37 AM	Cross Examination by Mike Kurtz, Gallatin Note: Kathy Gillum	Clarification regarding base rates and recovery.
10:43:33 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding base rate and recovery.
10:44:59 AM	Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding Exhibit 2 to pre-filed testimony, Table 1, Base Rate Impact (Old Load Impact Table) and Table 2, Base Rate Impact (New 2010 Table). Questions regarding what the base rate impact is regarding both of the tables.
10:46:42 AM	Witness Excused (McNalley)	
10:47:14 AM	Witness, McNalley recalled Note: Kathy Gillum	Witness recalled by Lawrence Cook (OAG).

10:47:31 AM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	Questions regarding revised load forecast. Questions regarding Mr. Walker's testimony. Witness was given a copy of Mr. Walker's pre-filed testimony to refer to for cross examination. Questions regarding Page 5, line 7 of Mr. Walker's pre-filed testimony regarding stress tests.
10:53:17 AM	Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding billing determinants.
10:53:52 AM	Statement by Dennis Howard (OAG) Note: Kathy Gillum	Clarification of billing determinants as used in the settlement.
10:55:19 AM	Witness excused (McNalley)	
10:55:50 AM	Lawrence Cook (OAG) Note: Kathy Gillum	Mr. Cook calls Mr. Campbell for Cross Examination.
10:56:02 AM	Witness, Anthony Campbell (EKPC)	
10:56:22 AM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	Questions regarding revised testimony, page 4, line 3, regarding projected expense increases.
10:59:05 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions related to page 5, line 18 of Eicher testimony.
11:00:50 AM	Witness Excused (Campbell)	
11:01:02 AM	Lawrence Cook (OAG) Note: Kathy Gillum	Mr. Cook calls Ann Wood for Cross Examination.
11:01:13 AM	Witness, Ann Wood (EKPC)	
11:01:48 AM	Direct Examination by Mark David Goss (EKPC) Note: Kathy Gillum	Witness adopts pre-filed testimony.
11:02:24 AM	Cross Examination by Lawrence Cook OAG Note: Kathy Gillum	Questions regarding Revised Load Forecast. Questions regarding page 11, line 9 of pre-filed testimony. Questions regarding presentation to the Board.
11:08:57 AM	Data Requested by Mr. Cook (OAG) Note: Kathy Gillum	Mr. Cook requested the Handouts or written materials that were presented to the Board.
11:09:23 AM	Cross Examination by Mr. Cook (OAG) Note: Kathy Gillum	continues Questions regarding outage insurance policy.
11:11:34 AM	Data Request by Mr. Cook (OAG) Note: Kathy Gillum	Declaration sheet and amount of premium.
11:12:02 AM	Mark David Goss (EKPC) Note: Kathy Gillum	You want both? Response by Mr. Cook was "yes".
11:12:20 AM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	continues Questions regarding interest expenses.
11:13:50 AM	Data Request by Lawrence Cook (OAG) Note: Kathy Gillum	Interest Expense amount - percentage increase.
11:14:28 AM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	continues Questions regarding private placement debt.
11:15:44 AM	Data Request by Lawrence Cook (OAG) Note: Kathy Gillum	Regarding amount of private placement debt in the last rate case.
11:15:59 AM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	continues Questions regarding loans in line for specific projects. Questions regarding private placement debt and the Smith plant. Questions regarding payroll expense increase.
11:21:58 AM	Data Request by Lawrence Cook (OAG) Note: Kathy Gillum	Regarding how many employees were dedicated to Smith.
11:22:10 AM	Cross Examination by Lawrence Cook (OAG)	continues

11:22:33 AM	Document presented to witness for examination Note: Kathy Gillum	Document given to witness for examination by OAG. Document described as a study performed by Mercer, page 2 salary projections.
11:24:34 AM	Exhibit introduced by Lawrence Cook (OAG) Note: Kathy Gillum	Mr. Cook introduced the Mercer Study as exhibit. Exhibit marked as OAG Exhibit 1.
11:25:34 AM	Cross Examination by Dennis Howard (OAG) Note: Kathy Gillum	Questions regarding disputed revenue in general.
11:27:21 AM	Cross Examination by Mike Kurtz, (Gallatin) Note: Kathy Gillum	Questions regarding revenue to be received. Questions regarding Exhibit 1 to Settlement Agreement. Questions regarding Refund Protection Mechanism. Questions regarding equity position.
11:32:49 AM	Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding 2010 Load Forecast. Questions regarding page 6 paragraph 5 (this may have printed on top of page 7 due to electronic copy). Questions regarding PSC 2nd DR Item 29, and PSC 3rd Item 9.
11:38:20 AM	Data Request by Quang Nguyen (PSC) Note: Kathy Gillum	Percentage of the pension plan as related to base pay.
11:38:56 AM	Cross Examination by Quang Nguyen (PSC) continues Note: Kathy Gillum	Questions regarding premium through November. Questions regarding Exhibit 1 to pre-filed testimony. Questions regarding legal fees.
11:43:28 AM	Direct Examination by Mark David Goss (EKPC) Note: Kathy Gillum	Questions regarding review of expenses by executives, directors and legal counsel. Questions regarding wages and benefits. Questions regarding forced outage expenses. Questions regarding environment compliance equipment. Questions regarding borrowing of monies for unspecified captial projects. Questions regarding liquidity.
11:58:39 AM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	Questions regarding O&M cost. Questions regarding variable expenses.
12:00:03 PM	Cross Examination by Mike Kurtz (Gallatin) Note: Kathy Gillum	Questions regarding Test Year.
12:01:15 PM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	Questions regarding Test Year.
12:01:47 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding page 17, line 16 of pre-filed testimony.
12:05:59 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding legal fees in settlement. Questions regarding page 14. Questions regarding equity levels and TIER levels v. distribution co-ops. Questions regarding DSM.
12:12:25 PM	Re-Direct Examination by Mark David Goss (EKPC) Note: Kathy Gillum	Clarification of purpose of outage insurance.
12:15:29 PM	Witness Excused (Wood)	
12:15:51 PM	Case Recessed	
1:33:13 PM	Case Started	
1:33:28 PM	Lawrence Cook (OAG) Note: Kathy Gillum	Mr. Cook calls Frank Oliva for Cross Examination.
1:33:37 PM	Witness, Frank Oliva (EKPC) Note: Kathy Gillum	Witness adopts pre-filed testimony.

1:34:45 PM	Cross Examination by Lawrence Cook (OAG) Note: Kathy Gillum	Questions regarding Revised Load Forecast. Questions regarding discovery in case. Questions regarding revenue generation. Questions regarding variable expense forecast. Questions regarding pre-filed testimony, page 6, line 19. Questions regarding private placement debt financing. Questions regarding interest rates. Questions regarding depreciation expenses of Smith I.
1:49:59 PM	Cross Examination by Mike Kurtz (Gallatin) Note: Kathy Gillum	Questions regarding new load forecast.
1:52:46 PM	Data Request by Mike Kurtz (Gallatin) Note: Kathy Gillum	Provide load forecast with most current information.
1:53:07 PM	Cross Examination by Mike Kurtz continues	
1:55:35 PM	Objection by Dennis Howard (OAG) Note: Kathy Gillum	The AG objects to cost information being provided after discovery.
1:56:20 PM	Statement by Mike Kurtz (Gallatin) Note: Kathy Gillum	Mr. Kurtz made a statement that they were just trying to give all of the information.
1:56:47 PM	Statement by Dennis Howard (OAG) Note: Kathy Gillum	Mr. Howard stated that the AG wants all of the information necessary, but will not have had time to review all of the details.
1:57:25 PM	Commissioner Gardner Note: Kathy Gillum	Commissioner Gardner stated that the Commission will overrule your objection at this time without prejudice to you. Once the information comes in to you, renewing your objection as part of post-hearing brief and assuming you desire to continue your objection, we will review at that time.
1:58:08 PM	Direct Examination by Mark David Goss (EKPC) Note: Kathy Gillum	Questions regarding unsecured credit facility. Questions regarding lenders' interest in this rate case. Questions regarding financial conditions of EKPC. Questions regarding management audit.
2:08:38 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding management audit.
2:10:17 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding clarification of earlier testimony regarding additional rate increase. Questions regarding page 5, paragraph 8 of settlement agreement. Questions regarding regulatory assets. Question regarding GNTs. Questions regarding load forecast.
2:20:17 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding an additional increase in revenues. Questions regarding Management Audit Report.
2:21:56 PM	Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding TIER requirement.
2:23:10 PM	Direct Examination by Mark David Goss (EKPC) Note: Kathy Gillum	Questions for clarification regarding the mechanism that the 6 million is accounted for. Questions regarding TIER. Transparency discussed.
2:28:07 PM	Questions by Commissioner Armstrong (PSC) Note: Kathy Gillum	Questions regarding management audit.
2:32:03 PM	Witness Excused (Oliva)	
2:32:16 PM	Statement by Mike Kurtz (Gallatin) Note: Kathy Gillum	Mr. Kurtz stated that he did not need to put his witness on.

2:32:30 PM	Statement by Mark David Goss (EKPC) Note: Kathy Gillum	Mr. Goss made statement that Julie Tucker was available to testify.
2:33:20 PM	Statement by Quang Nguyen (PSC) Note: Kathy Gillum	Mr. Nguyen stated that he did have questions for Ms. Tucker. Counsel decided to place Isaac Scott to testify before Ms. Tucker.
2:33:48 PM	Witness, Isaac Scott (EKPC) Note: Kathy Gillum	Witness called to testify. Witness adopts pre-filed testimony and rebuttal testimony.
2:35:41 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding Page 5 and 6 of Direct Testimony.
2:44:09 PM	Statement by Commissioner Borders Note: Kathy Gillum	Regarding energy efficiency.
2:45:22 PM	Statement by Commissioner Gardner Note: Kathy Gillum	Regarding energy efficiency.
2:46:18 PM	Cross Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding Exhibit to Settlement Agreement, page 2 of 5.
2:47:44 PM	Witness Excused (Scott)	
2:48:02 PM	Witness, Julie Tucker Note: Kathy Gillum	Witness adopts Mr. Twitchels pre-filed testimony. dealing with the load forecast
2:49:26 PM	Examination by Quang Nguyen (PSC) Note: Kathy Gillum	Questions regarding pre-filed testimony in Case 2010-238, page 3, lines 16 and 17. Questions regarding page 4 of pre-filed testimony. Questions regarding settlement agreement, Exhibit MM2 to Mr. McNally's testimony.
3:01:03 PM	Questions by Mark David Goss (EKPC) Note: Kathy Gillum	Questions regarding EKPC's load forecasting methods. Detailed outline of methods explained by witness. Questions regarding the importance of the load forecast.
3:07:11 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding whether the co-ops have the expertise to forecast, or if EKPC provides the expertise.
3:09:39 PM	Witness excused (Tucker)	
3:10:10 PM	Acknowledgement of Settlement Agreement Note: Kathy Gillum	All parties in agreement with caveat.
3:11:31 PM	Commissioner Gardner Note: Kathy Gillum	Data Requests due by close of business Wed. Discussion regarding timeline for Briefs.
3:16:09 PM	Case Recessed	
3:28:05 PM	Case Started	
3:28:23 PM	Briefing Schedule Note: Kathy Gillum	By agreement of the parties and the Commissioner, Post Data Requests due by close of business, Monday, December 13, 2010 and Briefs by December 17, 2010. Hearing adjourned.
3:29:48 PM	Case Recessed	



Case Title: East Kentucky Power Cooperative, Inc.

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
EKPC Exhibit 1	Motion for Leave to File Settlement Agreement and Testimony in Support
OAG Exhibit 1	Mercer Report - Average base pay increases for employees

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES)	PSC CASE NO.
OF EAST KENTUCKY POWER)	2010-00167
COOPERATIVE, INC.)	

MOTION OF EAST KENTUCKY POWER COOPERATIVE, INC.
FOR LEAVE TO FILE SETTLEMENT AGREEMENT AND TESTIMONY
IN SUPPORT


Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, and hereby moves the Kentucky Public Service Commission (the "Commission") for leave to file Settlement Agreement and the Testimony in support of Settlement of Mike McNalley, Chief Financial Officer of EKPC.

In support of this Motion, EKPC states that it and the intervenors in this proceeding met at the Lexington Offices of Frost Brown Todd LLC on November 24, 2010, for a conference to discuss settlement of the matters at issue in this proceeding. The Settlement Agreement that accompanies this Motion is contained as Exhibit MM-1 to Mr. McNalley's testimony and is the product of those negotiations and represents a complete settlement with Gallatin Steel Company of all issues in the case, and a settlement with the Office of the Attorney General on all issues with the exception of the revenue requirements and rates derived from said revenue requirements. Mr. McNalley's testimony describes the Settlement Agreement and the process by which the parties reached it. EKPC desires to submit the Settlement Agreement and testimony in support into the record of these proceedings for the Commission's consideration and approval to permit a change in base rates for service rendered on and after January 1, 2011.

Since the parties have agreed that the new rates are to be implemented for service rendered on and after January 1, 2011, the parties respectfully request the Commission to issue an order approving the settlement, as soon as its schedule permits in order to conform to this agreed upon implementation date.

WHEREFORE, EKPC respectfully moves the Commission to grant it leave to file the attached Settlement Agreement and Testimony in support of Settlement.

Respectfully submitted,



Mark David Goss
Frost Brown Todd LLC
250 West Main Street, Suite 2800
Lexington, KY 40507-1749
(859) 231-0000 – Telephone
(859) 231-0011 – Facsimile
Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served by U.S. Mail, postage prepaid, on December 3, 2010 to the following:

Hon. Michael L. Kurtz
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Hon. Lawrence W. Cook
Hon. Dennis G. Howard, II
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Counsel for East Kentucky Power Cooperative, Inc.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES) CASE NO.
OF EAST KENTUCKY POWER) 2010-00167
COOPERATIVE, INC.)

TESTIMONY ON SETTLEMENT OF MIKE MCNALLEY
CHIEF FINANCIAL OFFICER
EAST KENTUCKY POWER COOPERATIVE, INC.

- 18 **Q. Please state your name, business address and occupation.**
- 19 A. My name is Mike McNalley and my business address is East Kentucky Power
20 Cooperative ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391. I
21 am Chief Financial Officer for EKPC.
- 22 **Q. How long have you been employed by EKPC?**
- 23 A. I have been employed by EKPC since July 2010.
- 24 **Q. Please state your education and professional experience.**
- 25 A. I obtained my undergraduate degree in economics from Reed College in Portland,
26 Oregon and my Master's of Business Administration from Dartmouth College.
27 Prior to joining EKPC, I held various positions with DTE Energy ("DTE"),
28 including chief financial officer and chief operating officer of one of DTE's
29 subsidiaries, DTE Energy Technologies. Prior to joining DTE, I worked as the
30 corporate leader of finance or as a senior executive at various companies

1 including Corrillian Corp., System2, Inc., and Oliver & Thompson, Inc., all
2 located in Portland, Oregon.

3 **Q. What are your responsibilities at EKPC in your position?**

4 A. I am responsible for accounting, finance, performance measures, pricing, and
5 regulatory services at EKPC.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to present the Settlement Agreement reached in
8 total by Gallatin and partially by the AG, and to recommend that the Commission
9 approve the Settlement Agreement.

10 **Q. Please describe the procedural background of this case.**

11 A. On April 26, 2010, EKPC filed with the Commission its notice of intent to file a
12 wholesale rate adjustment application on or after May 27, 2010. On May 27,
13 2010, EKPC filed its application in Case No. 2010-00167 for a general adjustment
14 of its wholesale electric rates using a fully forecasted test year. The Commission
15 granted intervention to the Attorney General (“AG”) and Gallatin Steel Company
16 (“Gallatin”). EKPC, the AG, and Gallatin will be referred to hereinafter as the
17 “Parties.” The Parties have submitted into the record of this proceeding
18 testimony, data requests, and responses to data requests.

19 **Q. Have the Parties reached a settlement for the Commission’s consideration?**

20 A. Yes. The Parties met at the Lexington Offices of Frost Brown Todd LLC and
21 engaged in negotiations on November 24, 2010, to reach the Settlement
22 Agreement attached hereto as Exhibit MM-1. The Settlement Agreement is a
23 reasonable “black box” settlement addressing the Parties’ respective interests and

1 results in fair, just, and reasonable rates, terms, and conditions for all EKPC's
2 members, subject, of course, to the AG's decision not to agree to the revenue
3 requirement portion of the settlement. A "black box" settlement does not attach
4 specific dollars or concessions on any particular issue; rather it provides an
5 overall outcome with a fair, just, and reasonable result. Because it is a "black
6 box" settlement, the Parties agree that it should not be considered to be set as
7 precedent, but as a negotiated outcome.

8 **Q. What revenue requirement does the Settlement Agreement establish for**
9 **EKPC?**

10 A. The Settlement Agreement establishes an annual revenue increase of \$43,000,000.
11 This increase is fair, just, and reasonable for the Parties, except for the AG. It is
12 also fair, just, and reasonable for all members of EKPC.

13 **Q. On what billing determinants will rates be developed from the \$43 million**
14 **annual revenue increase?**

15 A. The Parties agree that the billing determinants will be derived from EKPC's 2010
16 load forecast. EKPC's 2010 load forecast has been filed with the Commission in
17 Case No. 2010-00238 and reflects significant projected reductions in demand and
18 energy. Without recognition of these projected reductions in the billing
19 determinants used to determine the final rates approved in this proceeding, EKPC
20 will not be able to generate the level of revenues authorized. Exhibit MM-2
21 reflects the impact of the 2010 forecasted load reductions, and is provided for
22 illustrative purposes.

23 **Q. Would you walk through Exhibit MM-2?**

1 A. Yes. Table 1 of the exhibit represents the current and proposed revenue as filed in
2 the Application (Application Volume 5, Tab 58, Page 7.) Revenues reflected in
3 the "current" column are the product of the billing determinants forecasted, based
4 upon EKPC's modified 2008 load forecast, multiplied by EKPC's rates currently
5 in effect. Revenues reflected in the "proposed" column are the product of those
6 same billing determinants multiplied by rates derived after applying the \$49.4
7 million requested rate increase. Table 2 of the exhibit contains the billing
8 determinants sourced from the 2010 load forecast. These billing determinants are
9 multiplied by rates currently in effect ("current" column), and then by rates
10 derived after applying the \$49.4 million requested rate increase ("proposed.") As
11 you can see, Table 1 produces total revenue of \$987 million when including the
12 \$49.4 million rate increase. By changing the billing determinants to those
13 produced from the 2010 load forecast, a \$49.4 million increase produces only
14 \$846 million in total revenue as indicated in Table 2.

15 **Q. What is the effective date for this annual revenue increase?**

16 A. The Settlement Agreement establishes an effective date for the increase for
17 service rendered on and after January 1, 2011, or the date of the Commission's
18 Order, whichever is later. This timing is fair, just, and reasonable for the Parties,
19 and for all members of EKPC.

20 **Q. What revenue allocations does the Settlement Agreement establish?**

21 A. The allocations of the increase in annual revenue are outlined in Exhibit 1 to the
22 Settlement Agreement, and are fair, just, and reasonable for the Parties. The
23 allocations are also fair, just, and reasonable for all members of EKPC. The rates

1 derived in Exhibit 1 reflect a reduction in the allocation to Gallatin of \$500,000 to
2 address a subsidy issue raised by Gallatin and allocates said subsidy
3 proportionally to all eligible rate classes.

4 **Q. Does the Settlement Agreement contain an “over-earning mechanism”?**

5 A. Yes. Based upon EKPC’s 2011 audited financial statements, if EKPC earns
6 greater than a 1.50 Times Interest Earned Ratio (“TIER”) for calendar year 2011,
7 EKPC will refund the amount in excess of the 1.50 TIER in a proportional
8 manner according to the rates established in Exhibit 1 by way of a Surcredit
9 Application to be filed with the Commission. EKPC agrees to file a base rate case
10 as soon as practical after 2011 financial results are known in order for the
11 Commission to determine that rates are appropriate.

12 **Q. Do the matters addressed in Case No. 2010-00449, recently filed with the**
13 **Commission, impact this Settlement Agreement?**

14 A. Yes. The Parties understand that EKPC will file an application prior to the time
15 frame established in the “over-earning mechanism” for the purpose of recovering
16 the amortization of the regulatory asset, subject to Commission approval, which is
17 the subject of Case No. 2010-00449. EKPC will also consider the level of interest
18 expense relating to Smith Unit 1 included in base rates in this proceeding (Case
19 No. 2010-00167) when requesting amortization of the regulatory asset in Case
20 No. 2010-00449, so as to prevent a double-recovery of interest expense by EKPC.
21 The Parties agree that the amount of interest expense relating to Smith Unit 1
22 contained in this settlement is \$6,000,000 plus TIER. Once the final cancellation
23 costs of Smith Unit 1 are determined, net of all mitigation, then EKPC shall

1 reduce its base rates to all classes of customers proportionally by \$6,000,000 plus
2 TIER and EKPC will seek to recover the net cancellation costs over ten years
3 pursuant to the Settlement Agreement in Case No. 2010-00238.

4 **Q. Are there any restrictions that prevent EKPC from filing a base rate case**
5 **before the timeframe established in the “over-earning” mechanism?**

6 A. No. Nothing contained in the Settlement Agreement shall act to restrict or
7 prevent EKPC from filing a base rate case prior to the 2012 timeframe referenced
8 in the “over-earning” mechanism should the Commission enter an Order allowing
9 an amount less than the \$43 million base rate increase.

10 **Q. What action is EKPC proposing relating to the interruptible credit provided**
11 **to Gallatin?**

12 A. The Parties agree that the 10-minute interruptible credit for Gallatin will be
13 increased to \$6.22/kW and this credit shall remain fixed for a period of three
14 years from the effective date of the rates. After three years, this interruptible
15 credit may be increased or decreased by Order of the Commission. The Parties
16 agree that EKPC will absorb the revenue loss created by the increase in the 10-
17 minute interruptible credit for Gallatin.

18 **Q. How has EKPC responded to the recommendations contained in the**
19 **Management Audit Report prepared by the Liberty Consulting Group?**

20 A. EKPC’s Board of Directors and Management have accepted all recommendations
21 outlined in the Focused Management and Operations Audit Report prepared by
22 the Liberty Consulting Group (“Liberty”), and have implemented or are in the
23 process of implementing these recommendations. EKPC is following the

1 recommendations in Liberty's report, and will provide proof of same to the
2 Commission and the AG. This is stated in the Settlement Agreement.

3 **Q. Does the Settlement Agreement address issues raised in the Member
4 Cooperatives' flow-through cases that were filed pursuant to KRS 278.455?**

5 **A.** In its direct testimony in this proceeding, Gallatin noted that the increase
6 determined for Gallatin by EKPC was larger than the increase proposed in the
7 flow-through case filed by Owen Electric Cooperative ("Owen") for Gallatin.
8 This situation occurred because Owen followed a strict proportional flow-through
9 of its share of the EKPC proposed revenue increase, in compliance with KRS
10 278.455(2). Noting that the Owen proposed flow-through resulted in the other
11 Owen ratepayers subsidizing Gallatin, Gallatin proposed that the final revenue
12 increase determined for it by EKPC should be passed directly to Gallatin, similar
13 to the approach followed for the environmental surcharge. Gallatin contends that
14 this approach is allowed under KRS 278.455(3) because Gallatin has a special
15 contract with EKPC and Owen. Gallatin repeated this position in testimony it
16 filed in Owen's flow-through case. In response to data requests Owen has
17 indicated it does not oppose this treatment. In its rebuttal testimony, EKPC has
18 stated it does not oppose this treatment but has noted there is no prior decisions by
19 the Commission that would support this approach. EKPC has requested that the
20 Commission address this issue concerning special contracts and those customers
21 on tariff Schedule G. In the Settlement Agreement, the Parties are agreeing that
22 this approach is fair, just, and reasonable and recommending that the Commission
23 make a similar finding.

1 Q. Does the Settlement Agreement contain other regulatory matters?

2 A. Yes. The Parties agree that the unamortized costs of the Spurlock 1 outage will
3 be amortized over a three-year period.

4 Q. If the Commission does not issue an Order before the end of the suspension
5 period, does EKPC plan to place the rates, as contained in the Application, in
6 effect, subject to refund?

7 A. No. EKPC does not plan to place rates in effect subject to refund.

8 Q. Do the Parties recommend that the Commission approve the Settlement
9 Agreement as presented?

10 A. Yes. EKPC, the AG, and Gallatin recommend the Commission approve the
11 Settlement Agreement in its entirety and without modification.

12 Q. Does this conclude your testimony?

13 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

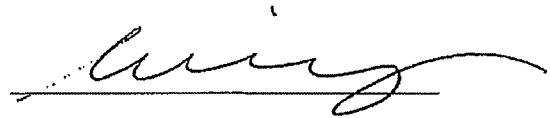
In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES) CASE NO.
OF EAST KENTUCKY POWER) 2010-00167
COOPERATIVE, INC.)

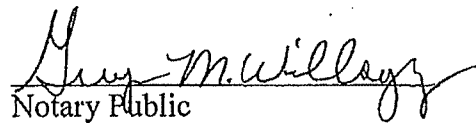
AFFIDAVIT

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Mike McNailey, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



Subscribed and sworn before me on this 3rd day of December 2010.



Notary Public

My Commission expires:

November 30, 2013
ID# 409352

EXHIBIT MM-1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

GENERAL ADJUSTMENT OF ELECTRIC RATES) CASE NO.
OF EAST KENTUCKY POWER) 2010-00167
COOPERATIVE, INC.)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is entered into this 30th day of November 2010, by and between East Kentucky Power Cooperative, Inc. ("EKPC"); Commonwealth of Kentucky, ex. rel. Jack Conway, Attorney General, by and through the Office of Rate Intervention ("AG"); and Gallatin Steel Company ("Gallatin"). Its terms are set forth below:

WITNESSETH:

WHEREAS, on May 27, 2010, EKPC filed with the Kentucky Public Service Commission ("Commission") its Application for a General Adjustment of its Wholesale Electric Rates in a case styled, *In the Matter of: General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.*, Case No. 2010-00167; and,

WHEREAS, the AG and Gallatin were granted intervention by Order of the Commission in this proceeding; and,

WHEREAS, a prehearing meeting for the purpose of discussing settlement, and related procedural and substantive issues, took place at the Lexington Office of Frost Brown Todd LLC

on November 24, 2010, which was attended in person by representatives of the AG, Gallatin, and EKPC (the "Parties") ; and,

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

WHEREAS, the adoption of this Settlement Agreement will decrease the need for the Commission and the parties to expend unnecessary resources litigating these proceedings; and, further, will greatly reduce the possibility of, and any need for, rehearing or appeals of the Commission's final order herein; and,

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

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

WHEREAS, it is the position of the Parties hereto that the terms about which they can all agree as reflected in this Settlement Agreement are supported by sufficient and adequate data and information, and should be approved in its entirety by the Commission; and,

WHEREAS, the Parties understand and agree that the results of EKPC's 2010 Load Forecast have significantly impacted the billing determinants (i.e. kW, kWh) used by EKPC to generate its proposed rates in the original Application.

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

ARTICLE I- Revenue Requirements and Revenue Allocation

1. The Parties, except for the AG, hereto agree and stipulate that a Forty-Three Million dollar (\$43,000,000) increase in annual revenue for EKPC, which represents a “black box” settlement, is fair, just, and reasonable for the Parties, except for the AG, and for all members of EKPC.
2. The Parties hereto agree and stipulate that the billing determinants used to develop rates will be those billing determinants derived from EKPC’s 2010 load forecast. However, the AG does not agree to or stipulate to the rates developed from the \$43,000,000 annual revenue increase.
3. The Parties hereto agree that the annual revenue increase will be effective for service rendered on and after January 1, 2011, or the date of the Commission’s Order placing such rates into effect, whichever is later, and this rate implementation date is fair, just, and reasonable for the Parties and for all members of EKPC.
4. The Parties hereto agree that the allocations of the increase in annual revenue for EKPC, as set forth on the schedule designated “Exhibit 1,” and the rates set forth on the tariff sheets in “Exhibit 2” hereto are fair, just, and reasonable for the Parties and for all members of EKPC.

5. The Parties hereto agree that the rates contained in "Exhibit 1" reflect a reduction in the allocation to Gallatin of \$500,000 to partially address the subsidy currently being paid by Gallatin, and allocates said subsidy reduction proportionally to all rate classes except the pumping stations.
6. The Parties hereto recognize and agree that the 2010 load forecast, which was developed and filed subsequent to the completion of discovery in the instant action, represents a significant change to EKPC's projected load, and which also has a significant effect on EKPC's finances. The Parties therefore agree to the establishment of an "over-earning mechanism" which will hereafter be implemented as follows:
 - a. EKPC will provide its calendar year 2011 audited financial statements to the Commission and Parties no later than March 31, 2012.
 - b. EKPC agrees to file a base rate case as soon as practical, but no less than one year in the event EKPC's TIER exceeds 1.50, after 2011 financial results are known in order for the Commission to determine that rates are appropriate. This base rate case will also allow the Parties an opportunity, through discovery, to review EKPC's expenditures. If the results of the base rate case produce an increase or decrease to rates, such increases or decreases will be allocated proportionally to all eligible rate schedules so as to produce an equal percentage increase or decrease in the total rates of all eligible rate schedules.
 - c. If EKPC earns greater than a 1.50 Times Interest Earned Ratio ("TIER") based on its calendar year 2011 audited financial statements, EKPC shall refund the amount in excess of the 1.50 TIER in a proportional manner according to the

allocation established in "Exhibit 1," attached hereto, by way of a Surcredit Application to be filed with the Commission.

7. The Parties hereto agree that EKPC shall file an application prior to the time frame established above in the "over-earning mechanism" for the purpose of recovery of the regulatory asset amortization, once the Commission enters a final Order, in Case No. 2010-00449.
8. The Parties hereto agree that EKPC shall consider the level of interest expense relating to Smith Unit 1 included in base rates in this proceeding (Case No. 2010-00167) when requesting amortization of the regulatory asset in Case No. 2010-00449, so as to prevent a double-recovery of interest expense by EKPC. The Parties agree that the amount of interest expense relating to Smith Unit 1 contained in this settlement is \$6,000,000 plus TIER. Once the final cancellation costs of Smith Unit 1 are determined, net of all mitigation, then EKPC shall reduce its base rates to all classes of customers proportionally by \$6,000,000 plus TIER and EKPC will seek to recover the net cancellation costs over ten years pursuant to the Settlement Agreement in Case No. 2010-00238.
9. Nothing contained in this Settlement Agreement shall act to restrict or prevent EKPC from filing a base rate case before the 2012 base rate case referenced in paragraph I.6.b. above should the Commission enter an Order allowing any amount less than a \$43 million base rate increase in this case.

ARTICLE II- Ancillary Matters

1. EKPC affirms to the Parties that the EKPC Board of Directors and Management have accepted all recommendations outlined in the Focused Management and Operations Audit Report prepared by the Liberty Consulting Group ("Liberty"), and have implemented or are in the process of implementing said recommendations.
2. EKPC will follow the recommendations in Liberty's report and provide proof of same to the Commission and the AG.
3. The Parties hereto agree that the 10-minute interruptible credit for Gallatin will be increased to \$6.22/kW and this credit shall remain fixed for a period of three years from the effective date of the rates. After three years, this interruptible credit may be increased or decreased by Order of the Commission. The Parties agree that EKPC will absorb the revenue loss created by the increase in the 10-minute interruptible credit for Gallatin.
4. The Parties agree that, due to the existence of a special contract between Gallatin, EKPC, and Owen Electric Cooperative (Owen), it is fair, just, and reasonable that the increase determined for Gallatin under the terms of this Agreement should be the amount passed through by Owen to Gallatin. The Parties recommend that the Commission find that this approach is consistent with the provisions of KRS 278.455(3) and the Parties further agree and recommend to the Commission that this approach and finding is appropriate to other customers on tariff rate Schedule G.

5. The Parties agree that the unamortized costs of the Spurlock 1 outage will be amortized over a three-year period.

ARTICLE III -Miscellaneous Provisions

1. Except as specifically stated otherwise in this Settlement Agreement, the Parties agree that making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion, contention, methodology, or ratemaking principle otherwise made by any other party in these proceedings is true or valid.
2. The Parties hereto agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and request the Commission to approve the Settlement Agreement.
3. The Parties hereto agree that, following the execution of this Settlement Agreement, the Parties shall cause the Settlement Agreement to be filed with the Commission by November 30, 2010, together with a request to the Commission for consideration and approval of this Settlement Agreement for rates to become effective on and after January 1, 2011.
4. Each party stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record. The Parties, except for the AG, stipulate that after the date of this Settlement Agreement they will not otherwise contest EKPC's proposals, as modified by this Settlement Agreement, in the hearing of the above-referenced proceeding regarding the subject matter of the Settlement

Agreement, and that they will refrain from cross-examination of the Parties' witnesses during the hearing, except insofar as such cross-examination is in support of the Settlement Agreement.

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

Agreement, then the parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this agreement.

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

14. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Settlement Agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of their respective Parties.
15. The Parties hereto agree that this Settlement Agreement is a product of negotiation among all parties hereto, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party. Notwithstanding anything contained in the Settlement Agreement, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of EKPC is unknown and this Settlement Agreement shall be implemented as written.
16. The Parties hereto agree that this Settlement Agreement may be executed in multiple counterparts.

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

East Kentucky Power Cooperative, Inc.

HAVE SEEN AND AGREED:

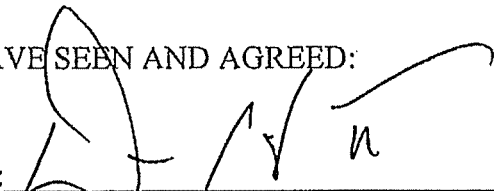
By: 

Mark David Goss, Counsel

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

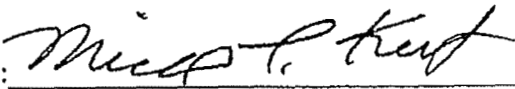
HAVE SEEN AND AGREED:

By:


Dennis G. Howard II, Counsel

Gallatin Steel Company

HAVE SEEN AND AGREED:

By: 
Michael L. Kurtz, Counsel

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EXHIBIT 1

East Kentucky Power Cooperative, Inc.
Forecasted Period
Billing Analysis - 12-Mo Ended December 31, 2011

The rates on this forecast have been updated to reflect the proposed rate changes for the 2012 calendar year. The rates are based on the 2011 forecast and are subject to change based on the results of the 2012 rate case. The rates are based on the 2011 forecast and are subject to change based on the results of the 2012 rate case.

Description	Current		Proposed		% Change
	Billing Units	Current Rate	Billing Units	Proposed Rate	
RATE E - 16 Customers					
Metering Point Charge	3,783	\$ 137	3,783	\$ 144	5.35%
All Customers					
Substation charges					
Substation 1,000 - 2,999 kVA	36	\$ 37,188	36	\$ 39,176	5.35%
Substation 3,000 - 7,499 kVA	504	\$ 1,309,392	504	\$ 1,379,381	5.35%
Substation 7,500 - 14,999 kVA	2,583	\$ 8,071,875	2,583	\$ 8,503,332	5.35%
Substation > 15,000 kVA	588	\$ 2,964,108	588	\$ 3,122,545	5.35%
	<u>3,711</u>	<u>12,382,563</u>	<u>3,711</u>	<u>13,044,434</u>	
Demand Charge					
Option 1 (Owen)	2,259,000	\$ 7.58	2,259,000	\$ 7.99	5.35%
Option 2	20,846,000	\$ 5.71	20,846,000	\$ 6.02	5.35%
	<u>23,105,000</u>	<u>136,153,880</u>	<u>23,105,000</u>	<u>143,431,563</u>	
Energy Charge					
On-Peak (Option 1)	554,132,000	\$ 0.048908	554,132,000	\$ 0.051522	5.35%
Off-Peak (Option 1)	515,058,000	\$ 0.048559	515,058,000	\$ 0.050944	5.35%
On-Peak (Option 2)	4,409,467,241	\$ 0.056641	4,409,467,241	\$ 0.059669	5.35%
Off-Peak (Option 2)	4,228,486,759	\$ 0.048359	4,228,486,759	\$ 0.050944	5.35%
	<u>9,707,144,000</u>	<u>506,251,203</u>	<u>9,707,144,000</u>	<u>539,311,288</u>	
Sub-Total - Base Rates		<u>655,305,917</u>		<u>690,333,258</u>	
FAC	9,707,144,000	-0.00908	9,707,144,000	(88,187,329)	0.00%
Environmental Surcharge	567,118,588	13.997%	567,118,588	79,380,680	0.00%
Total Billings		<u>\$ 646,499,268</u>		<u>\$ 681,526,609</u>	5.42%
				Annual Increase	\$ 35,027,341
				Impact on Typical Monthly Invoice	\$ 182,434

East Kentucky Power Cooperative, Inc.
Forecasted Period
Billing Analysis - 12-Mo Ended December 31, 2011

Due to the fact that the forecasted rates are based on the current rates in effect as of the date of the forecast, the forecasted rates may differ from the actual rates in effect during the forecast period. The forecasted rates are based on the current rates in effect as of the date of the forecast. The forecasted rates may differ from the actual rates in effect during the forecast period.

Description	Current		Proposed		% Change
	Billing Units	Rate	Billing Units	Rate	
RATE B - 10 Customers					
Demand Charge					
Minimum Demand	1,367,930	\$ 6.81	1,367,930	\$ 7.17	5.35%
Excess Demand	169,070	\$ 9.47	169,070	\$ 9.98	5.35%
	<u>1,537,000</u>		<u>1,537,000</u>		
Energy Charge					
All kWh	923,361,000	\$ 0.046772	923,361,000	\$ 0.049272	5.35%
Sub-Total - Base Rates					
FAC	923,361,000	-0.00908	923,361,000	(\$ 388,537)	0.00%
Environmental Surcharge	\$ 45,715,599	13.997%	\$ 45,715,599	6,398,900	0.00%
Total Billings					
		\$ 52,114,500		\$ 55,006,468	5.55%
				Annual Increase	2,891,968
				Impact on Average Typical Invoice	24,100
RATE C - 5 Customers					
Demand Charge					
All Kwh	465,000	\$ 6.81	465,000	\$ 7.17	5.35%
Energy Charge					
All kWh	292,305,000	\$ 0.046772	292,305,000	\$ 0.049272	5.35%
Sub-Total - Base Rates					
FAC	292,305,000	-0.00908	292,305,000	(\$ 655,528)	
Environmental Surcharge	\$ 14,182,811	13.997%	\$ 14,182,811	1,985,195	
Total Billings					
		\$ 16,168,006		\$ 17,068,047	5.57%
				Annual Increase	\$ 900,041
				Impact on Typical Monthly Invoice	\$ 15,001

East Kentucky Power Cooperative, Inc.
Forecasted Period
Billing Analysis - 12-Mo Ended December 31, 2011

Prerequisites: All the spreadsheets are updated with current data and all the data is correct. All the data is correct and all the data is correct. All the data is correct and all the data is correct. All the data is correct and all the data is correct.

Description	Billing Units		Current Rate		Current \$		Present, Adjusted for new Forecast Rate		Proposed \$		% Change
	Billing Units		Rate		Billing Units		Rate		Billing Units		
RATE G - 2 Customers Meter Pt Charge	12	\$	137	\$	1,644	12	\$	144	\$	1,732	5.35%
Substation charges	-					12	\$	5,310		63,725	5.35%
Substation 1,000 - 2,999 KVA	-										
Substation 3,000 - 7,499 KVA	-										
Substation 7,500 - 14,999 KVA	-										
Substation > 15,000 KVA	12	\$	5,041	\$	60,492	12	\$	5,310	\$	63,725	5.35%
Demand Charge All Kw	564,000	\$	6.63	\$	3,739,320	564,000	\$	6.98	\$	3,939,194	5.35%
Energy Charge All kWh	338,237,000	\$	0.044840	\$	15,166,547	338,237,000	\$	0.047237	\$	15,977,228	5.35%
Sub-Total -- Base Rates					<u>18,968,003</u>					<u>19,981,879</u>	5.35%
FAC	338,237,000		-0.00908		(3,072,811)					(3,072,811)	
Environmental Surcharge	15,895,152	\$	13.997%	\$	2,224,881					2,224,881	
Total Billings					<u>\$ 18,120,073</u>				<u>\$ 19,133,948</u>		5.60%
											Annual Increase \$ 1,013,876
											Impact on Typical Monthly Invoice \$ 42,245

East Kentucky Power Cooperative, Inc.
Forecasted Period
Billing Analysis - 12-Mo Ended December 31, 2011

The quantities on this spreadsheet are for informational purposes only. They do not represent actual quantities. The quantities on this spreadsheet are for informational purposes only. They do not represent actual quantities. The quantities on this spreadsheet are for informational purposes only. They do not represent actual quantities.

Description	Current		Proposed		% Change
	Billing Units	Current Rate	Billing Units	Proposed Rate	
Large Special Contract					
Demand Charge	1,920,000	6.63	1,920,000	6.92	4.39%
Total Demand		\$ 12,729,600		\$ 13,287,979	
10-Min Interruptible Demand	1,440,000	(5.60)	1,440,000	(6.22)	11.07%
90-Min Interruptible Demand	300,000	(4.20)	300,000	(4.20)	0.00%
Energy Charge					
On-Peak kWh	240,697,818	0.047128	240,697,818	0.049195	4.39%
Off-Peak kWh	728,262,182	0.043844	728,262,182	0.045767	4.39%
	<u>968,960,000</u>		<u>968,960,000</u>		
Sub-Total - Base Rates		<u>46,679,134</u>		<u>48,242,891</u>	3.35%
FAC	968,960,000	-0.00908		(8,802,795)	
Environmental Surcharge	37,876,339	13.997%		5,301,624	3.62%
		<u>43,177,963</u>		<u>44,741,721</u>	
Total Billings					
					Annual Increase \$ 1,563,757
					Impact on Typical Monthly Invoice \$ 130,313
Special Contract - Pumping Stations - 2 Customers					
Demand Charge	444,000	1.75	444,000	1.75	0%
All Kw		\$ 777,000		\$ 777,000	
Energy Charge	76,274,400	0.038407	76,274,400	0.038407	
On-Peak	89,539,600	0.031459	89,539,600	0.031459	
Off-Peak	<u>165,814,000</u>		<u>165,814,000</u>		
		<u>6,523,281</u>		<u>6,523,281</u>	
Sub-Total - Base Rates		503,034		503,034	
Environmental Surcharge		13.997%			0.00%
		<u>7,026,315</u>		<u>7,026,315</u>	
Total Billings					
					Annual Increase \$ -
					Impact on Typical Monthly Invoice \$ -

EXHIBIT 2

P.S.C. KY NO. 34

CANCELS P.S.C. KY NO. 33

EAST KENTUCKY POWER COOPERATIVE, INC.

OF

WINCHESTER, KENTUCKY

RATES, RULES, AND REGULATIONS FOR FURNISHING

WHOLESALE POWER SERVICE

AT

VARIOUS LOCATIONS TO

RURAL ELECTRIC COOPERATIVE MEMBERS

THROUGHOUT KENTUCKY

FILED WITH THE PUBLIC SERVICE COMMISSION
OF KENTUCKY

ISSUED MAY 27, 2010

EFFECTIVE FOR SERVICE RENDERED
ON AND AFTER JULY 1, 2010

ISSUED BY EAST KENTUCKY POWER COOPERATIVE, INC.

BY _____

Anthony S. Campbell
President and Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

Wholesale Power Rate Schedule

Applicability

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

Load Center Charges - Monthly

A. Metering Point Charge

1. Applicable to each metering point and to each substation
2. Charge: \$144.00 (I)

B. Substation Charge

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

1,000 - 2,999 kVa substation	\$1,088.00	(I)
3,000 - 7,499 kVa substation	\$2,737.00	(I)
7,500 - 14,999 kVa substation	\$3,292.00	(I)
15,000 and over kVa substation	\$5,310.00	(I)

Minimum Monthly Charge

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

DATE OF ISSUE May 27, 2010 DATE EFFECTIVE: Service rendered on and after July 1, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2010-00167 Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Fuel Adjustment

1. The fuel clause shall provide for periodic adjustment per kWh of sales when the unit cost of fuel $[F(m) / S(m)]$ is above or below the base unit cost of \$.03653 per kWh $[F(b) / S(b)]$. The current monthly charges shall be increased or decreased by the product of the kWh furnished during the current month and the fuel adjustment rate for the preceding month where the fuel adjustment rate is defined below:

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

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

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

Fuel Adjustment (con't.)

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

For All Counties Served
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EAST KENTUCKY POWER COOPERATIVE, INC.

Power Factor Adjustment

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

Energy Curtailment and Outage Restoration Priorities

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

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

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2008-00519 Dated July 15, 2009

For All Counties Served
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First Revised Sheet No. 5
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EAST KENTUCKY POWER COOPERATIVE, INC.

Section A

Availability

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

Applicability

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

Monthly Rate - Per Load Center

Demand Charge per kW of billing demand	\$ 9.98	(I)
Energy Charge per kWh	\$.049272	(I)

Billing Demand

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

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

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

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Original Sheet No. 6
Canceling P.S.C. No. 33
Original Sheet No. 6

EAST KENTUCKY POWER COOPERATIVE, INC.

Section A (con't.)

Billing Energy

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section B

Availability

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

Applicability

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

Monthly Rate

Demand Charge per kW of Minimum Demand	\$7.17	(I)
Demand Charge per kW of Billing Demand in Excess of Minimum Demand	\$9.98	(I)
Energy Charge per kWh	\$.049272	(I)

Billing Demand

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

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

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Original Sheet No. 8
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Original Sheet No. 8

EAST KENTUCKY POWER COOPERATIVE, INC.

Section B (con't.)

Minimum Monthly Charge

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

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section C

Availability

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

Applicability

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

Monthly Rate

Demand Charge per kW of Billing Demand	\$7.17	(I)
Energy Charge per kWh	\$.049272	(I)

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ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
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EAST KENTUCKY POWER COOPERATIVE, INC.

Section C (con't.)

Billing Demand

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

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

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

Minimum Monthly Charge

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

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

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Original Sheet No. 11

EAST KENTUCKY POWER COOPERATIVE, INC.

Section D
Interruptible Service

Standard Rider

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

Applicable

In all territory served by EKPC.

Availability of Service

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

Monthly Rate

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

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2009-00409 Dated March 31, 2009

EAST KENTUCKY POWER COOPERATIVE, INC.

Section D (con't.)

Determination of Measured Load - Billing Demand

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

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

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

Conditions of Service for Customer Contract

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

Section D (con't.)

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

Calculation of Monthly Bill

The monthly bill is calculated on the following basis:

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

Number and Duration of Interruptions

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

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Original Sheet No. 14

EAST KENTUCKY POWER COOPERATIVE, INC.

Section D (con't.)

Charge for Failure to Interrupt

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
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EAST KENTUCKY POWER COOPERATIVE, INC.

Section E

Availability

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

Applicability

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

Monthly Rate - Per Load Center

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

	<u>Option 1</u>		<u>Option 2</u>	
Demand Charge per kW of Billing Demand	\$7.99	(I)	\$6.02	(I)
Energy Charge per kWh				
On-Peak kWh	\$.051522	(I)	\$.059669	(I)
Off-Peak kWh	\$.050944	(I)	\$.050944	(I)

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section E (con't.)

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

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

Billing Demand

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

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

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

Billing Energy

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section F

Voluntary Interruptible Service

Standard Rider

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

Applicable

In all territory served by EKPC.

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

Availability of Service

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

Conditions of Service

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

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

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

Interruptible Customer Data Report

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

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

Demand and Energy Interruption

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

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

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

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

Terms of Interruption

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

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

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

Interruption Credits

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

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

Failure to Interrupt

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

Term

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

Interruption Implementation Procedure

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section G

SPECIAL ELECTRIC CONTRACT RATE

Character of Service

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

Monthly Rate

Demand Charge per Billing kW	\$6.98	(I)
Energy Charge per ALL kWh	\$.047237	(I)

Determination of Billing Demand

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

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

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

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ISSUED BY _____ TITLE President & Chief Executive Officer

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EAST KENTUCKY POWER COOPERATIVE, INC.

Section G (con't.)

Minimum Monthly Charge

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

- (a) The metering and substation charge, plus
- (b) The product of the billing demand multiplied by the demand charge, plus
- (c) The result of: (Energy Rate minus EKPC's base fuel component in the Energy Rate) times Billing Demand times 400 hours.

Power Factor Adjustment

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

Fuel Adjustment Clause

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

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2009-00519 Dated July 15, 2009

EAST KENTUCKY POWER COOPERATIVE, INC.

Section H

Wholesale Renewable Resource Power Service

Standard Rider

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

Applicable

In all territory served by EKPC.

Availability of Service

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

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

100 kWh

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

Eligibility

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

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Section H (con't.)

Monthly Rate

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

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

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

Billing and Minimum Charge:

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

Terms of Service and Payment:

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

Fuel Adjustment Clause:

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

Special Terms:

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

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 33
First Revised Sheet No. 22
Canceling P.S.C. No. 33
Original Sheet No. 22

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 1

Touchstone Energy Manufactured Home Program

Purpose

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

Availability

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

Eligibility

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

Rebate

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

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

Annual Reports

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

Term

The Touchstone Energy Manufactured Home Program will remain in effect through the end of 2011. If EKPC should decide to continue the entire program beyond 2011, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

DATE OF ISSUE November 16, 2009 DATE EFFECTIVE: Service rendered on and after January 1, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
CASE NO. 2009-00249 DATED: November 6, 2009

EAST KENTUCKY POWER COOPERATIVE, INC.

For All Counties Served
P.S.C. No. 33
First Revised Sheet No. 23
Canceling PSC No. 33
Original Sheet No. 23

Section DSM - 2

Touchstone Energy Home Program

Purpose

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

Availability

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

Eligibility

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

Rebate

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

Annual Reports

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

Term

The Touchstone Energy Home Program will remain in effect through 2011. If EKPC should decide to continue the entire program beyond 2011, an application for approval from the Kentucky Public Service Commission will be filed 6 months prior to the date of continuation.

DATE OF ISSUE November 16, 2009 DATE EFFECTIVE: Service rendered on and after January 1, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2009-00250 Dated November 6, 2009

EAST KENTUCKY POWER COOPERATIVE, INC

RATE ES – ENVIRONMENTAL SURCHARGE

APPLICABILITY

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

AVAILABILITY

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

RATE

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

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

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

MESF = Monthly Environmental Surcharge Factor
CESF = Current Environmental Surcharge Factor
BESF = Base Environmental Surcharge Factor of 0%

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

Definitions

$$(1) E(m) = [(RB/12)(RORB) + OE - BAS + (Over)Under Recovery$$

where:

- (a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;
- (b) RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.35;

DATE OF ISSUE November 15, 2010 DATE EFFECTIVE: November 5, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2010-00021 Dated November 5, 2010

EAST KENTUCKY POWER COOPERATIVE, INC

(c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;

(d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;

(e) (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment.

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

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

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

DATE OF ISSUE November 15, 2010 DATE EFFECTIVE: November 5, 2010

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2010-00021 Dated November 5, 2010

For All Counties Served
P.S.C. No. 34
Original Sheet No. 26
Canceling PSC No. 33
Original Sheet No. 26

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM – 3(a)

Direct Load Control Program – Residential

Purpose

The Direct Load Control Program will encourage the reduction in growth of peak demand, enabling the Company to utilize its system more efficiently, manage market purchases, and defer the construction of new generation.

Availability

The Direct Load Control Program is available to residential customers in the service territories of East Kentucky Power Cooperative, Inc.'s ("EKPC") Member Systems and will include the control of water heaters, air conditioners and heat pumps, and pool pumps.

Availability may be denied where, in the judgment of the Member System, installation of the load control equipment is impractical.

Eligibility

To qualify for this Program, the participant must be located in the service territory of a participating Member System and have:

- 40-gallon (minimum) electric water heating units, and/or
- Central air conditioning or heat pump units, and/or
- Pool pumps.

The above appliances may be electrically cycled or interrupted in accordance with the rules of this Tariff.

The participant may either own or rent the residence where the qualifying appliances are located. The residence may be either a single-family structure or a multi-family apartment facility.

The participant is responsible for obtaining the permission of the owner of the rented residence to participate in the load control program. The Member System may require that a rental property agreement be executed between the Member System and the owner of the rented residence.

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Program Incentives

EKPC and participating Member Systems will provide an incentive to the participants in this program for the following appliances.

Water Heaters. EKPC will reimburse the participating Member System \$10.00 per water heater annually. The participating Member System, in turn, will credit the residential power bill of the participant \$10.00 per water heater per year. The participant will receive this credit regardless of whether the water heater is actually controlled.

Air Conditioners and Heat Pumps. EKPC and participating Member Systems will provide an incentive to the participants in this program. The participant may select one of two alternatives. The participant will receive one of these incentives regardless of whether the air conditioner or heat pump is actually controlled during any program month.

Alternative One. EKPC will reimburse the participating Member System \$20.00 annually per air conditioner or heat pump (\$5 per summer months, June, July, August, and September). The participating Member System will, in turn, credit the residential power bill of the participant \$20.00 per air conditioner (\$5 per summer months, June, July, August, and September).

Alternative Two. EKPC will provide and install at no cost one or more digital thermostats as needed for control purposes.

After the initial selection of one of the alternatives, the participant may change to the other alternative subject to the following conditions:

- From bill credits to digital thermostats – The change in alternative will be permitted in any month except for the summer months of June through September. In addition, the participant will pay 50 percent of the installed cost of each digital thermostat.
- From digital thermostats to bill credits – The change in alternative will be permitted in any month except for the summer months of June through September. In addition, the participant will either reimburse EKPC, through the Member System, an amount equal to 50 percent of the original installed cost of each digital thermostat that was initially installed if the participant keeps the thermostat or pay 50 percent of the cost to remove each digital thermostat that was initially installed.
- Only one change in incentive alternatives will be permitted during a 12 month period.

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Pool Pumps. EKPC will reimburse the participating Member System \$10.00 per pool pump annually. The participating Member System, in turn, will credit the residential power bill of the participant \$10.00 per pool pump per year. The participant will receive this credit regardless of whether the pool pump is actually controlled.

When the qualifying appliances are located in rental residences, program incentives will be paid to the participant, regardless of whether the participant owns or rents the residence where the qualifying appliances are located. Nothing contained in this Tariff will prohibit a further disposition of the program incentive between the participant and the owner of a rented residence.

Time Periods for Direct Load Control Program

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

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

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

Air Conditioners and Heat Pumps. A load control device (switch or thermostat) will be placed on each central air conditioning unit or heat pump that will allow the operating characteristics of the unit to be modified to reduce demand on the system. Communication to the load control device will be accomplished via AMR, AMI, or paging equipment.

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

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

Pool Pumps. A load control switch will be placed on the pool pump and may be controlled for a four hour curtailment during on peak days May through September. In addition, there may be a 50 percent cycling for the ensuing 2 hour recovery period to prevent creating a new peak.

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Terms and Conditions

1. Prior to the installation of load control devices, the Member Systems may inspect the participant's electrical equipment to insure good repair and working condition, but the Member Systems shall not be responsible for the repair or maintenance of the electrical equipment.
2. EKPC, on behalf of the Member Systems, will install, own, and maintain the load management devices controlling the participant's air conditioner, heat pump, or water heater. The participant must allow the Member System, or their representative, reasonable access to install, maintain, inspect, test and remove load control devices. Inability of the Member System to gain access to the load management device to perform any of the above activities for a period exceeding 30 days may, at the Member System's option, result in discontinuance of credits under this tariff until such time as the Member System is able to gain the required access.
3. Participants in the Pilot program from Big Sandy RECC and Blue Grass Energy will have the opportunity to participate in this program. Equipment already installed on the premises may be used as part of this program.
4. Participants may join the program at any time during the year. Participants with water heaters and/or pool pumps will receive the first annual incentive within 12 months after the installation of the load control device. Participants with air conditioning or heat pump units who join during the months of June through September can select an incentive alternative as described in this Tariff. If the bill credit incentive is selected, bill credits will not begin until after the installation of the load control device and continue for the months remaining in the June to September time period for that year.
5. If a participant decides to withdraw from the program or change incentive alternatives, the Member Systems will endeavor to implement the change as soon as possible.
6. If a participant decides to withdraw from the program, the participant may not apply to rejoin the program for a period of 6 months. Returning participants for air conditioning and heat pump units will be required to initially select the bill credit alternative, but may change alternatives later as described in this Tariff.

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM – 3(b)

Direct Load Control Program – Commercial

Purpose

The Direct Load Control Program will encourage the reduction in growth of peak demand, enabling the Company to utilize its system more efficiently, manage market purchases, and defer the construction of new generation.

Availability

The Direct Load Control Program is available to commercial customers in the service territories of EKPC's Member Systems and will include the control of air conditioners and water heaters.

Availability may be denied where, in the judgment of the Member System, installation of the load control equipment is impractical.

Eligibility

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

The participant is responsible for obtaining the permission of the commercial property owner to participate in the load control program. The Member System may require that a rental property agreement be executed between the Member System and the owner of the rented commercial property.

Program Incentives

EKPC and participating Member Systems will provide an incentive to the participants in this program for the following appliances.

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Air Conditioners. The incentive will be based on the tonnage of the air conditioning unit. Units up to and including five tons will receive a monthly credit of \$5.00 per unit. Units over five tons will receive an additional monthly credit of \$1.00 per ton per unit. EKPC will reimburse the participating Member System at the applicable incentive credit during the months of June through September. The participating Member System will, in turn, credit the commercial power bill of the participant at the applicable incentive credit during the months of June through September. The participant will receive the incentive regardless of whether the air conditioner is actually controlled during any program month.

Water Heaters. EKPC will reimburse the participating Member System \$10.00 per water heater annually. The participating Member System, in turn, will credit the commercial power bill of the participant \$10.00 per water heater per year. The participant will receive this credit regardless of whether the water heater is actually controlled.

Time Period for Direct Load Control Program

Air Conditioners. A load control device will be placed on each central air conditioning unit that will allow the operating characteristics of the unit to be modified to reduce demand on the system. Communication to the load control device will be accomplished via AMR, AMI, or paging equipment.

EKPC will control the air conditioning units only during its summer on-peak billing hours listed below:

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

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

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

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

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

Terms and Conditions

1. Prior to the installation of load control devices, the Member Systems may inspect the participant's electrical equipment to insure good repair and working condition, but the Member Systems shall not be responsible for the repair or maintenance of the electrical equipment.
2. EKPC, on behalf of the Member Systems, will install, own, and maintain the load management devices controlling the participant's air conditioner unit or water heater. The participant must allow the Member System, or their representative, reasonable access to install, maintain, inspect, test and remove load control devices. Inability of the Member System to gain access to the load management device to perform any of the above activities for a period exceeding 30 days may, at the Member System's option, result in discontinuance of credits under this tariff until such time as the Member System is able to gain the required access.
3. Participants may join the program at any time during the year. Participants with air conditioning who join during the months of June through September will receive bill credits beginning after the installation of the load control device and continuing for the months remaining in the June to September time period for that year. Participants with water heaters will receive the first annual incentive within 12 months after the installation of the load control device.
4. If a participant decides to withdraw from the program, the Member Systems will endeavor to implement the withdrawal as soon as possible. If a participant decides to withdraw from the program, the participant may not apply to rejoin the program for a period of 6 months.

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 34
Original Sheet No. 27
Canceling PSC No. 33
Original Sheet No. 27

EAST KENTUCKY POWER COOPERATIVE, INC.

[SHEET CANCELLED]

[RESERVED FOR FUTURE USE]

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 34
Original Sheet No. 28
Canceling PSC No. 33
Original Sheet No. 28

EAST KENTUCKY POWER COOPERATIVE, INC.

[SHEET CANCELLED]

[RESERVED FOR FUTURE USE]

DATE OF ISSUE June 30, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 34
Original Sheet No. 29
Canceling PSC No. 33
Original Sheet No. 29

EAST KENTUCKY POWER COOPERATIVE, INC.

PAGE - 1
INVOICE DATE:

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

WHOLESALE POWER INVOICE
SUBSTATION DETAIL CHARGES
MONTH, 20XX

SUBSTATION	RATE	BILLING	NOTES	DEMAND	KWH	CHARGE	ENERGY	METERING	POINT	CHARGE	ADJUSTMENT	FUEL	SURCHARGE	TOTAL
------------	------	---------	-------	--------	-----	--------	--------	----------	-------	--------	------------	------	-----------	-------

**

CO-OP TOTALS

GREEN POWER

TOTAL AMOUNT DUE

**

NORMALLY DUE IN USABLE FUNDS BY THE 21ST OF THE MONTH.

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 34
Original Sheet No. 30
Canceling PSC No. 33
Original Sheet No. 30

EAST KENTUCKY POWER COOPERATIVE, INC.

EAST KENTUCKY POWER COOPERATIVE
P.O. BOX 707 WINCHESTER, KENTUCKY 40391
PAGE - 2
INVOICE DATE:

WHOLESALE POWER INVOICE
SUBSTATION DETAIL CHARGES
MONTH, 20XX

RATE	BILLING	BILLING	DEMAND	ENERGY	DUMP	ENERGY	EXCESS	ENERGY	ENERGY	TOTAL
SCH	NOTES	DEMAND	CHARGE	CHARGE	ENERGY	CHARGE	CHARGE	ADDER	SURCHARGE	CHARGES
STATION		KWH								

CO-OP TOTALS

CO-OP AMOUNT DUE

NORMALLY DUE IN USABLE FUNDS BY THE 21ST OF THE MONTH

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

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Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 34
Original Sheet No. 31
Canceling PSC No. 33
Original Sheet No. 31

EAST KENTUCKY POWER COOPERATIVE, INC.

OWEN-GALLATIN (T) EAST KENTUCKY POWER COOPERATIVE PAGE - 3
P.O. BOX 707 WINCHESTER, KENTUCKY 40391 INVOICE DATE:
WHOLESALE POWER INVOICE EKPC INTERRUPT HOURS:
CO-OP TOTAL CHARGES FAC: XXX
SURCHARGE: XXX
MONTH, 20XX

	On-Peak KW	Off-Peak KW	Energy KWH	ENERGY CHARGE	LOAD FOLLOWING	FUEL JUSTMENT	SURCHARGE	TOTAL CHARGES
M1 - 345 KV	XXX,XXX	XXX,XXX	XX,XXX,XXX					
M2 - 345 KV	XXX,XXX	XXX,XXX	XX,XXX,XXX					
M4 - 138 KV	XX,XXX	XX,XXX	XX,XXX,XXX					

CO-OP TOTALS

CO-OP AMOUNT DUE

NORMALLY DUE IN USABLE FUNDS BY THE 21ST OF THE MONTH

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EAST KENTUCKY POWER COOPERATIVE, INC.

KW-SCH. A	\$X.XX	EAST KENTUCKY POWER COOPERATIVE, INC.	PAGE -4	
KW-SCH. B CONTRACT	\$X.XX	P.O. BOX 707 WINCHESTER, KENTUCKY 40391	KWH-SCH. B&C	\$X.XXXXXX (1)
EXCESS CONTRACT	\$X.XX	STATISTICS FOR THE MONTH OF	KWH-SCH. E ON-PEAK	\$X.XXXXXX
KW-SCH. C	\$X.XX		KWH-SCH. E OFF-PEAK	\$X.XXXXXX
KW-SCH. E	\$X.XX		KWH-SCH. E2 ON-PEAK	\$X.XXXXXX
KW-SCH. E2	\$X.XX		KWH SCH. E2 OFF-PEAK	\$X.XXXXXX
KW-SCH. CM	\$X.XX		FUEL RATE	\$X.XXXXXX
KVA 1000 - 2999	\$XXXXX		SURCHARGE RATE	X.XX%
KVA 3000 - 7499	\$XXXXX			
KVA 7500 - 14999	\$XXXXX			
KVA 15000 - 99999	\$XXXXX			

SUBSTATION	KVA	CONSTANT RATE	NON-CP	BILLING	CP	TOD	NON-CP	CONTRACT	BILLING	ACTUAL	MINIMUM
	RATING	KW/KWH	SCH	P.F.	DEMAND	DEMAND	DEMAND	KWH	KWH	KWH	KWH

SCHEDULE A	STATISTIC TOTALS	
SCHEDULE B	STATISTIC TOTALS	
SCHEDULE C	STATISTIC TOTALS (INCLUDES SCHEDULE G)	
SCHEDULE E	STATISTIC TOTALS ON-PEAK	
SCHEDULE E	STATISTIC TOTALS OFF-PEAK	
	GRAND TOTALS	

DATE OF ISSUE July 24, 2009 DATE EFFECTIVE: Service rendered on and after August 1, 2009

ISSUED BY _____ TITLE President & Chief Executive Officer

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Case No. _____ Dated _____

For All Counties Served
P.S.C. No. 34
Original Sheet No. 33
Canceling PSC No. 33
Original Sheet No. 33

EAST KENTUCKY POWER COOPERATIVE, INC.

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

STEAM INVOICE
INLAND CONTAINER STATISTICS
DATE

AVERAGE HEAT RATE	BILLING DEMAND/MMBTU	TOD DEMAND/MMBTU	BILLING ENERGY/MMBTU
----------------------	-------------------------	---------------------	-------------------------

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For All Counties Served
P.S.C. No. 34
Original Sheet No. 34
Canceling PSC No. 33
Original Sheet No. 34

EAST KENTUCKY POWER COOPERATIVE, INC.

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

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

DEMAND/MMBTU \$XXX,XXX
ENERGY/MMBTU \$X,XXX
FUEL ADJ/MMBTU \$X,XXX
MINIMUM BILL \$XXX,XXX
FUEL ADJ/KWH \$XXXX
SURCHARGE \$XXXX

STEAM INVOICE
INLAND CONTAINER DETAIL CHARGES
DATE

STEAM ADJ. FACTOR	BILL NOTES	BILLING DEMAND/MMBTU	ENERGY CHARGE	DEMAND CHARGE	FUEL ADJUSTMENT	SURCHARGE	TOTAL CHARGE

NORMALLY DUE IN USABLE FUNDS BY THE 21ST OF THE MONTH.

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EAST KENTUCKY POWER COOPERATIVE, INC.

EKPC Emergency Electric Procedures

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

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

Definitions

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

Overview

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

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

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

The Reliability Coordinator will act to mitigate the emergency condition, including a request for emergency assistance if required.

Measures

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

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

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

Insufficient Generating Capacity

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

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

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

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

All Emergency Electric Procedures consider:

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

Elements addressed in Insufficient Generating Capacity Emergency Electric Procedures are:

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

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

Transmission System Operating Emergencies

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

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

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

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

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

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

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Load shedding

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

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

System restoration

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

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

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

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EAST KENTUCKY POWER COOPERATIVE, INC.

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

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

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

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

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EAST KENTUCKY POWER COOPERATIVE, INC

CLASSIFICATION OF SERVICE

SCHEDULE RTP-DA

WHOLESALE, REAL-TIME PRICING, DAY AHEAD, PILOT PROGRAM

Availability

Available to all Member Systems of EKPC. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

The Member System may offer Real Time Pricing (RTP) to existing Commercial and Industrial customers only, subject to the conditions below and possible additional conditions in the Member System's retail RTP tariff. Customers served under the Interruptible Rider are not eligible for this pilot. The eligible customer must have taken service from the Member System for at least one (1) year.

Customers must be able to benefit from hourly price signals and maintain a peak 15-minute demand not less than 1,000 kW each month.

The customer must currently have the MV-90 metering system in place or be willing to allow the Member System to install and maintain such equipment with interrogation ability for downloads. The customer will be responsible for the incremental costs of installing and maintaining such metering equipment. The customer must possess a personal computer with Internet service.

Type of service: Firm, three-phase, 60-hz

Rate Structure and Bill Computation:

Structure:

A Member System with RTP customers will remain on its current tariff for all load excluding the incremental load of the RTP customers. The RTP bill for the Member System will contain three components.

1. **Standard Bill:** The EKPC wholesale tariff schedule that currently serves the Member System will be applied to its "Customer Baseline Load" (CBL), the predetermined hourly load profile covering one full year and the set of twelve monthly billing demands for each individual RTP customer.
2. **Incremental Energy Charge:** The RTP price will be applied to the differences between actual metered load and the CBL – positive or negative – for all hours in the billing period.
3. **RTP Administration Fee:** This fee will cover the costs of providing RTP service, including billing and communications systems, to implement the tariff and for data management.

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EAST KENTUCKY POWER COOPERATIVE, INC

Bill Computation:

$$\text{RTP Bill}_m = \text{Standard Bill (Std. Bill}_{\text{CLB}m}) + \text{Incremental Energy Charge (IEC}_m) + \text{RTP AF}$$

$$\text{Std. Bill}_{\text{CLB}m} = P_d * K_{\text{CBL}m} + P_e * \sum_{mh} Q_{\text{CBL}h}$$

$$\text{IEC}_m = \sum_{mh} \{P_{\text{RTP}h} * (Q_{\text{A}h} - Q_{\text{CBL}h})\}$$

$$\text{RTP AF} = \text{RTP Admin Fee}$$

where:

- Std. Bill_{CBLm} is the standard bill calculated using the Member System's underlying schedule of the EKPC wholesale tariff, with the current tariff prices applied to CBL quantities in month *m*, with the equation above being *an example* to cover all eligible schedules of the underlying EKPC standard tariff. The CBL includes any adjustment needed to meet minimum bill requirements.
 - P_d is the current demand charge,
 - K_{CBLm} is the CBL billing demand for month *m*,
 - P_e is the current energy charge, and includes volumetric charges such as the Fuel Adjustment Clause (FAC), and application of the Environmental Surcharge which is applied on a percentage basis,
 - Q_{CBLh} is the CBL kWh in hour *h*
- IEC_m is the Incremental Energy Charge dollar amount in month *m*.
 - $\sum_{mh} \{...\}$ represents the sum across all hours *h* in month *m*,
 - P_{RTPh} is the hourly RTP price in hour *h*,
 - Q_{Ah} is the actual kWh in hour *h*.

Bill Components:

Standard Bill:

The Member System's schedule of EKPC's standard tariff prices will be applied to the CBL. These tariff prices include the current demand and energy prices, the FAC, the Environmental Surcharge and other applicable riders found in EKPC's Commission-approved tariff sheets. The standard bill will be computed using these prices and CBL values according to the billing algorithm currently in use to compute actual bills for customers on the applicable schedule of the standard tariff.

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Incremental Energy Charge:

The sum across all hours of the billing period of the product of the real-time price for each hour and the incremental load for each hour. Incremental load is the difference between actual metered load and the CBL. This difference can be positive or negative. Negative differences, termed "decremental load", create hourly credits. Actual metered usage cannot go below zero for billing purposes.

CBL:

Member System agreement on the CBL is a precondition for use of RTP-DA.

The CBL is to be developed by EKPC using one complete calendar year of customer-specific hourly firm historical load data. Upon agreement by all parties, the CBL remains in place permanently and is adjusted to match up day-types (weekdays and weekends) with the respective calendar year. Additional calendar matching modifications will be made, as necessary, for holidays.

Modifications to the CBL can be made by EKPC to reflect permanent removal of major, customer-owned electrical equipment or significant conservation or efficiency enhancements made by one of the Member System's retail customers. Any such modifications must be approved by all parties.

RTP Price:

The Day-Ahead RTP Price reflects day-ahead marginal costs on an hourly basis as determined by EKPC. The RTP Price consists of the following components:

1. EKPC's day-ahead hourly marginal generation cost, including estimated variable fuel cost, variable O&M cost and the variable emission allowance cost of the marginal generating unit, or purchased power cost, as applicable.
2. EKPC's estimated marginal reliability cost, as applicable.
3. EKPC's estimated marginal transmission cost, as applicable.
4. Losses.
5. Risk Adder for wholesale supplier.

The FAC applies to the CBL but not to incremental energy which is charged or credited based on the RTP price.

The Environmental Surcharge applies to the CBL only, with the RTP price reflecting variable environmental costs only.

RTP Administration Fee:

EKPC will charge a monthly RTP Administration Fee of \$150 per month per retail customer.

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Special Provisions:

Price notification:

The retail customer will be notified in accordance with procedures set forth in the RTP tariff of the Member System.

Term of Service:

EKPC shall provide RTP service to the Member System under this pilot program for a period of three years from the effective date of this tariff. No additional retail customers may be added to the pilot program after the completion of the second year of the pilot program. Terms of eligibility for individual customers are outlined in the RTP tariff for the Member System.

General Terms and Conditions:

Customer service must comply with general rules and regulations of EKPC on file with the Public Service Commission of Kentucky.

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SUMMARY OF
PROPOSED CHARGES
UNDER ELECTRIC
SPECIAL CONTRACTS
(NOT PART OF EKPC
TARIFFS)

**Summary of Proposed Charges Under Electric Special Contracts
(Not Part of EKPC Tariffs)**

Large Special Contract	Demand Charge:		
	Firm Demand	\$6.92 per kW per month	(I)
	10-Min Interruptible Demand	(\$6.22) per kW per month	(I)
	90-Min Interruptible Demand	(\$4.20) per kW per month	
	Energy Charge		
	On-Peak	\$0.049195 per kWh	(I)
	Off-Peak	\$0.045767 per kWh	(I)
Steam Service	Demand Charge		
	Per MMBTU	\$577.15	(I)
	Energy Charge		
	Per MMBTU	\$5.195	(I)

EXHIBIT MM-2

Table 1

Forecasted Period Summary Rate Impact Test Year Ended December 31, 2011 Response 807 KAR 5:001 Section 10(10)(m) [Application Volume 5, Tab 58, Page 7]					
	Current	Proposed	\$ Incr	% Incr	
Rate E	\$ 771,730,096	\$ 812,253,177	\$ 40,523,082	5.25%	
Rate B	56,378,640	59,358,593	2,979,952	5.29%	
Rate C	18,785,745	19,779,364	993,619	5.29%	
Rate G	19,002,098	20,008,762	1,006,664	5.30%	
Large Special Contract	48,534,624	51,656,241	3,121,617	6.43%	
Steam Service	14,076,304	14,828,817	752,513	5.35%	
Pumping Stations	9,009,512	9,009,512	-	0.00%	
Total	<u>\$ 937,517,019</u>	<u>\$ 986,894,466</u>	<u>\$ 49,377,447</u>	<u>5.27%</u>	
		Revenue Deficiency	\$ 49,375,429		
		Over Recovery due to Rounding	\$ 2,018		
Base Rate Impact	\$ 884,059,644	\$ 933,437,092	\$ 49,377,448	5.59%	

Table 2

Forecasted Period Summary Rate Impact Test Year Ended December 31, 2011 Billing Analysis in Current and Proposed Adjusted for Change in Load Forecast					
	Current	Proposed	\$ Incr	% Incr	
Rate E	\$ 646,499,268	\$ 686,005,102	\$ 39,505,834	6.11%	
Rate B	52,114,500	55,445,447	3,330,948	6.39%	
Rate C	16,168,006	17,204,852	1,036,846	6.41%	
Rate G	18,120,073	19,288,663	1,168,590	6.45%	
Large Special Contract	44,334,498	47,854,159	3,519,661	7.94%	
Steam Service	12,417,637	13,234,315	816,677	6.58%	
Pumping Stations	7,026,315	7,026,315	-	0.00%	
Total	<u>\$ 796,680,297</u>	<u>\$ 846,058,854</u>	<u>\$ 49,378,557</u>	<u>6.20%</u>	
		Revenue Deficiency	\$ 49,375,429		
		Over Recovery due to Rounding	\$ 3,128		
Base Rate Impact	\$ 812,830,042	\$ 862,208,599	\$ 49,378,557	6.07%	

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Most employers expect to give pay raises next year, Mercer survey finds

Employers are approaching salary increases in a cautious manner with emphasis on engaging and retain

United States
New York , 3 August 2010

Organizations plan to adjust their compensation practices for next year in response to concern over losing top talent after the past year of pay freezes and, for some, signs of economic recovery. According to Mercer's 2010/2011 US Compensation Planning Survey, more than 98% of companies plan to award base pay increases in 2011. Moreover, just 2% of companies are planning across-the-board salary freezes next year compared to 13% in 2010 and 31% in 2009.

Of the employers projecting to grant base pay increases, the average increase is expected to be 2.9% in 2011, up from an actual 2.7% in 2010, but still down from 2009 levels (3.2% average). Unlike past years, expected salary increase levels for 2011 are even across most employee groups, however more employers are taking a segmented approach to salary increase allocations and continuing to focus on high-performing talent. (See Figure 1.)

Mercer's most recent survey on compensation trends, which has been conducted annually for more than two decades, includes responses from more than 1,100 mid-size and large employers across the US and reflects pay practices for more than 12 million workers. The survey results are captured for five categories of employees: executive, management, professional (sales and non-sales), office/clerical/technician, and trades/production/service.

"It looks like salary raises are back and for good reason," said Catherine Hartmann, a Principal with Mercer's rewards consulting business. "The risk of losing key employees is top of mind as the economy recovers and certain labor markets improve. And while non-monetary awards such as career development and training are effective in retaining employees, employers realize that top-performing employees are loathe to going another year without an increase in pay. Investments in both cash and non-cash solutions will have a significant impact on avoiding post-recessionary flight."

Furthermore, Mercer's survey shows that short-term incentive payouts are projected to increase slightly. Overall, average payouts as a percentage of base pay for all employee groups remain stable. (See Figure 2.)

Differentiation for top performers

As organizations struggle to balance reward programs and limited budgets with the need to engage and retain talent, they are continuing to segment their workforce and rewards based on performance. As a result, the gap between high-performing employees and those in the lower performing categories is widening significantly. According to Mercer's survey, the highest-performing employees (14% of the workforce) are expected to receive average base pay increases of 4.3% in 2010 compared to 2.6% for average performers (35% of the workforce) and 0.5% for the weakest performers (7% of the workforce).

"In the tug of war between limited resources and the need to retain critical employees, recognizing top performance is still clearly a driving factor," said Ms. Hartmann. "Differentiating salary increases among employee groups is a necessity, allowing employers to make their investments on those employees that will advance the organization in the new economy."

Differentiation for growth sectors

Despite salary increases being lower than what has been experienced in recent years, variations do also exist among industry sectors. Compared to the expected average pay increase of 2.9% in 2011, organizations within high-performing industries plan to grant higher increases. The Oil and Gas industry is among the highest with projected average pay increases of 3.5% followed by the Business/Professional Services industry at 3.2%. In contrast, other industries expect to award less in 2011, including Education at 2.6% and Real Estate at 2.5%. (See Figure 3.)

"Despite budgetary constraints among all sectors, more stable growth industries are planning to provide raises for select employees," said Ms. Hartmann. "In general, increasing pay will continue to be a challenging priority for employers until improved economic conditions are evident and the economic outlook significantly improves."

For more information or to purchase the full report of Mercer's 2010/2011 US Compensation Planning Survey, visit www.imercer.com/cps or call 800 333 3070.

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ATTY GEN. EXHIBIT 1

Figure 1: Average base pay increases by employee group

	2010 Salary Increases			Projected 2011 Increases		
	% firms freezing salaries	(excluding 0s)	(including 0s)	% firms freezing salaries	(excluding 0s)	(including 0s)
All Employees	13%	2.7%	2.9%	2%	2.8%	2.8%
Executives	17%	2.9%	2.3%	3%	3.0%	2.9%
Management	13%	2.7%	2.3%	2%	2.8%	2.8%
Professional (sales and non-sales)	11%	2.7%	2.3%	2%	2.9%	2.8%
Office/Clerical/Technician	11%	2.7%	2.3%	2%	2.8%	2.8%
Trades/Production/Service	10%	2.6%	2.3%	1%	2.8%	2.8%

Source: Mercer, 2010/2011 US Compensation Planning Survey
 *These figures do not include the 0% salary increases planned or made by some employers.

Figure 2: Median short-term incentive payouts (as a percent of base pay)

	2010 Projected (as of November 2009)	2010 Actual (based on 2009 performance)
All Employees	10%	12%
Executives	32%	35%
Management	15%	15%
Professional (sales and non-sales)	9%	10%
Office/Clerical/Technician	5%	5%
Trades/Production/Service	4%	5%

Source: Mercer, 2010/2011 US Compensation Planning Survey.

Figure 3: Average base pay increases by select industry*

	2010 base pay increases	Projected 2011 base pay increases
Oil and Gas	3.4%	3.5%
Pharmaceutical	2.9%	2.9%
Utilities - Energy	2.8%	3.0%
Banking	2.8%	2.7%
Business/Professional Services	2.8%	3.2%
Retail	2.8%	2.8%
Telecommunications	2.7%	2.9%
Education	2.6%	2.6%
Healthcare	2.5%	2.8%
Hospitality/Restaurant	2.6%	3.0%
Real Estate	2.4%	2.5%

Source: Mercer, 2010/2011 US Compensation Planning Survey.
 *These figures do not include the 0% salary increases planned or made by some employers.

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