EAST KENTUCKY POWER COOPERATIVE

April 30, 2012

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PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: Case No. 2010-00167

Dear Mr. Derouen:

In accordance with the provisions of Article 1, Section 6(a) of the Settlement Agreement in the above referenced case, approved by the Commission on January 14, 2011, please find enclosed East Kentucky Power Cooperative, Inc.'s calendar year 2011 audited financial statements.

Thank you for granting the 30-day extension in which to provide this information. Please call me at (859) 745-9670 if you have any questions.

Sincerely,

Ann F. Wood

Ann F. Wood

Director of Regulatory Services

Enclosure

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P.O. Box 707, Winchester,
Kentucky 40392-0707

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East Kentucky Power Cooperative, Inc. and Subsidiary

Consolidated Financial Statements and Supplementary Information as of and for the Years Ended December 31, 2011 and 2010, and Independent Auditors' Report

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of East Kentucky Power Cooperative, Inc. and subsidiary (the "Cooperative") as of December 31, 2011 and 2010, and the related consolidated statements of revenues and expenses, changes in members' equities, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012, on our consideration of East Kentucky Power Cooperative, Inc. and subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary consolidating information is the responsibility of the Cooperative's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

April 13, 2012

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
ASSETS		
ELECTRIC PLANT — At original cost:		
In-service	$3,383,194	$3,268,276
Construction in progress	251,173	194,496
	3,634,367	3,462,772
Less accumulated depreciation	976,855	904,098
Electric plant — net	2,657,512	2,558,674
LONG-TERM ACCOUNTS RECEIVABLE	1,086	2,118
INVESTMENT SECURITIES:		
Available for sale	42,584	48,954
Held to maturity	9,011	8,962
CURRENT ASSETS:		
Cash and cash equivalents	129,710	48,941
Deposit with RUS — restricted investment	45,128	49,114
Accounts receivable	87,067	96,408
Fuel	53,342	60,565
Materials and supplies	43,782	49,889
Regulatory asset	679	2,390
Emission allowances	1,973	5,220
Other current assets	5,035	4,548
Total current assets	366,716	317,075
REGULATORY ASSETS	154,878	163,110
DEFERRED CHARGES	3,879	5,863
OTHER NONCURRENT ASSETS	6,251	6,970
TOTAL	$3,241,917	$3,111,726
LIABILITIES AND MEMBERS' EQUITIES		
MEMBERS' EQUITIES:		
Patronage & donated capital	$ 299,315	$ 243,419
Memberships	2	2
Accumulated other comprehensive income	10,407	4,285
Total members' equities	309,724	247,706
LONG-TERM DEBT — Excluding current portion	2,624,168	2,571,421
CURRENT LIABILITIES:		
Current portion of long-term debt	90,236	91,088
Accounts payable	98,099	75,242
Accrued expenses	60,903	50,815
Smith Unit 1 contract unwinding costs		6,150
Regulatory liability	428	2,278
Total current liabilities	249,666	225,573
ACCRUED POSTRETIREMENT BENEFIT COST	48,946	53,821
EPA LIABILITY AND OTHER	9,413	13,205
TOTAL	$3,241,917	$3,111,726

See notes to consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
OPERATING REVENUE	$ 877,604	$ 827,446
OPERATING EXPENSES:		
Production:		
Fuel	364,444	342,072
Other	128,861	121,056
Purchased power	41,751	68,593
Transmission and distribution	41,055	42,205
Depreciation	78,055	71,967
General and administrative	42,451	40,347
	696,617	686,240
OPERATING MARGIN	180,987	141,206
NONOPERATING DEFICIT:		
Interest expense on long-term debt	(116,781)	(116,259)
Other interest and amortization of debt expense	(5,413)	
Interest income	2,885	3,252
Consent decree settlements	(5,974)	4,099
Miscellaneous	58	15
	(125,225)	(108,893)
CAPITAL CREDITS AND PATRONAGE CAPITAL ALLOCATIONS	134	487
NET MARGIN	55,896	32,800
OTHER COMPREHENSIVE INCOME:		
Unrealized gains on investments available for sale	157	153
Postretirement benefit obligation	5,965	(4,378)
	6,122	(4,225)
COMPREHENSIVE INCOME	$ 62,018	$ 28,575

See notes to consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	Memberships	Patronage Capital	Donated Capital	Accumulated Other Comprehensive Income	Total Members' Equities
BALANCE — January 1, 2010	$ 2	$207,584	$ 3,035	$ 8,510	$219,131
Comprehensive income:					
Net margin		32,800			32,800
Unrealized gains on investments available for sale				153	153
Postretirement benefit obligation				(4,378)	(4,378)
Total comprehensive income					28,575
BALANCE — December 31, 2010	2	240,384	3,035	4,285	247,706
Comprehensive income:					
Net margin		55,896			55,896
Unrealized gains on investments available for sale				157	157
Postretirement benefit obligation				5,965	5,965
Total comprehensive income					62,018
BALANCE — December 31, 2011	$ 2	$296,280	$ 3,035	$ 10,407	$309,724

See notes to consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 55,896	$ 32,800
Adjustments to reconcile net margin to net cash from operating activities:		
Depreciation	78,055	71,967
Amortization of loan costs	7,478	3,807
Changes in:		
Accounts receivable	9,341	(16,826)
Fuel	7,223	14,891
Materials and supplies	6,107	(6,627)
Regulatory asset/liability	8,093	12,851
Emission allowances	3,247	5,699
Accounts payable — trade	17,863	(2,499)
Accrued expenses	10,088	35,382
Accrued postretirement benefit cost	1,090	3,061
Other	(15,204)	(13,616)
Net cash provided by operating activities	189,277	140,890
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric plant	(171,899)	(149,606)
Maturities and calls of securities available for sale	149,637	131,720
Purchases of securities available for sale	(143,110)	(132,910)
Maturities of securities held to maturity	27	26
Purchases of securities held to maturity	(76)	(305)
Additional deposits with RUS restricted investment	(168,982)	(39,476)
Maturities of RUS restricted investment	172,968	-
Payments received on long-term accounts receivable	1,032	1,234
Net cash used in investing activities	(160,403)	(189,317)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	522,271	465,196
Principal payments on long-term debt from deposits with RUS	-	(4,819)
Principal payments on long-term debt	(470,376)	(414,561)
Net cash provided by financing activities	51,895	45,816
NET CHANGE IN CASH AND CASH EQUIVALENTS	80,769	(2,611)
CASH AND CASH EQUIVALENTS — Beginning of year	48,941	51,552
CASH AND CASH EQUIVALENTS — End of year	$ 129,710	$ 48,941

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest	$ 117,702	$ 89,082
NONCASH INVESTING TRANSACTION:		
Additions to electric plant included in accounts payable	$ 15,260	$ 10,266
Unrealized gains on securities available for sale	$ 157	$ 153
Smith Unit 1 transfer from CWIP to regulatory asset	$ -	$ 150,998

See notes to consolidated financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — East Kentucky Power Cooperative (the "Cooperative") is a not-for-profit electric generation and transmission cooperative providing wholesale electric service to 16 distribution members mainly for residential consumers in central and eastern Kentucky.

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

Basis of Accounting — The consolidated financial statements are prepared in accordance with policies prescribed or permitted by the Kentucky Public Service Commission (PSC or Commission) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform with accounting principles generally accepted in the United States of America (GAAP) in all material respects. As a rate regulated entity, the Cooperative's financial statements reflect actions of regulators that result in the recording of revenues and expenses in different time periods than enterprises that are not rate regulated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980-10, *Regulated Operations*.

Electric Plant and Maintenance — Electric plant is stated at original cost, which is the cost when first dedicated to public service, including applicable labor and overhead costs.

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

Inventories — Inventories of fuel and materials and supplies are valued at the lower of average cost or market.

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

Depreciation — Depreciation for the generating plants and transmission facilities is provided on the basis of estimated useful lives at straight-line composite rates. Rates applied to electric plant in service for both 2011 and 2010 are:

Production plant	Years 2019–2051
Transmission and distribution plant	0.71%–3.42%
General plant	2.00%–20.00%

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

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

Restricted Investment — The Cooperative has established a cushion of credit program administered by the RUS. Under the cushion of credit program, RUS borrowers may make voluntary irrevocable deposits into a special account. The account balance accrues interest at a rate of five percent per year. The amounts in the cushion of credit account (deposits and earned interest) can only be used to make scheduled payments on loans made or guaranteed by the RUS. At December 31, 2011 and 2010, the balance in the cushion of credit program was $45.1 and $49.1 million, respectively.

Fair Value of Financial Instruments — The carrying amount of cash and cash equivalents, receivables and certain other current liabilities approximates fair value due to the short maturity of the instruments. The fair value of long-term debt, including current maturities, is calculated using debt with similar terms and remaining maturities. At December 31, 2011, the estimated fair value of the Cooperative's long-term debt was $3.2 billion which was determined using a Level 2 valuation methodology.

The Cooperative uses fair value to measure certain financial instruments, with related unrealized gains or losses generally affecting future recoverable costs. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Observable inputs or unobservable inputs, defined by ASC Topic 820-10, *Fair Value Measurements and Disclosures*, may be used in the calculation of fair value. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measure and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The inputs used to measure cash equivalents are Level 1 measurements, as the money market funds are exchange traded funds in an active market. The inputs used to measure the available for sale are Level 1 measurements, as the securities are based on quoted market prices for the same or similar investments. The inputs used to measure the held to maturity investment securities and financial transmission rights derivatives are considered Level 2 as defined above.

At December 31, 2011 and 2010, the carrying value and the estimated fair values of the Cooperative's cash, cash equivalents and investments were as follows (dollars in thousands):

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 129,710	$ 129,710	$ 48,941	$ 48,941
Investment securities:				
Available for sale	42,584	42,584	48,954	48,954
Held to maturity	9,011	11,296	8,962	8,905
Financial transmission rights derivatives	611	611		

Rate Matters — Revenue is recorded monthly based on meter readings made at month-end.

The PSC has adopted a uniform fuel adjustment clause for all electric utilities within its jurisdiction. Under this clause, fuel cost above or below a stated amount per kWh is charged or credited to the member cooperatives for all energy sales during the month following actual fuel costs being incurred.

The PSC has an environmental cost recovery mechanism that allows utilities to recover certain costs incurred in complying with the Federal Clean Air Act as amended and those federal, state, and local environmental requirements which apply to coal combustion wastes and byproducts from facilities utilized for the production of energy from coal. This environmental surcharge is being billed on a percentage of revenue basis in the month following the actual costs being incurred.

On January 14, 2011, the Commission issued an Order approving a settlement reached among the Cooperative and the interveners, which authorized a $43 million increase in annual base rate revenues. This rate increase was effective for service rendered on and after January 14, 2011. Additional provisions of the settlement include a provision to refund 2011 earnings in excess of a 1.50 times interest earned ratio (TIER) through the filing of an application with the Commission and an affirmation that the Cooperative has accepted and is implementing all of the recommendations made by the independent consultant that completed a Commission-ordered focused management and operations audit of the Cooperative in 2010. EKPC did not exceed a 1.50 TIER in 2011, and accordingly, no refund is due to EKPC members.

Concentration of Credit Risk — Credit risk represents the risk of loss that would occur if suppliers or customers did not meet their contractual obligations to EKPC. Concentration of credit risk occurs when significant suppliers or customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

The Cooperative's sales are primarily to its member cooperatives and amounted to approximately $847.6 and $805.3 million for 2011 and 2010, respectively. Accounts receivable at December 31, 2011 and 2010 were primarily from billings to member cooperatives.

At December 31, 2011 and 2010, individual account receivable balances that exceeded 10% of total accounts receivable are as follows (dollars in thousands):

	2011	2010
Owen Electric Cooperative	$ 12,000	$ 12,559
South Kentucky RECC	9,042	11,387
Blue Grass Energy Cooperative	N/A	10,214

Cash and Cash Equivalents — The Cooperative considers temporary investments having a maturity of three months or less when purchased to be cash equivalents.

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

Asset Impairment — Long-lived assets held and used by the Cooperative are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Specifically, the evaluation for impairment involves comparison of an asset's carrying value to the estimated undiscounted cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded as a charge to operations based on the difference between the asset's carrying amount and its fair value. No impairment has been recognized on long-term assets for the years ended December 31, 2011 or 2010.

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

A provision in the Cooperative's bylaws prohibits the return of capital contributed by patrons unless, after any proposed retirement, the total capital of the Cooperative equals or exceeds 40% of total assets. In addition, provisions of certain loan agreements prohibit the retirement of capital until stipulated requirements as to liquid assets (cash and U.S. Government obligations) are met. Accordingly, at December 31, 2011 and 2010, no patronage capital was available for refunds or retirement.

Comprehensive Income — Comprehensive income includes both net margin and other comprehensive income. Other comprehensive income represents the change in unrealized gains and losses on securities available for sale as well as the change in funded status of the accumulated postretirement benefit obligation.

Income Taxes — The Cooperative is exempt under Section 501(c)(12) of the Internal Revenue Code from federal income tax for any year in which at least 85% of its gross income is derived from members but is responsible for income taxes on certain unrelated business income. ASC Topic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in the financial statements. This interpretation requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. Additionally, ASC Topic 740-10 provides guidance on measurement, recognition, classification, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Cooperative has determined that more than 85% of its gross income is derived from members and it meets the exemption status under the Section 501(c)(12).

Deferred Finance Charges — The Cooperative amortizes deferred financing charges using the effective interest method.

Derivatives — The Cooperative's activities expose it to a variety of market risks including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on its operating results. These policies and strategies include the use of derivative instruments and hedging activities. These derivative instruments generally qualify for hedge accounting or the normal purchase and normal sales exclusion under ASC Topic 815-10, *Derivatives and Hedging*. If hedge treatment is obtained, unrealized gains or losses resulting from these instruments are deferred as a component of accumulated other comprehensive income (loss) until the corresponding item being hedged is settled, at which time the gain or loss is recognized in earnings. Gains or losses for items not qualifying for hedge treatment are accounted for as derivative assets or liabilities and recorded on the balance sheet until such time that the asset or liability is settled, at which time the gain or loss is recognized in earnings. At December 31, 2011, the Cooperative had Financial Transmission Rights (FTRs) derivative assets of $0.6 million and $0.5 million in related liabilities. The Cooperative had no derivative activity in 2010.

Asset Retirement Obligations — ASC Topic 410-20, *Asset Retirement Obligations*, requires legal obligations associated with the retirement of long-lived assets to be recognized at fair value when incurred and capitalized as part of the related long-lived asset. ASC Topic 410-20 clarifies the term conditional asset retirement obligation where an obligation exists even though the method or timing of settlement may be conditional. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. When the asset is retired, the entity settles the obligation for its recorded amount or incurs a gain or loss. The Cooperative has certain generating plants that contain asbestos, which is required by law to be removed or contained if the plants are renovated or demolished. At December 31, 2011, asset retirement obligations consisted of $2.0 million related to asbestos abatement at Dale Station Units 1 and 2. Related accretion expense for the year was approximately $76,000. The Cooperative has no plans to retire any of its generating plants at this time but continues to evaluate the useful lives of its plants and costs of remediation.

2. ELECTRIC PLANT

Electric plant in-service at December 31, 2011 and 2010 consisted of the following (dollars in thousands):

	2011	2010
Production plant	$2,497,554	$2,344,849
Transmission plant	671,794	625,969
General plant	88,312	84,278
Completed construction, not classified, and other	125,534	213,180
Electric plant in service	$3,383,194	$3,268,276

3. LONG-TERM ACCOUNTS RECEIVABLE

Long-term receivables include modifications to Spurlock Power Station in order to provide steam to a paper mill that recycles container board. The paper mill is reimbursing the Cooperative for the cost of the modifications through a monthly facilities charge which concludes in September 2012. Long-term receivables also include interest-bearing notes from joint ventures owned by the Cooperative and four of the Cooperative's member systems for the buyout of a propane company. The joint ventures of the member systems are making principal and interest (prime rate minus one-half of one percent, adjusted annually) payments. The notes are payable in full in 2015.

4. INVESTMENT SECURITIES

Amortized cost and estimated fair value of investment securities available for sale at December 31, 2011 and 2010 are as follows (dollars in thousands):

2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury bill	$ 38,194	$ -	$ (5)	$ 38,189
Zero Coupon Bond	3,019	264		3,283
Other	1,061	51		1,112
	$ 42,274	$ 315	$ (5)	$ 42,584
2010				
National Rural Utilities Cooperative Finance Corporation Promissory Note	$ 2,946	$ -	$ -	$ 2,946
U.S. Treasury bill	41,866	109		41,975
Zero Coupon Bond	2,928			2,928
Other	1,061	44		1,105
	$ 48,801	$ 153	$ -	$ 48,954

Proceeds from maturities and calls of securities were $149.6 and $131.7 million in 2011 and 2010, respectively. There were no realized gains or losses on those calls.

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

2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
National Rural Utilities Cooperative Finance Corporation:				
3–5% capital term certificates	$ 7,656	$ 2,220	$ -	$ 9,876
6.5875% subordinated term certificate	365	175		540
0% subordinated term certificate	990		(110)	880
	$ 9,011	$ 2,395	$ (110)	$ 11,296
2010				
National Rural Utilities Cooperative Finance Corporation:				
3–5% capital term certificates	$ 7,656	$ 34	$ (12)	$ 7,678
6.5875% subordinated term certificate	385	110		495
0% subordinated term certificate	921		(189)	732
	$ 8,962	$ 144	$ (201)	$ 8,905

All investment securities held to maturity with unrealized losses at December 31, 2011 and 2010, not recognized in net margin have maturities of 12 months or more.

The amortized cost and fair value of securities at December 31, 2011, by contractual maturity, are shown below (dollars in thousands). Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Available for sale:		
Due in one year or less	$ 38,583	$ 38,189
Due after one year through five years	2,630	3,283
Due after ten years	1,061	1,112
	$ 42,274	$ 42,584
Held to maturity:		
Due after five years through ten years	$ 731	$ 805
Due after ten years	8,280	10,491
	$ 9,011	$ 11,296

5. LONG-TERM DEBT

Long-term debt outstanding at December 31, 2011 and 2010 consisted of the following (dollars in thousands):

	2011	2010
First mortgage notes:		
2.590%–10.657%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2044, weighted average 4.674%	$2,239,570	$2,166,019
5.125% payable quarterly to RUS in varying amounts through 2024, weighted average 5.125%	8,363	8,848
4.00%, payable quarterly to CFC in varying amounts through 2024	7,958	8,432
Variable rate, 4.00% at December 31, 2011, payable quarterly to CFC in varying amounts through 2019	5,159	6,299
Fixed rate loan, 7.7%, payable semi-annually in varying amounts to National Cooperative Services Corporation through 2012	1,500	3,000
Tax-exempt bonds:		
Pollution control revenue bonds, Series 1984B, variable rate bonds, due October 15, 2014, 0.70% and 0.91% at December 31, 2011 and 2010, respectively	37,750	48,500
Pollution control revenue bonds, Series 1984J, variable rate bonds, due October 15, 2011, 1.20% and 0.88% at maturity and December 31, 2010, respectively		3,300
Solid waste disposal revenue bonds, Series 1993B, variable rate bonds, due August 15, 2023, 1.00% and 1.25% at December 31, 2011 and 2010, respectively	6,900	7,300
Clean Renewable Energy Bonds, Fixed rate of 0.40% payable quarterly to CFC to December 1, 2023	6,460	6,998
Promissory notes:		
1.84%–2.04% variable rate note payable to CFC	380,000	380,000
4.226% fixed rate notes payable to National Cooperative Services Corporation	20,744	23,813
	2,714,404	2,662,509
Less current portion of long-term debt	90,236	91,088
	$2,624,168	$2,571,421

In September 2003, RUS approved a loan application in the amount of $27.6 million for the construction of five landfill gas to energy generating units including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011 no funds remained to be advanced.

In May 2005, RUS approved a loan application in the amount of $55.2 million for the construction of two additional combustion turbines at the J.K. Smith site, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, no funds remained to be advanced.

In May 2005, the Cooperative submitted to RUS a loan application in the amount of $907 million for the construction of the Smith #1 Unit and the construction of five additional combustion turbines at the J.K. Smith site, including engineering services, preliminary structural design, and related transmission facilities. In June 2007, the Cooperative re-submitted this same loan application for the Smith #1 Unit, along with the construction of only two combustion turbines and related transmission facilities for a revised loan amount of $943.9 million. In May 2008, due to the institution by RUS of a moratorium on financing of base load generation facilities, the Cooperative once again revised this loan to only include the two combustion turbines and related transmission facilities for a revised loan amount of $276.3 million. This loan was approved by RUS in June 2008. Advances on this loan are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $57.8 million of these amounts remained to be advanced.

In August 2005, RUS approved a loan application in the amount of $64.2 million for the construction of various transmission projects. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $1.2 million of these amounts remained to be advanced.

In September 2005, the Cooperative entered into an unsecured credit facility syndicate with the co-arrangers of CFC and the Bank of Tokyo-Mitsubishi. This loan was approved for a total of $650 million for general operating expenses and capital construction projects. As of July 14, 2010, $325 million of this amount was outstanding and refinanced through a new credit agreement.

On July 14, 2010, the Cooperative entered into an unsecured credit facility syndicate with the joint lead arrangers of CFC, Keybank, and PNC Capital Markets. This loan was approved for a total of $450 million for general operating expenses and capital construction projects. As of August 9, 2011, $380 million of this amount was outstanding and refinanced through a new credit agreement.

On August 9, 2011, the Cooperative entered into an unsecured credit facility syndicate with the joint lead arrangers of CFC, Keybank, and PNC Capital Markets. This loan was approved for a total of $450 million for general operating expenses and capital construction projects. As of December 31, 2011, $70 million of this amount remains to be advanced.

In March 2006, RUS approved a loan application in the amount of $481.4 million for the construction of the Unit #4 at the Spurlock Power Station, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $1.7 million of these amounts remained to be advanced.

In May 2007, the Cooperative submitted to RUS a loan application in the amount of $457.5 million for the engineering and construction of a new scrubber on the Spurlock Unit #1 and the replacement of the existing scrubber on the Spurlock Unit #2. This loan was approved by RUS in June 2008. Advances on this loan are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $58.9 million of these amounts remained to be advanced.

In May 2008, the Cooperative submitted to RUS a loan application in the amount of $96.1 million for various generation projects. This loan amount was revised in July 2008 to $108.2 million. This loan was approved by RUS in August 2008. Advances on this loan are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $97.7 million of these amounts remained to be advanced.

In July 2008, the Cooperative submitted to RUS a loan application in the amount of $152.7 million for various transmission projects. This loan was revised in July 2008 to $140.7 million. This loan was approved by RUS in July 2009. Advances on this loan are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $92.6 million of these amounts remained to be advanced.

In March 2009, EKPC submitted to RUS a loan application for $341 million for construction of the Cooper Station Retrofit Air Pollution Project. This loan was approved by RUS in August 2009. Advances on this loan are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the PSC. As of December 31, 2011, $317 million of these amounts remained to be advanced.

In accordance with the Rural Electrification Act of 1936 (RE Act), as amended, the RUS established a cushion of credit program. Under this program, RUS borrowers may make voluntary deposits into a special cushion of credit account. This cushion of credit account balance accrues interest at a rate of 5% per annum. The amounts in the cushion of credit account (deposits and earned interest) can only be used to make scheduled payments on loans made or guaranteed under the RE Act. The Cooperative's cushion of credit account balance was $45.1 and $49.1 million at December 31, 2011 and 2010, respectively. These balances were used to make scheduled debt payments to RUS in the first quarter of the subsequent year. Accordingly, these amounts were recorded as restricted current investments as of December 31, 2011 and 2010.

In December 2010, the Cooperative entered into a loan agreement with the National Cooperative Services Corporation (NCSC) for $23.8 million to refinance the corresponding outstanding principal balance of indebtedness to RUS.

The interest rate on the Series 1984B Pollution Control Bonds is subject to change weekly and the interest rate on the Series 1993B Solid Waste Disposal Revenue Bonds is subject to change semiannually. The interest rate adjustment period on any series of the above-mentioned variable rate bonds may be converted to a weekly, semiannual, annual or three-year basis, or to a fixed-rate basis, at the option of the Cooperative. A $37.8 million CFC guarantee secures payment of the Series 1984B bonds and has an expiration date of October 15, 2014. A $6.9 million CFC guarantee secures payment of the Series 1993B bonds and has an expiration date of August 15, 2023.

Long-term pollution control and solid waste disposal revenue bonds require that debt service reserve funds be on deposit with a trustee throughout the term of the bonds. Debt service reserve requirements are as follows: Series 1984B — $12.7 million; and Series 1993B — $1.1 million. In addition, mandatory sinking fund payments are required for each series as follows: Series 1984B — payments range from $10.8 million in 2011 to $12.8 million in 2014; and Series 1993B — payments range from $0.4 million in 2011 to $0.7 million in 2023. Debt service reserve and construction funds are held by trustees and are invested primarily in U.S. Government securities and CFC promissory notes. These funds are included in investment securities available for sale and have a fair value of approximately $14.4 million at December 31, 2011.

Estimated annual maturities of long term debt for the five years subsequent to December 31, 2011 are as follows (dollars in thousands):

Years Ending December 31	
2012	$ 90,236
2013	89,301
2014	89,029
2015	79,605
2016	76,488
Thereafter	2,289,745
	$2,714,404

Under the terms of the loan agreements with RUS, CFC and institutional investors, the Cooperative is required to maintain certain levels of members' equities, interest coverage, and debt service coverage, all of which were met at December 31, 2011.

Substantially all assets are pledged as collateral for the first mortgage notes payable to the United States of America (RUS and FFB) and CFC, as well as the outstanding tax-exempt bonds of Series 1984B, 1993B, and Clean Renewable Energy Bonds.

As of December 31, 2011, the Cooperative has $3.1 million outstanding in a letter of credit with the Commonwealth of Kentucky for Worker's Compensation.

As of December 31, 2011, the Cooperative has pledged securities of $2.7 million with the United States Department of Labor for Federal Longshore Harbor Workers and the Commonwealth of Kentucky.

6. RETIREMENT BENEFITS

Pension Plan — Pension benefits for employees hired prior to January 1, 2007 are provided through participation in the National Rural Electric Cooperative Association's Retirement and Security Program, a multi-employer defined benefit plan. The Cooperative's required contributions were approximately $9.4 and $9.8 million for 2011 and 2010, respectively. The Cooperative expects to contribute approximately $10.5 million to the plan in 2012.

Retirement Savings Plan — The Cooperative has a Retirement Savings Plan for all employees who are eligible to participate in the Cooperative's benefit programs. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. For employees hired prior to January 1, 2007, the Cooperative makes matching contributions to the account of each participant up to 2.0% of the participant's compensation. For employees hired on or after January 1, 2007, the Cooperative will automatically contribute 6.0% of base wages and match the employee contribution up to 4.0%. The Cooperative contributed approximately $1.7 and $1.4 million to the plan in 2011 and 2010, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative. The Cooperative expects to contribute approximately $2.2 million to the plan in 2012.

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

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

The following sets forth the accumulated post-retirement benefit obligation, the change in plan assets, and the component of accrued post-retirement benefit cost and net periodic benefit cost as of December 31, 2011 and 2010 (dollars in thousands):

	2011	2010
Accumulated post-retirement benefit obligation — beginning of year	$ 55,267	$ 47,706
Service cost	982	1,244
Interest cost	2,133	2,783
Plan participants' contributions	899	829
Actuarial loss	(6,994)	4,094
Benefits paid	(2,074)	(1,389)
Accumulated post-retirement benefit obligation — end of year	$ 50,213	$ 55,267
Fair value of plan assets — beginning of year	$ -	$ -
Employer contributions	1,175	560
Plan Participants' contributions	899	829
Benefits paid	(2,074)	(1,389)
Fair value of plan assets — end of year	$ -	$ -
Unfunded status	$ 50,213	$ 55,267
Unrecognized net actuarial gain	10,099	4,135
Net amount recognized	$ 60,312	$ 59,402
Unfunded status	$ 50,213	$ 55,267
Current liabilities	1,267	1,446
Noncurrent liabilities	$ 48,946	$ 53,821
Service cost	$ 982	$ 1,244
Interest cost	2,133	2,783
Amortization of net actuarial gain	(1,029)	(284)
Net periodic benefit cost	$ 2,086	$ 3,743
Net amount recognized (included in other comprehensive income)	$ 5,965	$ (4,378)
Amounts in other comprehensive income expected to be realized in 2012 — actuarial gain	$ 369	$ -

The discount rate used in determining the accumulated postretirement benefit obligation was 4.4% and 5.4% for 2011 and 2010, respectively.

The Cooperative expects to contribute approximately $1.3 million to the plan in 2012.

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

Years Ending December 31	
2012	$ 1,267
2013	1,350
2014	1,456
2015	1,570
2016	1,719
2017–2021	10,782
Total	$ 18,144

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2011. The rate is assumed to decline to 5% after six years.

The health care cost trend rate assumption has a significant effect on the amounts reported (dollars in thousands).

	2011	2010
Effect on total of service cost and interest cost components (dollars in thousands):		
1-percentage-point increase	$ 678	$ 880
1-percentage-point decrease	(527)	(687)
Effect on postretirement benefit obligation (dollars in thousands):		
1-percentage-point increase	10,102	10,852
1-percentage-point decrease	(7,937)	(8,624)

7. COMMITMENTS, EXPENDITURES AND CONTINGENCIES

The Cooperative has entered into long-term power purchase agreements having minimum payment obligations as follows (dollars in thousands):

Years Ending December 31	
2012	$ 25,174
2013	16,819
2014	16,819

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

Years Ending December 31	
2012	$ 254,911
2013	201,486
2014	172,184
2015	110,723
2016	73,058

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

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

On November 17, 2011, the Kentucky Department of Revenue assessed the Cooperative approximately $3.9 million in taxes and interest for failure to remit sales tax on certain capital and consumable supplies purchased as well as steam energy sold for resale for the period of 2005 through 2010. EKPC is vigorously contesting the case and accordingly, has filed a protest and supplemental supporting statements with the Kentucky Department of Revenue. However, management cannot currently predict the outcome of the protest.

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

The parties executed a Consent Decree (Acid Rain Consent Decree), which the United States Department of Justice lodged on September 20, 2007 and subsequently entered after the 30-day public comment period on November 30, 2007.

Under the terms of the Acid Rain Consent Decree, the Cooperative must make six annual payments of $1.9 million (Fixed Penalty Payment), totaling $11.4 million. The Cooperative made the fifth installment of this fixed penalty payment in December 2011. In addition to the Fixed Penalty Payment, the Cooperative is subject to a Contingent Penalty Payment for a period of five years, based on audited consolidated financial statements for the years 2008 through 2012. The Cooperative will be subject to the Contingent Penalty Payment if certain financial ratios are achieved. As of December 31, 2011, the Cooperative has reserved $14.4 million for such contingent penalty payments. Total fixed penalty and contingency penalty payments accrued at December 31, 2011 were $16.3 million, with $10.0 million classified as current accrued expenses on the balance sheet. The long-term portion of $6.3 million is included in EPA and other liabilities on the balance sheet.

8. REGULATORY ASSETS AND LIABILITIES

ASC Topic 980-10 applies to regulated entities for which rates are designed to recover the costs of providing service. In accordance with this topic, certain items that would normally be reflected in the Consolidated Statements of Revenue and Expenses are deferred on the Consolidated Balance Sheets. Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the rate-making process. Regulatory assets are charged to earnings as collection of the cost in rates is recognized or when future recovery is no longer probable. Conversely, regulatory liabilities represent future reductions in revenues associated with amounts that are to be credited to customers through the rate-making process.

On June 22, 2010, the Commission issued an Order initiating An Investigation of the Cooperative's Need for the Smith Unit 1 Generating Facility ("Investigation"). The Investigation required the Cooperative to respond to the following issues: 1) The Cooperative's need for base load generation; 2) Whether or not Smith Unit 1 is the least costly compared to other power supply options; and 3) The impact of Smith Unit 1 compared to other power supply options on the Cooperative's financial integrity and future rates. EKPC's 2010 load forecast showed that base load generation was not needed for at least five years. The 20-year production cost and financial analyses showed that the Smith Unit 1 option no longer produced the least cost power supply alternative. Therefore, the Cooperative saw no other prudent alternative than to voluntarily surrender the Certificate of Public Convenience and Necessity (CPCN) on Smith Unit 1. The Cooperative entered into a Settlement with parties to the Investigation, as well as the Kentucky Attorney General and certain environmental groups. EKPC agreed, among other things, to formally notify the PSC of its intent to abandon the construction of Smith Unit 1 and to surrender the CPCN.

On February 28, 2011, the PSC approved the provisions of the Settlement, including the Cooperative's request to relinquish the CPCN. Also on February 28, 2011, in a separate proceeding, the Commission authorized the establishment of a regulatory asset for construction costs expended on the cancelled Smith Unit 1 and the Cooperative's estimate of the costs to unwind its Smith Unit 1 vendor contracts. At December 31, 2010, the Cooperative recorded a regulatory asset totaling $157.1 million based on the accounting guidance for abandonment of plant costs for regulated entities and management's belief that full return on investment is probable.

During 2011, the Cooperative negotiated final settlement of the Smith Unit 1 contracts, resulting in a reduction of the regulatory asset balance to $150.8 million at December 31, 2011. While the Cooperative has not yet requested rate recovery, management believes that it is probable that the PSC will allow the Cooperative to recover through rates the full amount of the regulatory asset, along with a return on the investment, net of cash inflows from cost mitigation efforts.

During 2008, the Cooperative recorded a regulatory asset of $12.3 million related to unrecorded forced outage replacement power costs incurred during 2008 that are included in their 2009 rate case. The PSC approved a three-year amortization period beginning in April 2009. In conjunction with the rate case approved by the PSC on January 14, 2011, the Cooperative was permitted to extend the amortization of forced outage costs an additional three years.

Regulatory assets (liabilities) were comprised of the following as of December 31, 2011 and 2010 (dollars in thousands):

	2011	2010
Plant Abandonment — Smith Unit 1	$ 150,827	$ 157,139
Deferred outage costs	3,477	5,125
Deferred management audit costs	574	846
	$ 154,878	$ 163,110
Fuel adjustment clause	$ 679	$ 2,390
Environmental cost recovery	$ (428)	$ (2,278)

9. ENVIRONMENTAL MATTERS

The EPA finalized the Mercury and Air Toxics Standards (MATS) rules on December 16, 2011 to reduce emissions of air toxins from new and existing coal and oil fired electric utility steam generating units. Existing units will be required to comply with these rules by April 16, 2015. The EPA will consider granting extensions to April 16, 2016 for reliability critical units; states can also grant one year extensions for retrofits. In July 2011, the EPA issued the Cross-State Air Pollution Rule (CSAPR) to limit SO2 and Nox emissions. This rule replaced the EPA's Clean Air Interstate Rule (CAIR) and was to become effective on January 1, 2012. Numerous legal challenges were filed by a variety of companies and states. On December 30, 2011, the DC Court of Appeals stayed the CSAPR pending judicial review. The Court noted that the EPA is expected to continue the CAIR program pending court resolution.

The Cooperative is evaluating the impact of these rules on its current fleet of coal-fired units and developing appropriate cost effective compliance strategies.

10. NEW ACCOUNTING PRONOUNCEMENTS

In September 2011, the FASB issued authoritative guidance that requires an employer that participates in multiemployer pension plans to provide additional quantitative and qualitative disclosures in order to provide more detailed information about the employer's involvement in multiemployer pension plans. In addition, this amendment also includes changes in the disclosures required for multiemployer plans that provide postretirement benefits other than pensions. This guidance is effective for non-public companies for the fiscal years ending after December 15, 2012. The adoption of this update is not expected to have a material impact on the Cooperative's financial position or results of operations.

11. SUBSEQUENT EVENTS

The Cooperative's financial statements are available for issuance as of April 13, 2012. Any subsequent events have been evaluated through this date.

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SUPPLEMENTARY INFORMATION

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2011
(Dollars in thousands)

	EKPC, Inc.	CBRECC	Eliminations	Consolidated
ASSETS				
ELECTRIC PLANT — At original cost:				
In-service	$3,265,971	$117,223	$ -	$3,383,194
Construction in progress	251,173			251,173
	3,517,144	117,223	-	3,634,367
Less accumulated depreciation	889,328	87,527		976,855
Electric plant — net	2,627,816	29,696	-	2,657,512
LONG-TERM ACCOUNTS RECEIVABLE	1,086			1,086
SUBORDINATED NOTES RECEIVABLE FROM SUBSIDIARY	1,753		(1,753)	-
INVESTMENT SECURITIES:				
Available for sale	42,584			42,584
Held to maturity	9,011			9,011
CURRENT ASSETS:				
Cash and cash equivalents	129,710			129,710
Deposit with RUS — restricted investment	45,128			45,128
Accounts receivable	87,067			87,067
Fuel	52,430	912		53,342
Materials and supplies	42,961	821		43,782
Regulatory asset	679			679
Emission allowances	1,973			1,973
Other	5,035			5,035
Total current assets	364,983	1,733	-	366,716
REGULATORY ASSET	154,878			154,878
INTERCOMPANY PAYABLE		(12,618)	12,618	-
DEFERRED CHARGES	20,937		(17,058)	3,879
OTHER	6,251			6,251
TOTAL	$3,229,299	$ 18,811	$ (6,193)	$3,241,917
LIABILITIES AND MEMBERS' EQUITIES				
MEMBERS' EQUITIES	$ 309,724	$ -	$ -	$ 309,724
LONG-TERM DEBT — Excluding current portion	2,624,168	1,753	(1,753)	2,624,168
CURRENT LIABILITIES:				
Current portion of long-term debt	90,236			90,236
Accounts payable — trade	98,099			98,099
Accounts payable — construction		17,058	(17,058)	-
Smith 1 contract unwinding costs				-
Current portion of regulatory liability	428			428
Accrued expenses	60,903			60,903
Total current liabilities	249,666	17,058	(17,058)	249,666
INTERCOMPANY RECEIVABLE	(12,618)		12,618	-
ACCRUED POSTRETIREMENT BENEFIT COST	48,946			48,946
OTHER	9,413			9,413
TOTAL	$3,229,299	$ 18,811	$ (6,193)	$3,241,917

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

SUPPLEMENTARY CONSOLIDATING BALANCE SHEET INFORMATION
AS OF DECEMBER 31, 2010
(Dollars in thousands)

	EKPC, Inc.	CBRECC	Eliminations	Consolidated
ASSETS				
ELECTRIC PLANT — At original cost:				
In-service	$3,151,053	$117,223	$ -	$3,268,276
Construction in progress	194,496			194,496
	3,345,549	117,223	-	3,462,772
Less accumulated depreciation	817,364	86,734		904,098
Electric plant — net	2,528,185	30,489	-	2,558,674
LONG-TERM ACCOUNTS RECEIVABLE	2,118			2,118
SUBORDINATED NOTES RECEIVABLE FROM SUBSIDIARY	2,483		(2,483)	-
INVESTMENT SECURITIES:				
Available for sale	48,954			48,954
Held to maturity	8,962			8,962
CURRENT ASSETS:				
Cash and cash equivalents	48,941			48,941
Deposit with RUS — restricted investment	49,114			49,114
Accounts receivable	96,408			96,408
Fuel	59,653	912		60,565
Materials and supplies	49,068	821		49,889
Regulatory asset	2,390			2,390
Emission allowances	5,220			5,220
Other	4,548			4,548
Total current assets	315,342	1,733	-	317,075
REGULATORY ASSET	163,110			163,110
INTERCOMPANY PAYABLE		(12,681)	12,681	-
DEFERRED CHARGES	22,921		(17,058)	5,863
OTHER	6,970			6,970
TOTAL	$3,099,045	$ 19,541	$ (6,860)	$3,111,726
LIABILITIES AND MEMBERS' EQUITIES				
MEMBERS' EQUITIES	$ 247,706	$ -	$ -	$ 247,706
LONG-TERM DEBT — Excluding current portion	2,571,421	2,483	(2,483)	2,571,421
CURRENT LIABILITIES:				
Current portion of long-term debt	91,088			91,088
Accounts payable — trade	75,242			75,242
Accounts payable — construction		17,058	(17,058)	-
Smith 1 contract unwinding costs	6,150			6,150
Current portion of regulatory liability	2,278			2,278
Accrued expenses	50,815			50,815
Total current liabilities	225,573	17,058	(17,058)	225,573
INTERCOMPANY RECEIVABLE	(12,681)		12,681	-
ACCRUED POSTRETIREMENT BENEFIT COST	53,821			53,821
OTHER	13,205			13,205
TOTAL	$3,099,045	$ 19,541	$ (6,860)	$3,111,726

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

SUPPLEMENTARY CONSOLIDATING REVENUE AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011
(Dollars in thousands)

	EKPC, Inc.	CBRECC	Consolidated
OPERATING REVENUE	$ 805,140	$ 72,464	$ 877,604
OPERATING EXPENSES:			
Production:			
Fuel	307,516	56,928	364,444
Other	114,204	14,657	128,861
Purchased power	41,751		41,751
Transmission and distribution	41,055		41,055
Depreciation	77,262	793	78,055
General and administrative	42,451		42,451
	624,239	72,378	696,617
OPERATING MARGIN	180,901	86	180,987
NONOPERATING DEFICIT:			
Interest expense on long-term debt	(116,695)	(86)	(116,781)
Other interest and amortization of debt expense	(5,413)		(5,413)
Interest income	2,885		2,885
Assessments	(5,974)		(5,974)
Miscellaneous	58		58
	(125,139)	(86)	(125,225)
CAPITAL CREDITS AND PATRONAGE CAPITAL ALLOCATIONS	134		134
NET MARGIN	$ 55,896	$ -	$ 55,896

EAST KENTUCKY POWER COOPERATIVE, INC. AND SUBSIDIARY

SUPPLEMENTARY CONSOLIDATING REVENUE AND EXPENSES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010
(Dollars in thousands)

	EKPC, Inc.	CBRECC	Consolidated
OPERATING REVENUE	$ 761,482	$ 65,964	$ 827,446
OPERATING EXPENSES:			
Production:			
Fuel	289,666	52,406	342,072
Other	108,410	12,646	121,056
Purchased power	68,593		68,593
Transmission and distribution	42,205		42,205
Depreciation	71,174	793	71,967
General and administrative	40,347		40,347
	620,395	65,845	686,240
OPERATING MARGIN	141,087	119	141,206
NONOPERATING DEFICIT:			
Interest expense on long-term debt	(116,140)	(119)	(116,259)
Interest income	3,252		3,252
Assessments	4,099		4,099
Miscellaneous	15		15
	(108,774)	(119)	(108,893)
CAPITAL CREDITS AND PATRONAGE CAPITAL ALLOCATIONS	487		487
NET MARGIN	$ 32,800	$ -	$ 32,800