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**PUBLIC SERVICE
COMMISSION**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06
REQUEST 24**

RESPONSIBLE PERSON: Doug Oliver

COMPANY: East Kentucky Power Cooperative, Inc.

Request 24. Refer to page 33 of your response to the Commission's October 27, 2006 Order, Item 13. Describe the status of EKPC's efforts to hire a chief operations officer.

Response 24. EKPC hired a Chief Operations Officer, Mr. Mark Bailey, on November 14, 2006. Mr. Bailey will begin employment on January 2, 2007.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06

REQUEST 25

RESPONSIBLE PERSON: Frank Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 25. Explain why the Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC") provided for 2006 and 2007, shown in the Commission's October 27, 2006 Order, Item 2, were not separated into Mortgage Agreement and Credit Agreement amounts, as was provided for 2005 shown in the Commission's October 27, 2006 Order, Item 1.

Response 25. For the Credit Agreement calculation of TIER and DSC, the actual extraordinary non-cash charges recorded in calendar year 2005 associated with the alleged violations of the Clean Air Act with respect to the Dale Generating Station were added back to Net Margins. No such non-cash adjustment is allowable for 2006 or 2007. So unless and until there is a cash payment made on account of this alleged violation, the calculation of TIER and DSC will be identical for the Mortgage Agreement and the Credit Agreement in years subsequent to 2005.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06
REQUEST 26**

RESPONSIBLE PERSON: Frank Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 26. Explain when the assumed annual increase in base rate revenues of \$44,162,000 as shown in the Commission's October 27, 2006 Order, Item 2 was assumed to be implemented in order to achieve the 1.15 TIER for 2007.

Response 26. The annual increase in base rate revenues was assumed to be effective as of January 1, 2007.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06

REQUEST 27

RESPONSIBLE PERSON: Frank Oliva/Ann Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 27. Refer to EKPC's responses to the Commission's October 27, 2006 Order, Items 3 and 4.

a. On page 2 of 19 in your response to the Commission's October 27, 2006 Order, Item 3, explain why the principal payments on long-term debt for 2005 were significantly higher than those reported for any year from 2000 through 2004 and are significantly higher than the projected 2006 and 2007 payments shown in pages 2 and 3 of 3 in the Commission's October 27, 2006 Order, Item 4.

b. On page 19 of 19 in your response to the Commission's October 27, 2006 Order, Item 3, explain why the principal payments on long-term debt are approximately half of the amounts reported for 2005 and each of the 12-month periods in 2006 from January through August.

c. On pages 2 and 3 of 3 in the Commission's October 27, 2006 Order, Item 4, indicate where the assumed loan advances from the unsecured credit facility are reflected in the cash flow statement.

Response 27(a). Principal payments in 2005 were significantly higher than those reported for any year from 2000 through 2004 and are significantly higher than those projected in 2006 and 2007. In September 2003, RUS approved a loan application in the amount of approximately \$433.9 million for the construction of the Gilbert Unit at the

Spurlock Power Station. Since the referenced loan application was not cleared for advances and construction had begun, EKPC sought alternative financing in the form of bridge financing from CFC in the amount of \$100 million. EKPC had drawn the maximum amount on this bridge financing, which had to be repaid upon receipt of the unsecured credit facility in September 2005. The repayment of this bridge financing increased principal payments on long-term debt by \$100 million in 2005.

Response 27(b). For the 12-month period ended September 30, 2006, principal payments on long-term debt are approximately half of the amounts reported for 2005 and each of the 12-month periods in 2006 from January through August. As discussed in part a to this response, EKPC repaid \$100 million of bridge financing in September 2005. This repayment is not within the 12-month period ended September 30, 2006, thus reducing the total 12-month principal payments.

Response 27(c). On pages 2 and 3 of 3 in Item 4, the assumed loan advances from the unsecured credit facility are reflected in the cash flow statements under the heading: “Cash flows from financing activities”, sub-heading “Proceeds from long-term debt”.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06
REQUEST 28**

RESPONSIBLE PERSON: Frank Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 28. Refer to page 7 of 159 in your response to the Commission's October 27, 2006 Order, Item 13. Provide a detailed description of the interest rate swaps undertaken by EKPC since this approach was authorized in January 2006. Include copies of any interest rate swap agreements executed since January 2006.

Response 28. No interest rate swap agreements have been executed since January 2006.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

PUBLIC SERVICE COMMISSION REQUEST DATED 11/9/06

REQUEST 29

RESPONSIBLE PERSON: David Eames/Ann Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 29. Provide the EKPC Business Unit Monthly Reports submitted to the Board of Directors for each month of 2006.

Response 29. Please see the attached information.

JANUARY 2006

Finance & Planning

DECEMBER 2005

Finance, Planning & Risk Management Process – Frank Oliva, Manager

Treasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On December 30, EKPC had \$49,071,493 of temporary, short-term investments in general funds. Interest rates on investments ranged from 3.88% to 4.16%. \$21,349,355 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

- Construction Funds

No advances were requested nor received for December.

The interest rates on our floating/fixed rate pollution bonds through December 30 were:

Cooper – 6 Month fixed rate – 2.85%

Smith – 6 Month fixed rate – 2.95%

Spurlock – weekly floating rate ranged from 3.05% to 3.60%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of December 30, 5 of the 70 loans remain outstanding with balances totaling \$74,514.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of December 30, EKPC has purchased \$1,466,000 in capital stock and has loaned \$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of December 30, 2005 was \$3,702,795.

Finance & Planning

Finance & Planning Monthly Report

Page 2

December 2005

As of December 30, \$675,346 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. In December, the CFC interest rate for lines of credit was 6.10% and the CFC variable, long-term rate was 6.25%. FFB interest rates on December 30 were 4.38% and 4.51% for two-year loans and thirty-year loans, respectively. The prime commercial rate increased .25% to 7.25%. The interest rate on December 30 for the CFC thirty-year long-term fixed rate loan was 6.80%. As of December 30, the interest rates on EKPC's Revolving Credit Facility ranged from 5.215% to 5.525%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared actual-to-budget comparison reports for November 2005 for all departments and business units.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2005 projected margin.

As requested at the November Board meeting, the 2006 Proposed Budget was calculated with a five and ten percent reduction in operating and maintenance expenses. This information was provided at the December Board meeting but no changes were made at this time.

The Proposed 2006 Annual Budget and Work Plan was approved by the Board of Directors on December 6, 2005. The Budget Team continued to review and analyze budget data in anticipation of questions from Board members. These actions support EKPC's Mission to provide competitive energy to member systems.

Finance & Planning

Finance & Planning Monthly Report

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December 2005

- Financial Planning

Continued preparation of the Twenty-Year Financial Forecast and Equity Development Plan for 2006-2025. Analysis is done of various financial statements including Balance Sheets, Statement of Operations and Cash Flow Schedules. Actual operating data and capital expenditures for 2004 and 2005 as well as future capital requirements are being reviewed at this time.

Completed economic analysis of whether or not to install a limestone scrubber for Spurlock Unit #1 versus burning compliance coal and purchasing SO₂ emission allowances. Various sensitivity studies for the next 30 years were run based on fuel prices, limestone costs, capital expenditures, SO₂ allowances, fixed costs and maintenance costs. These actions support EKPC's mission to provide competitive energy to the member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Property Insurance – Staff continues work on the property renewal/placement. Current work in on the property evaluation worksheets for equipment replacement values. A rate increase is anticipated.

Smith CT #2 Claim: Personnel continue to work with FM Global on this claim. FM Global is preparing inspection reports and field information they would like to have from Alstom. FM is planning to do additional testing on the blades and vanes.

Builder's Risk Coverage – Work is progressing on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Excess Liability Program, Marine and Crime Insurance – Two minor GL claims are in process.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – no open claims.
- Energy Risk Management

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December 2005

Energy Risk Management Policy – The final drafts of the Energy Risk Management policy and procedures are being reviewed and will soon go to the Audit Committee, serving as the Risk Oversight Committee, for review. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC's credit is being reviewed and negotiated for purchases of power, transmission, emission allowances and coal. Invoices have been prepaid with Cargill for purchased power to keep EKPC's line of credit open. EKPC has posted cash collateral with MISO to extend its credit limit. EEI power purchases and sale agreements are being negotiated with other counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market.

- Emergency Restoration Plan (ERP) – The ERP was approved by the Board in December. The plan will be distributed the first part of January.

Resource Planning

- Certificate Filing for Smith Generation

An application for certificates of public convenience and necessity and site compatibility was filed with the PSC January 31, for approval to construct Smith CTs 8-12 and Smith CFB 1. Responses to data requests from the PSC were filed March 31 and August 1. The public hearing was held on November 29. A data request was made by the PSC and the response will be filed by December 22. Resource Planning provided an analysis of the potential cost of delaying CTs 9-12 for the data request. This action supports EKPC's Mission to provide competitive energy to the member systems and Finance & Planning's Mission to maintain compliance with regulatory agencies.

- Development of 2006 IRP

Resource Planning is working on various analyses and gathering information for use in the 2006 IRP. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies.

Finance & Planning

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December 2005

- Financial Forecast

Resource Planning provided projections of generation, fuel use, and purchases and sales for the Financial Forecast. This action supports EKPC's Mission to provide competitive energy to the member systems.

- EIA Data Requests

Resource Planning personnel continue to comply with expanded data requests from the Energy Information Administration including monthly updates that became effective in January 2005 for various types of information such as demand, capacity, and generator information. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies.

Monthly Power Supply Update for EKPC Fuel & Power Supply Committee – 1/10/06												
<u>Capacity vs. Load Summary</u>												
Year	Peak Forecast		Reserves *		Capacity Required (Incl. Reserves)		Existing & Committed Capacity		Surplus After Capacity Additions		Reserve Margin (%)	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2006	2,709	2,193	325	263	3,034	2,456	2,707	2,503	-327	47	-0.1%	14.1%
2007	2,815	2,277	338	273	3,153	2,550	2,679	2,463	-474	-87	-4.8%	8.2%
2008	2,901	2,746	348	330	3,249	3,076	2,679	3,156	-570	80	-7.7%	14.9%
2009	3,439	2,833	413	340	3,852	3,173	3,416	3,130	-436	-43	-0.7%	10.5%
2010	3,542	2,914	425	350	3,967	3,264	3,684	3,398	-283	134	4.0%	16.6%
<u>Breakdown of Existing and Committed Capacity</u>												
Year	Coal Fired		Combustion Turbines		Purchases		SEPA Hydro		Landfill Gas		Total Capacity	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2006	1,655	1,655	842	626	30	40	170	170	10	12	2,707	2,503
2007	1,655	1,655	842	626	0	0	170	170	12	12	2,679	2,463
2008	1,655	1,933	842	1,041	0	0	170	170	12	12	2,679	3,156
2009	1,907	1,907	1,327	1,041	0	0	170	170	12	12	3,416	3,130
2010	2,175	2,175	1,327	1,041	0	0	170	170	12	12	3,684	3,398

NOTES:

*Reserve Margin goal is 12% in summer.

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Smith CT 8 assumed to be on-line January 2008.

Smith CT 9 assumed to be on-line March 2008.

Smith CT 10 assumed to be on-line April 2008.

Smith CT 11 assumed to be on-line May 2008.

Smith CT 12 assumed to be on-line June 2008.

Warren RECC load data included April 2008.

Spurlock 4 unit assumed to be on-line June 2008.

Smith CFB 1 assumed to be on-line November 2009.

Includes Laurel Ridge #5 December 2005, and Hardin Co LFGTE Plant February 2006.

Includes Greenup Hydro generation purchase through December 2006.

East Kentucky Power 2005 Business Insurance						
as of December 22, 2005						
Type	Carrier	Coverage Limit	Self-Insured Retention	Annual Premium*	Coverage Period	Policy #
Property	FM Global	\$2,693,853,039	\$50,000 Headquarters \$1,000,000 -All other	\$1,630,217	3/1/05-3/1/06	NC006
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866	10/15/05-10/15/06	X0459A1A05
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178	10/15/05-10/15/06	C0459A1A05
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$5,842	10/15/05-10/15/06	740494
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$7,174	10/15/05-10/15/06	EX0118820
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	10/15/05-10/15/06	8115-1591
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010	11/14/05-11/14/06	BINDER D0459A1A05
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900	11/14/05-11/14/06	104388370
Builder's Risk - Spurlock #4	FM Global	\$250,000,000	\$500,000	\$235,631	10/3/05-10/3/06	NC125
3 year policy term- pd annually, coverage limit increases each year						
ENVISION, LLC						
Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,363	10/27/05-10/27/06	BINDER

*Premium includes state surcharge and all taxes unless otherwise noted.

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Finance & Planning

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December 2005

Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 1,193 checks in December totaling approximately \$31,659,000.

East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of November 30, 2005

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh
Dec-03	15.60	19.08	3.48	14.94	15.53	0.59
Jan-04	15.60	22.15	6.55	14.94	14.62	-0.32
Feb-04	15.60	19.61	4.01	14.94	15.65	0.71
Mar-04	15.60	20.25	4.65	14.94	15.32	0.38
Apr-04	15.60	19.80	4.20	14.94	16.14	1.20
May-04	15.60	18.79	3.19	14.94	15.02	0.08
Jun-04	15.60	20.93	5.33	14.94	16.27	1.33
Jul-04	15.60	20.46	4.86	14.94	16.46	1.52
Aug-04	15.60	22.39	6.79	14.94	17.07	2.13
Sep-04	15.60	20.87	5.27	14.94	18.10	3.16
Oct-04	15.60	20.18	4.58	14.94	18.01	3.07
Nov-04	15.60	22.56	6.96	14.94	17.05	2.11
Dec-04	15.60	26.85	11.25	14.94	17.73	2.79
Jan-05	15.60	28.28	12.68	14.94	18.14	3.20
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
Jul-05	20.25	25.69	5.44	18.10	24.81	6.71
Aug-05	20.25	31.34	11.09	18.10	25.70	7.60
Sep-05	20.25	29.12	8.87	18.10	24.80	6.70
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31

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Crowe Chizek Audit

Crowe Chizek completed interim audit procedures in December. Year-end fieldwork will begin February 6, 2006.

Materials Management

Purchasing team members attended an Institute of Supply Management web-cast to learn more about recent changes to the Certified Purchasing Manager (C.P.M.) program; these changes will affect future development paths for several team members. A new temporary team member, Bill Stanfield, began working with the Warehouse team; his primary duty is the delivery of materials to job sites, cooperatives, and service centers as needed. Materials team members in both purchasing and the warehouse have been busy with end-of-the year ordering and receiving of materials, vehicles, and other items. This activity included renewal of approximately 118 blanket orders and eight (8) contracts.

The Winchester Warehouse inventory decreased during November by \$216,460, with an ending balance of \$10,356,905. Stock-related material handled during the month totaled \$912,829, and included material issued for nineteen (19) Power Delivery Expansion projects, and credits for twelve (12) projects. 7,336 gallons of fuel was pumped at the facility during November; 7,336 gallons of unleaded was purchased at a cost of \$1.92/gallon. No diesel was purchased.

Payroll

The payroll department is starting to prepare for year-end processes. Payroll continues to monitor the self service module in Peoplesoft and offer support as required.

Plant Accounting

- Inventory – All physical inventories have been completed.
- Assets – Information has been provided to Gannett-Fleming for the depreciation study.

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Pricing Process – Bill Bosta, Manager

EKPC/LG&E Transmission and Interconnection Agreement Dispute

On December 16 all parties filed initial Briefs on Exception to Administrative Law Judge Herbert Grossman's Remand Decision in the case. LG&E/KU, EKPC, Gallatin and the FERC Trial Staff all pointed out that the Judge's proposed solution for LG&E/KU to attempt to include all "MWH throughput" in the denominator of the transmission rate calculation for service to EKPC, and thus lowering the transmission rate level, was not possible due to data availability, nor even legal because the information was not in the record. Rather, all parties focused on their filed recommendations for the Commission's consideration in its review of the Judge Grossman's November 16 decision. From EKPC's perspective, the FERC Trial Staff's insistence that the full Commission recognize that rate pancaking has occurred, at a cost to EKPC of \$3.5 million, is encouraging.

The parties filed Reply Briefs on Exception on January 3, 2006. While the Commission is required to rule on Judge Grossman's Order, the Commission is under no deadline to rule on the case and the rated being billed by LG&E to EKPC remains subject to refund. Based on the Commission's rulings thus far, EKPC will experience a 15% increase (about \$300,000 annually) in costs compared to the 43% increase (about \$860,000 annually) proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund cited by the FERC Trial Staff is in addition to the \$1.4 million noted above.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

Vanceburg-Grayson Agreement

The parties are in the final stages of reviewing the proposed Agreement to reflect the terms of the settlement reached at the October 24, 2005 meeting. The parties agreed that Vanceburg would serve customers in the "contested area" in exchange for providing Grayson with a portion of the revenues received by Vanceburg for service to those customers. The Agreement outlining the terms and conditions of service will be subject to approval by the Board of Directors for the City of Vanceburg and by the Grayson and EKPC Boards. The Agreement will also be

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December 2005

filed with the Kentucky Public Service Commission for acceptance. It is anticipated that the Agreement will be effective beginning February 1, 2006. This project helps EKPC meet its goal of providing excellent customer service to its Member Systems.

Environmental Surcharge Implementation/Emission Allowance Strategy

On December 20, EKPC submitted its sixth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 10.76% to be applied to service rendered in December and billed in January 2006. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 7.06% to 9.34%. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

<p align="center">East Kentucky Power Cooperative, Inc. Estimated Monthly Environmental Surcharge Factors December 2005 through December 2006</p>
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EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Dec-05	\$47,961,738	\$3,055,570	5.86%
Jan-06	\$48,279,102	\$7,254,392	14.52%
Feb-06	\$49,003,127	\$6,613,649	12.99%
Mar-06	\$49,479,332	\$6,698,100	13.03%
Apr-06	\$50,347,548	\$5,780,853	10.97%
May-06	\$50,915,296	\$6,527,206	12.31%
Jun-06	\$51,142,233	\$7,246,573	13.66%
Jul-06	\$51,423,262	\$7,641,805	14.35%
Aug-06	\$51,745,933	\$7,527,463	14.04%
Sep-06	\$51,693,599	\$6,559,995	12.18%
Oct-06	\$51,736,927	\$5,526,501	10.17%
Nov-06	\$52,282,185	\$5,913,876	10.80%
Dec-06	\$53,263,308	\$6,958,753	12.55%

Current SO₂ price is \$1,560 per allowance as of December 20, 2005.

Current NO_x price is \$2,850 per allowance as of December 20, 2005.

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December 2005

Gallatin Meeting

As a follow-up to information presented to Owen/EKPC regarding NOx and SO2 costs, a meeting was held with Gallatin on December 16. Owen/EKPC offered information in support of our position for recovery of emission allowance cost during the last two years of the prior contract. Further discussions are scheduled to occur in an attempt to resolve this matter. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

Internal Audit & Performance Measures – Graham Johns, Coordinator

Internal Auditing

Jackson Energy Cooperative—Presented internal audit reports on Employee Expenses, Field Collections, and Capital Credits to the board of directors on December 9.

Clark Energy Cooperative—Fieldwork on the internal audit of employee travel and out-of-pocket expenses has been completed and the report is being written.

Inter-County Energy Cooperative—Fieldwork on the internal audit of meter reading has been completed and the report is being written.

Education, Training, and Information

Zodiak Business Finance & Strategy Training Program—Co-facilitated sessions at Jackson Energy Cooperative on December 5 and 7.

Annual Audit

Continued assisting Crowe Chizek with the annual audit by auditing work orders.

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December 2005

Credit Union Process – Brian Tyler, Process Owner

November 2005 Financial Report

Loans	12,846,664.87
Investments	3,144,997.39
Total Assets	17,651,508.13
Liabilities	2,068,183.62
Deposits	13,157,362.83
Equity	2,220,879.97
Interest on Loans	57,550.89
Investment Income	11,019.47
Total Income	69,435.02
Total Expenses	63,625.25
Retained Earnings	5,809.77
YTD Retained Earnings	116,620.22

Credit Union's New Loan Process has begun

The Credit Union began offering the EZ-Loan in December. The new process requires less documentation from borrowers resulting in a quicker turnaround time from the Credit Union and will be a huge step in offering better service to the members, especially those who are not located in the headquarters building.

dge/dd

c: Directors & Alternate Directors
Executive Staff
Finance & Planning Staff

Governmental Affairs

DECEMBER 2005

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
-
- Met with KAEC and member system managers regarding the Jackson Energy propane case to discuss potential legal and legislative efforts.
 - Met with co-op lobbyists to discuss a unified position on the municipal joint action bill. Met with electric industry lobbyists to discuss a draft list of “guiding principles” on the MEPAK bill. Revised the principles list to reflect the co-op position. Participated in a conference call with electric industry lobbyists, MEPAK and Rep. Mike Cherry, the bill’s sponsor. Continued working with industry lobbyists to refine the principles list in order to send it to MEPAK, Rep. Cherry and the Legislative Research Commission (at the request of Sen. Bob Stivers, co-chair of the legislature’s Special Subcommittee on Energy).
 - Attended a meeting of the KAEC Legislative Committee to discuss issues in the 2006 General Assembly, including municipal joint action, eminent domain, the Jackson Energy case, Big Rivers’ contract with E.on and others.
 - Developed and distributed a legislative preview edition of Currents, EKPC’s electronic newsletter on legislative activities in Frankfort.
 - Attended the Legislative Research Commission meeting in Frankfort.
 - Attended the Special Subcommittee on Energy meeting in Frankfort. Libby Marshall, lobbyist for MEPAK, outlined the municipal joint action bill. The Supreme Court decision on the Jackson Energy case was presented as an informational item.
 - Met with Government Strategies to discuss strategy for the 2006 session.

Governmental Affairs

- Attended the Administrative Regulation Review Subcommittee in Frankfort, which unanimously approved the state hours of service regulations. EKPC coordinated an electric industry amendment to the state regulations so they would mirror the HOS blanket exemption that was passed by Congress in the highway reauthorization bill. The state regulations now have to be approved by the House and Senate Transportation committees in January in Frankfort.
- Met with the Kentucky Office of Energy Policy regarding potential legislation on timelines to issue air and generation construction permits.
- Continued discussions with electric lobbyists and some legislators on home energy assistance in the winter of 2005-06. Rep. Tanya Pullin has announced plans to file a bill that would prohibit cut-offs for elderly and low-income customers.
- Continued working with Environmental team to obtain an air permit for Spurlock #4.
- Continued developing a Governmental Affairs web page for external and internal use.

Human Resources & Support Services

DECEMBER 2005

- **Mission for the Cooperative:**

Providing reliable wholesale energy on a competitive basis
Supporting the member systems in providing retail energy and related services

- **Business Unit Key Measures:**

Managing costs
Ensuring the safety and well being of EKPC employees
Providing appropriate corporate staffing requirements
Providing effective communications
Complying with all laws and regulations
Providing appropriate and effective information systems and telecommunication networks

Human Resources and Support Services Process

Corporate Support Services Team

Managing HR Information Systems

- ◆ Attended Disaster Recovery Training, which supports the goals of Ensuring the safety and well being of EKPC employees.
- ◆ Entered into an agreement with Agility Recovery Services to provide mobile units to house 48 employees in case of a disaster at the Headquarters location. This initiative supports continuing information, communication, finance and computer networks in case of a disaster at headquarters.

Records Management

- ◆ To comply with the Records Retention Schedule, 17 boxes and six miscellaneous files were prepared for off-site storage and ten boxes were refiled.
- ◆ In support of the Records Retention filing system, Kentucky Underground Storage, Inc. ("KUSI") delivered six boxes this month.
- ◆ In support of the Records Retention filing system, a trip was made to KUSI this month to refile 45 boxes, 22 miscellaneous files, 22 tapes and to retrieve three boxes.
- ◆ To comply with the Records Retention Schedule, the Records Management Coordinator met with a representative from Huron Consulting Group (formerly know as Records Improvement Institute LLC) to discuss the updates to the Records Retention Schedule.
- ◆ In support of KEPC Business Units, proposed changes were made to Administrative Policy A010 – Educational Assistance Program and to Administrative Policy A012 – Paid and Unpaid Leave of Absence.

Human Resources & Support Services

- ◆ In support of the Records Retention filing system, 14,432 pages have been proofed and 3,207 pages of information have been prepared for microfilm.

This supports the key measure **Competitive Energy** by helping preserve and retain cooperative information.

- ◆ In support of continued development of team members, the Records Management Coordinator attended the Association for Information Management Professionals ("ARMA") monthly meeting this month.
- ◆ In support of continued development of team members, the Records Management Coordinator attended a two-day class on Intermediate ACCESS 2000.
- ◆ In support of continued development of team members, the Records Management Coordinator went on a tour of KUSI facilities this month.

This supports the key measures **Reliable Energy, Competitive Energy and Member Services** by establishing relationships with other organizations.

Travel and Meetings

Provide assistance for on-site/off-site meetings

- ◆ Setup for the Holiday Board Meeting and program for the Board members spouses.
- ◆ Attended a Client Appreciation at the Sheraton Suites in Lexington.
- ◆ Set up a new contract for the Board of Directors hotel accommodations with the Residence Inn in Lexington.

Support Services

Provide telephone operations, sort/distribute mail, and copy projects.

- ◆ Attended a 2000 Access Intermediate Class.
- ◆ Attended a monthly ARMA meeting.
- ◆ Mailed out 640 letters of New Wellness Benefits
- ◆ Mailed out 825 letters for the Annual Reports for the Health Benefit Plan.
- ◆ Took a tour of the Kentucky Underground Storage, where some EKPC's records are held.

Benefits

Provide employees with the most current information regarding benefits and EKPC policies.

- ◆ Distributed initial communication regarding the Disease Management Program that will begin in January 2006. This program will help to reduce medical costs to the Cooperative by helping employees with certain diseases get proper treatment and encourage them to take their medicine and remain compliant with follow-up treatment.

Human Resources & Support Services

- ◆ Distributed notice of 2006 401k maximum(s) to employees now contributing the maximum.
- ◆ Distributed annual Deferred Compensation notices for 2006.

To provide accurate benefit billing notifications to retirees, disabled, survivors, and COBRA participants.

- ◆ 2006 Billing statements were sent to retirees, disabled, survivors, and COBRA participants.

Corporate Training & Safety Compliance

Assess, develop, and facilitate multi-delivered training and other programs to improve performance both professionally and personally; share information and knowledge critical to the success of EKPC.

- ◆ Facilitated training for leadership on Workplace Violence and Accident Reports.
- ◆ Routine duties

Develop an ongoing EKPC leadership development program that will provide EKPC with present and future leadership skills for success.

- ◆ Evaluated 2005 program to sue for 2006 development

Coordinate Member Systems' training, education, and strategic planning needs and community or other stakeholder programs as needed.

- ◆ Routine duties

Improve and implement Teaming with Excellence (orientation program) and the Educational Assistance program.

- ◆ Routine duties

Coordinate and assist with the EKPC President & CEO annual appraisal.

- ◆ Routine duties

Coordinate EKPC Board of Director's Training and Member System Director's Training.

- ◆ Routine duties

Manage Medical Surveillance/Commercial Drivers License Program/Corporate Drug Testing Program/Workers Compensation Program.

- ◆ Renegotiating contract with Meadowview Regional Medical Center.
- ◆ Routine actions.

Human Resources & Support Services

Workers Compensation

Administers EKPC workers' compensation and automobile self-insured programs and polices complying with state regulations.

- ◆ Finalized Safety Awards for distributions.
- ◆ Met with ASC regarding Third Party Administrator contract renewal.
- ◆ Trial run on the new OSHA 300 form.
- ◆ Begin gathering data for simulated premium report.
- ◆ Provide monthly Worker's Comp reports and statistical updates to Business Unit Leaders, Process Managers, HR Managers and Safety Coordinators to continually monitor on-the-job accidents and prevention by tracking types and causes of on-the-job accidents and targeting those areas for improvement.

Inspect work procedures of all EKPC teams to determine compliance with OSHA standard; Report to OHSA and PSC as needed; Keep EKPC in compliance.

- ◆ Working with two vendors concerning MSDS on-line.

Employee Relations

Share knowledge, information, and expertise on issues related to all areas of human resources and/or business practices.

- ◆ Initiated the recruitment and selection process for several positions.

Development of Strategic Staffing/Succession Plan.

- ◆ Worked with various managers in regard to filling required staff and needed replacements.

Monitor and administer EKPC's Performance Management System (PMS).

- ◆ Reviewed completed performance evaluations and pay change notices for appropriateness and completeness.

Partner with business units to understand their human resource issues, develop strategies to address those issues, and to be a resource to them.

- ◆ Partnered with various business units to fill open positions through the targeted selection process.
- ◆ Coached management in handling performance issues.

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Payroll – Applied Tax Update 05E to HRTEST.
- ◆ Time and Labor – Update for TL 8.8 SP1 Bundle #2 has been applied.

PeopleSoft Financials Version 7.5

Human Resources & Support Services

- ◆ Project Costing – Developing new Crystal Report process to deliver a Work Order Analysis for Power Delivery over the EKPC Intranet.

PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Support MV Reports Application

- ◆ The Upgrade of this application to the VB.Net standard has been completed, with parallel testing being completed this month.

This supports key measures **Competitive Energy** by providing information used in analysis of energy usage for various types of loads.

Support Power Billing System

- ◆ Began modifications to production reports to include the upcoming surcharge calculation.

This supports key measures **Competitive Energy** by providing the means for quickly calculating an accurate bill.

Enhance Production Management Reporting System

- ◆ Parallel Testing of daily information at J.K. Smith.
- ◆ All reporting requirements have been developed, and being reviewed by users.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

Enhance Coal Accounting System

- ◆ Programming changes are being requested by the Fuel process to accommodate the Coal Buyers in procuring coal during this time of increasing coal costs. Coal companies are currently asking for reduced penalties and increased premiums for certain qualities of coal. EKPC must change their usual practices in buying coal in order to obtain coal in the current market.

This supports **Competitive Energy and Reliable Energy** by providing the reporting and accounting capabilities for the new unit at Spurlock Station.

Enhance Line Inspection System

- ◆ Compiling enhancement requests for current version.

This supports **Competitive Energy and Reliable Energy** by providing line inspection reporting capabilities for the Power Delivery Business Unit.

Human Resources & Support Services

Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Added information page for Smith #1 project on public web site, containing press releases, contact information, and project details.

This supports key measures **Competitive Energy**, **Reliable Energy**, and **Member Services** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 66 support calls during the previous period.
- ◆ Handled two LAN outages due to failed network switch at HQ.
- ◆ Upgraded EPRI Easyweb application for Power Delivery
- ◆ Worked on mail servers due to traffic caused by Sober.X outbreak during Thanksgiving weekend. Made revisions to filter rules that better handle mail traffic during a virus attack. No EKPC computers were infected.
- ◆ Assisted Facilities team with upgrade of their security camera system, which runs through our network.
- ◆ Met with representative of Gateway computers.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Telecommunications to Substations

- ◆ A phone line has been ordered for Upchurch substation.
- ◆ New RTU circuits were added at McCreary County, Wayne County, and Tyner switchyards.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

Maintain the Telecommunications System

- ◆ Floor repairs were made to the microwave building at Burnside.
- ◆ Routine maintenance was performed at four microwave sites.
- ◆ On 12/14/05 repairs were made to the Starpoint microwave radio at Stanton.
- ◆ The battery was replaced in the Tyner emergency generator and the unit was test run.
- ◆ Wayne County's dish antenna was realigned after high winds turned it.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

Implement Telecommunications Strategic Plan

- ◆ JK Smith phones and data circuits have been cut over to the new system.
- ◆ Dale Station phones and data circuits have been cut over to the new system.

Human Resources & Support Services

- ◆ All circuits at Baker Lane and West Berea have been cut over to the new digital system.
- ◆ Two T1s and a 256 Kbps data circuit were installed between BGE's Nicholasville Office and Renaker.
- ◆ A new Dispatch Dial circuit was installed at Spurlock plant; now every plant is connected to the new system and all links have been tested.
- ◆ A new circuit was installed to an RTU at JK Smith Office.

This new telecom system supports key measures **Competitive Energy** and **Reliable Energy** by providing better circuits and more circuits to monitor and remotely control power facilities, network our computers, link our telephone systems, and links our 2-way radio base stations to the Control Centers.

IT Performance Measures

- ◆ Annual O&M Budget - On Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 99.8%
- ◆ Two-Way Radio Availability
 - Member System Base Stations – 99.58%
 - EKPC Base Stations – 99.92%
- ◆ Application Availability – 100%
- ◆ Data Circuit Availability – 99.49%
- ◆ On-Time 555 Problem Resolution – 98.4%
- ◆ Customer Satisfaction Index
 - NCS Team – 100%
- ◆ PBX Availability – 100%

DECEMBER 2005

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC intends to file its Motion for Summary Judgment the first week in January 2006.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 10, 2005, former employee Jordan sued CBA alleging improper denial of his eligibility for disability benefits under EKPC's group disability plan administered by CBA; and breach of his privately negotiated worker's compensation settlement with EKPC, specifically as to certain future disability entitlements. EKPC filed its Answer on August 19, 2005, wherein it denied any liability. On September 27, 2005, EKPC made its initial disclosure, and had the joint meeting with plaintiff's counsel as ordered by the court.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal EPA sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration ("PSD") provision of the Clean Air Act; the New Source Performance Standards ("NSPS") of the Clean Air Act; and the State Implementation Plan ("SIP") for Kentucky, as approved by EPA.

The lawsuit seeks injunctive relief, and civil penalties of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed an Answer thereby setting in motion a procedural timetable to be established by the Federal District Court. That timetable has now been established leading to a trial date in May 2006.

Attorneys from Hunton & Williams updated the Board in December 2005.

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5. Anthony Stevens v. EKPC – U.S. District Court for the Eastern District of Kentucky. On September 1, 2004, Anthony Stevens sued the Company alleging that he is an African-American and that despite his superior qualifications for a position as a Coal Yard Operator, he was denied the opportunity to interview for and take a written test for that position at EKPC's Spurlock Power Station because of his race. Stevens seeks an Order from the Court allowing him to take the written exam, to order EKPC to interview and consider hiring him, and for all other relief "as the Court may deem just and proper." EKPC has filed an Answer to the lawsuit denying the claims of the plaintiff and intends to vigorously defend the case. Plaintiff's first set of discovery has been answered by EKPC. Plaintiff's counsel has filed a motion to withdraw as counsel.
6. Enviropower LLC v. EKPC (temporary injunction lawsuit)(Spurlock 4) – Court of Appeals. Enviropower has filed an appeal to the Franklin Circuit Court of the Public Service Commission's issuance of construction certificates for EKPC's Spurlock 4 Unit. EKPC contends that Enviropower lacks standing to appeal that action by the Commission and plans to seek dismissal of Enviropower's Complaint.
7. Enviropower v. EKPC (Smith Generation) – The Franklin Circuit Court has granted the motions of EKPC and the PSC to dismiss the complaint of Enviropower which sought review of the Commission's denial of intervention in the Smith generation certificate case. The earlier complaint of Enviropower, relating to the Commission's denial of intervention in the Spurlock 4 certificate case, resulted in a denial of Enviropower's demand for a temporary injunction to prevent a hearing in that case. That denial was reviewed and upheld by the Kentucky Court of Appeals and Supreme Court. The Franklin Circuit Court ruled that all of the arguments of Enviropower for intervention in the Smith case had already been litigated and decided. Enviropower will likely appeal this dismissal, but the higher courts should uphold it, consistent with their prior decisions.

Pending Litigation for EKPC

1. Substation Vandalism (EKPC v. Caudill, Middleton & McElroy) – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$68,097.72 on the Judgment has been collected from the defendants.
2. EKPC v. Greenwich Insurance Company – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond

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against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim.

Claim and Topics

1. KU and LG&E v. EKPC (FERC Proceeding) – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreement with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected shortly.

2. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.
3. PSC Case No. 2004-00423 – (Spurlock Unit 4 Certificate Application) – The Commission granted construction certificates for the Spurlock 4 unit in an order dated September 13. The order also includes a report on the Commission's investigation of allegations of improprieties in EKPC's 2004 RFP which were made by Enviropower LLC. The order addresses every factual allegation made by Enviropower and completely validates EKPC's position on every issue. The Commission found that Enviropower was not the lowest and best bidder in the RFP and commends EKPC for conducting a process "truly designed and carried out to determine the best and lowest-cost bid." Construction of the Spurlock 4 unit can proceed as soon as the construction permit from the Division of Air Quality is issued.
4. PSC Case No. 2005-00053 – (Smith Generation Certificates) – The Commission held a hearing in this case on November 29. Information Requests have been answered by EKPC concerning analyses of the timing of the installation of proposed combustion turbine units at the J.K. Smith Generating Station as well as a schedule of projected operation of the Smith Station combustion turbines, after construction of the proposed units on the current schedule.

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5. FERC Case No. TX05-1 – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission (“FERC”) seeking an order compelling the Tennessee Valley Authority (“TVA”) to physically interconnect with EKPC’s transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On April 14, 2005, FERC ruled for EKPC that it was entitled to the interconnection. Since EKPC and TVA were unable to work through details necessary to implement the interconnections, the task of doing so now falls to the FERC.
6. Commonwealth of Kentucky Sales and Use Tax Audit – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. After review, the Revenue Cabinet will issue a final ruling on whether it accepts all or any portion of the PROTEST.

Dale W. Henley
General Counsel

c: Dave Eames (for distribution)
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Member Services

DECEMBER 2005

Non-Traditional Power Production Process

- Working with finance to pursue \$18 million dollars of Clean Renewable Energy Bonds for current and future renewable energy projects.
- Received executed Landfill Gas and Site Lease Agreements from Rumpke for the Pendleton County Landfill Gas to Electric Generating Project. Commercial operation is targeted for mid January 2007.
- Unit # 5 at Laurel Ridge went commercial.
- Met with Allied Waste about the status of the gas collection system improvements at Green Valley Landfill.
- Met with Waste Management about the status of gas collection improvements and Laurel Ridge and other potential WM sites for possible development by EKPC.
- Met with Karen Regor of KY NEED Program regarding the addition of a landfill gas to electric generation segment to the schools renewable energy portfolio.
- Working with KET for EnviroWatts ads for 2006.
- Running EnviroWatts ads with three NPR radio stations.

Marketing & Natural Resources Process

- Conducted PartnersPlus meetings at Nolin RECC and Blue Grass Energy.
- Met with representatives of John Conti and Wallingford Coffee Company about providing Touchstone Energy Coffee.
- Made site visits to Grayson RECC, Jackson Energy, CVRECC, Salt River RECC and Taylor County RECC.
- Attended the Kentucky Herpetological Society meeting in Louisville.
- Met with representatives of the Kentucky Heritage Council concerning archaeological sites within the proposed Wilson-Aberdeen Transmission Corridor.
- Met with Bob Wade and Randy Seymour to determine level of support for the Kentucky Chapter of the Nature Conservancy.

Member Services

- Met with KAEC staff to discuss joining forces on future meetings involving EKPC, Touchstone Branding and KAEC.
- Attended the Member Services Advisory Committee meeting at AllTech Incorporated Headquarters in Nicholasville.
- EKPC received 5000 more tubes of caulk compliments of Dow Chemical in Elizabethtown. To date, Dow has donated 10000 tubes to aid in lowering heating costs.
- Met with representatives of Sylvania Lighting to discuss providing some of their CFLs to our members.
- Met with Emmanuel Levy with the Manufactured Housing Research Alliance to discuss new efforts with the Touchstone Energy Manufactured Home.

Listed below are the Environmental activities for this month:

Jennie Rogers Elementary, Boyle County Elementary, Inter-County Energy; Clark County Christian School, Clark Energy; Elkhorn Elementary, Huntertown Elementary, Saffell Street Elementary, Blue Grass Energy; St. Gregory, Salt River Electric; Shopville Elementary, South KY RECC; Highland Elementary, (2 days), Farmers Elementary; Walker Intermediate, Nolin RECC

- Construction Projects Involving Environmental Activities for December: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Gap of the Ridge Sub and Tap, Headquarters Sub and Tap, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Beam-Tichenor, Pendleton County LFGTE.
- Followed up on a land owner complaint concerning erosion control for the Little Mount Substation and Tap Project. Spoke with the Division of Water and it was determined that EKPC was in compliance with all permits and requirements regarding erosion avoidance measures.
- Met with Cultural Resource Analysts concerning the archaeological and cultural resources that may be impacted on the Wilson-Aberdeen and Memphis-Junction to Aberdeen projects.
- Met with the Kentucky Heritage Council in regards to the possible cultural and/or archaeological impacts associated with the Memphis Junction – Aberdeen and Wilson – Aberdeen projects.
- Established a consulting parties meeting to satisfy Section 106 Consultation guidelines for the Memphis Junction – Aberdeen and Wilson – Aberdeen Projects.

Member Services

The meeting will be hosted on January 10th, 2006 in Morgantown, KY. This is the first of two consulting parties meetings for this project.

- Worked with Forest Service personnel on the Cranston-Rowan and Big Creek Projects. We are currently waiting for correspondence from the US Fish and Wildlife Service before finalizing the environmental document on the Big Creek project.
- Worked on fulfilling mitigation requirements for Indiana bats on the Little Mount Substation and Tap Project. Placement of bat houses and other artificial bat habitat were required for environmental approval.
- Met with RUS officials in Washington D.C. to outline the environmental requirements for the suite of projects associated with the expansion of J.K. Smith.
- Took tests to receive pesticide applicator licenses.

Market Research Process

- 4th Quarter Small Commercial Customer Satisfaction measurements were made and a report is being prepared.
- Appliance saturation surveys are all in and have been entered into the computer for analysis. A report is being prepared.
- Work continues on measuring market price volatility, as well as natural gas price volatility. This will allow EKPC to better understand the uncertain markets in which it participates.
- EKPC had scheduled a meeting with member system Finance and Accounting personnel, in order to review such important topics as FAC and the environmental surcharge. However, weather forced a postponement. The meeting is now set for Wednesday, January 18.
- Big Sandy, Blue Grass Energy, and EKPC are working jointly on a direct load control demonstration project. The goal is to have it up and running on June 1, 2006, and last until April 2007. Several tasks are underway right now, related to this effort.
 - Meetings with Big Sandy and Blue Grass are ongoing
 - A PSC filing is being prepared
 - Meetings with LG&E have been held, to discuss their program
 - Meetings with vendors and potential service providers have been held
 - A presentation at the January Board Meeting is expected

Member Services

- Work continues on the 2006 load forecast. Data collection is ongoing, member system worksheets have been sent out, and regional economic information is being retrieved and studied.
- Preparing an analysis of class contribution to winter and summer peak demands.
- Member systems continue to use load research as they prepare cost of service studies. Market Research works with members in this area.
- Work continues by Market Research on better understanding of market prices, in an effort to improve forecasting capabilities.

Member and Corporate Communications Process

- Completed a new Power Point presentation on the history of the rural electric program and which can be customized by each member system to explain the history of their co-op. The presentation is available for use by member systems at meetings of civic clubs, at schools and for other groups.
- Completed a proposed, draft communications plan to mobilize co-ops in response to the recent Kentucky Supreme Court decision about Jackson Energy's propane business.
- Completed the next in a series of electric industry backgrounders. This one is about the continuing improvements to Kentucky air quality, which in 2004 showed 30 years of improvements to the environment and proves that as expensive regulations continue to tighten, air quality is the best it has been in more than a generation.
- Worked with NRECA and Shelton Communications providing photographs to be used in a national ad campaign being put together about rising energy costs.
- Finalized revised plans to roll out a photo history Power Point kiosk at headquarters about the proud history of rural electric cooperatives and EKPC, which will be available to tour groups and others visiting HQ.
- Sent out two additional Be Prepared Fact Sheets on emergency preparedness to member systems, making information sheets on winter preparedness and holiday light safety available for system lobbies.
- Completed text on the next Be Prepared publication about home surge protection for member systems.
- Distributed the next Safe Electricity press release to member systems.

Member Services

- Continued developing a new Communications, Marketing and Advertising program for member system drive-through windows.
- Continued photographing every employee at EKPC for use by Human Resources.
- Distributed the November Fuel Adjustment Clause report about the major factors influencing the November fuel clause.
- Printed bill inserts for several member systems.
- Wrote and distributed a press release to media about the re-filing of EKPC's application for the Cranston transmission project in Rowan County, with additional support that the route was the best of six alternatives studied.
- Completed new web site on Economic Development to be housed on member system web sites.
- Designed monthly magazine inserts for Clark and Blue Grass Energy.
- Completed next round of ads for members to discourage meter tampering.
- Posted the February InterChange of stories, photos and graphics for member system Kentucky Living inserts on esource, a member only web site hosted by EKPC.
- Printed additional lobby cards for members explaining the fuel adjustment clause and the environmental surcharge.
- Completed text of the next Member Services Update for system managers and directors to update them on the latest news from EKPC Member Services and EKPC.
- Completed initial design of a new web site for Shelby Energy.
- Continued daily search and distribution of electric industry articles from Kentucky and the nation through the EKPC Resource Library.

Touchstone Energy Brand Management

- Attended Partners Plus meetings at Nolin and Bluegrass.
- Met with KAEC to discuss combining EKPC Marketing meetings, Touchstone

Member Services

Branding Workshop, and KAEC Fall meeting.

- Met with Cornett Group regarding placement for 2006 advertising.
- Met with Lexington Legends Baseball representatives regarding 2006 sponsorship.
- Attended Co-op Connections card Users meeting conducted by World Expositions to explore ways to increase visibility of the card.
- Prepared radio scripts and print ad text for beginning of 2006 ad campaign.
- Continued communications with 4-H Extension regarding sponsorship in 2006.
- Placed Touchstone Energy ALL "A" Classic ad in February Kentucky living,
- Began work on promotion piece to be distributed at information booth during Touchstone Energy ALL "A" Classic.

Power Delivery Unit

DECEMBER 2005

POWER DELIVERY-OPERATIONS – GEORGE CARRUBA, MANAGER

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

System Peak – EKPC's coincident peak in November 2005 was 2146 MWh, occurring at hour 0700 on the 18th. Member system requirements for the month of November 2005 were 993,505 MWh, an increase of 7.94 % above November 2004. Heating degree-days for November were 53 fewer heating-degree-days than average. The average temperature for November was 47.7 degrees or 3.9% warmer than normal.

Outage Reports **Outage Reports for November 2005 -** EKPC Power Supply outages have accounted for .38 consumer hours out year-to-date. Of these .01 were scheduled, and .37 were emergency outages. None of these were due to major storms. For the month of November, we experienced five emergency outages affecting seven substations and five member systems. Seven scheduled outages occurred and 19 line requests were also completed. Emergency outage reports for the complete system are attached.

EAST KENTUCKY POWER COOPERATIVE EMERGENCY OUTAGES - THIS MONTH November 2005

Page 1 of 1

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FARMERS	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
JACKSON	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SHELBY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	0-0%	0-0%	1-14%	4-57%	0-0%	2-29%	0-0%	0-0%	0-0%	0-0%	0-0%	7-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

EAST KENTUCKY POWER COOPERATIVE EMERGENCY OUTAGES - YEAR TOTDATE November 2005

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	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	3-38%	0-0%	1-13%	1-13%	0-0%	0-0%	0-0%	1-13%	0-0%	2-25%	0-0%	8-100%
CLARK	2-25%	0-0%	0-0%	4-50%	0-0%	1-13%	0-0%	0-0%	0-0%	0-0%	1-13%	8-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	3-75%	0-0%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	4-100%
FARMERS	0-0%	0-0%	2-29%	2-29%	0-0%	2-29%	0-0%	0-0%	0-0%	1-14%	0-0%	7-100%
FLEMING-MASON	0-0%	4-57%	0-0%	0-0%	0-0%	2-29%	0-0%	0-0%	0-0%	1-14%	0-0%	7-100%
GRAYSON	0-0%	10-67%	0-0%	5-33%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	15-100%
INTER-COUNTY	0-0%	0-0%	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	0-0%	3-100%
JACKSON	0-0%	0-0%	1-4%	4-15%	2-7%	10-37%	0-0%	9-33%	1-4%	0-0%	0-0%	27-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	1-33%	1-33%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	0-0%	3-100%
OWEN	0-0%	0-0%	0-0%	3-75%	0-0%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	4-100%
SALT RIVER	3-14%	0-0%	1-5%	5-23%	0-0%	1-5%	6-27%	5-23%	0-0%	1-5%	0-0%	22-100%
SHELBY	1-6%	10-56%	1-6%	1-6%	0-0%	2-11%	0-0%	1-6%	2-11%	0-0%	0-0%	18-100%
SOUTH KENTUCKY	3-33%	1-11%	0-0%	3-33%	0-0%	1-11%	1-11%	0-0%	0-0%	0-0%	0-0%	9-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	12-9%	25-19%	9-7%	32-24%	2-1%	19-14%	9-7%	16-12%	3-2%	7-5%	1-1%	135-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT NOVEMBER 2005 FOR ENTIRE SYSTEM

Page 1 of 3

Date/Time	Time Off	Consumer Hours Out	KWH Unservd	Substation	Type / Cause
Emer/Sched	Consumers Out			Company	Description
11/03/05 12:27 Scheduled	0 h 42 m 2,193	993	1,134	W2 Summersville 3 Taylor County	System Improvements : Facility Upgrade Scheduled outage required in order to replace metering potential and current transformers. Metering bypass switch, install new metering ct's, pt's. Metering bypass switches were also added to this substation.
11/03/05 13:29 Scheduled	0 h 46 m 2,592	0	0	E15 East Bernstadt Jackson	System Improvements : Maintenance Scheduled outage required in order to replace defective 69 kV lightning arresters at substation.
11/06/05 5:42 Emergency	1 h 26 m 665	953	1,153	W0 Bonnieville 8 Farmers	Storm / Weather Related : Tornado A tornado damaged line section between KU Horse Cave Tap - KU Munfordville at STR. #U-157 thru #U-159, of Barren County - Bonnieville transmission line. Two structures, transmission conductor and static were on ground.
11/06/05 5:42 Emergency	1 h 26 m 4,282	6,138	6,250	W0 Munfordville 9 Farmers	Storm / Weather Related : Tornado A tornado damaged line section between KU Horse Cave Tap - KU Munfordville at STR. #U-158 & #U-159, of Barren County - Bonnieville transmission line. Two structures, transmission conductor and static were also damaged.
11/10/05 10:30 Scheduled	1 h 30 m 4,403	1,326	0	E04 Hillsboro Fleming-Mason	System Improvements : Facility Upgrade A scheduled outage was required in order to tie in one of the circuits from Plummers Landing and mobile substation.
11/10/05 13:30 Scheduled	2 h 5 m 4,403	1,719	0	E04 Hillsboro Fleming-Mason	System Improvements : Facility Upgrade A scheduled outage was required in order to tie in remaining circuits from Plummers Landing and mobile substation.
11/13/05 5:53 Emergency	2 h 16 m 2,840	6,437	9,925	W1 Sinai 4 Blue Grass	Distribution Sub. Equip. Failure : Metering CT A metering current transformer failed. Two primary fuses operated.

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT NOVEMBER 2005 FOR ENTIRE SYSTEM

Page 2 of 3

Date/Time	Time Off	Consumer	KWH	Substation	Type / Cause
Emer/Sched	Consumers Out	Hours Out	Unservd	Company	Description
11/15/05 20:13 Emergency	1 h 48 m 1	2	12,750	W8 Kargle #2 0 Nolin	Storm / Weather Related : Lightning A lightning strike damaged vacuum breaker #388 at Kargle #2 Substation. Two primary fuses operated.
11/15/05 23:15 Emergency	2 h 9 m 952	2,050	1,920	E12 South Fork Jackson	Storm / Weather Related : Lightning A direct lightning strike to South Fork substation primary, operated three primary fuses. EMS showed one operation of E13-604 at TYNR , then returned to service. Noticed that there was no load flowing on breaker 604.
11/23/05 11:00 Scheduled	4 h 53 m 1,700	7,056	12,693	E22 Oakdale Licking Valley	Transmission Line Equip. Failure : Pole A scheduled outage was required in order to replace STR.#DH-3 and DH-4 on Oakdale tap. These structures were damaged by fire.
11/26/05 14:20 Scheduled	0 h 55 m 2,257	0	0	S10 Columbia Taylor County	System Improvements : Maintenance A scheduled outage was required in order to replace station main power transformer. Hot spots found on terminals of transformer bushings.
11/29/05 8:30 Scheduled	3 h 30 m 1,568	0	0	E56 Booneville Jackson	System Improvements : Maintenance A scheduled outage was required in order to replace E56-705 switch, replace high side lightning arresters, change outstring insulators on JA line, and work on cap bank.
11/30/05 11:15 Emergency	0 h 12 m 4,549	874	1,227	E06 Charters Fleming-Mason	Accident by Outsiders : Logger A logger cut a tree, which fell, onto Goddard-Charters line section, breaking conductor between STR. BW-13 & BW-14 on Goddard-Plumville transmission line.
11/30/05 11:15 Emergency	0 h 12 m 2,744	527	690	N41 Rectorville Fleming-Mason	Accident by Outsiders : Logger A logger cut a tree, which fell, onto Goddard-Charters line section, breaking conductor between STR. BW-13 & BW-14 on Goddard-Plumville line.

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
NOVEMBER 2005 FOR ENTIRE SYSTEM**

Page 3 of 3

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause	
	Emer/Sched	Consumers Out			Company	Description		
TOTAL		35,149	28,076	47,742	Average Hours Outage Per		0.06	
YEAR TO DATE		285,797	184,470	416,861	YTD Avg Hrs Outage Per		0.38	
TOTAL CONSUMERS SERVED = 489,213								

**EAST KENTUCKY POWER COOPERATIVE
POWER SUPPLIER OUTAGE REPORT
November 2005**

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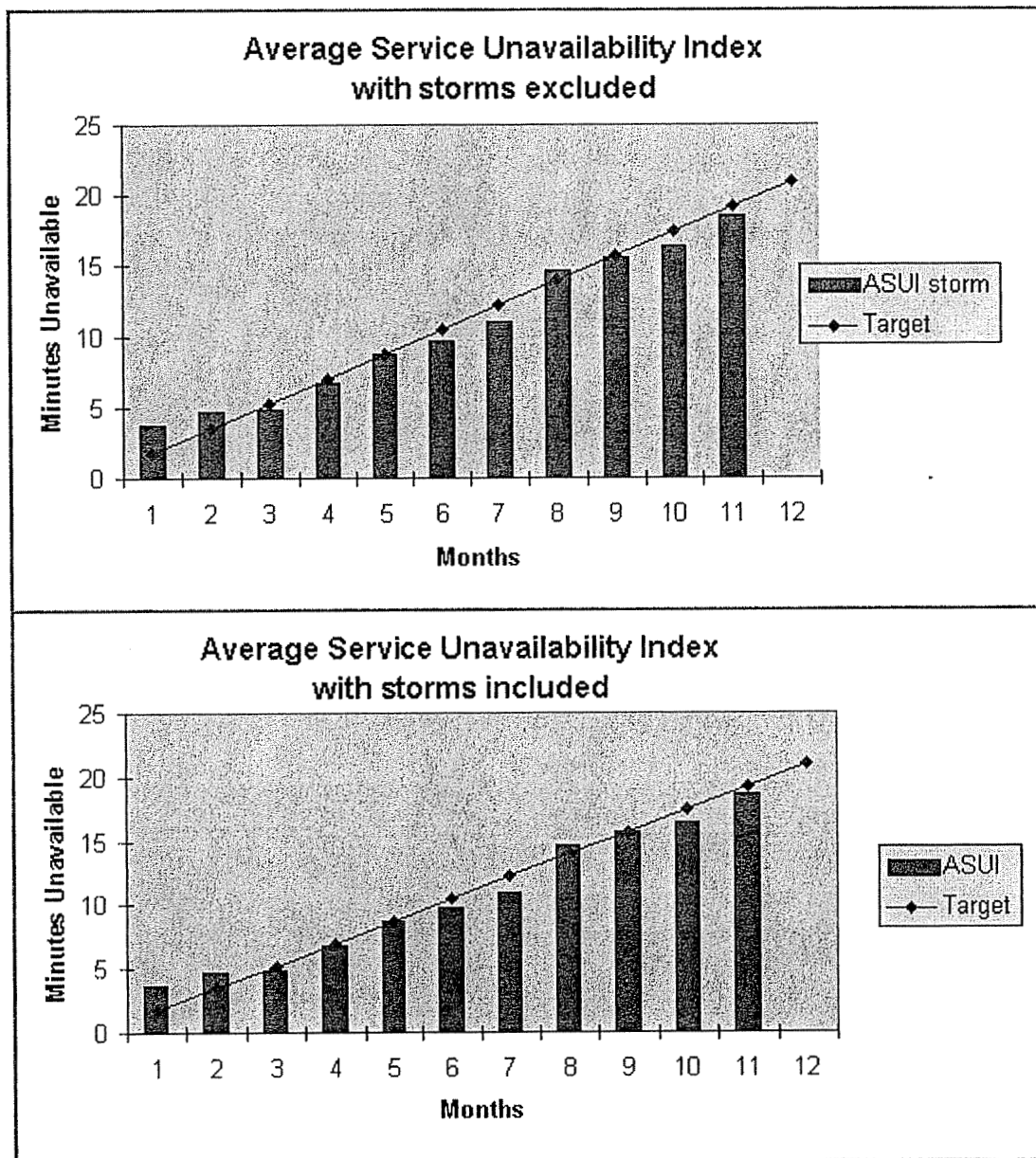
Average Hours Outage Per Consumer

	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.12	0.00	0.12	0.46	0.00	0.46
CLARK	0.00	0.00	0.00	0.28	0.00	0.28
CUMBERLAND VALLEY	0.00	0.00	0.00	0.17	0.02	0.19
FARMERS	0.31	0.00	0.31	1.07	0.00	1.07
FLEMING-MASON	0.06	0.13	0.19	0.17	0.13	0.30
GRAYSON	0.00	0.00	0.00	0.69	0.00	0.69
INTER-COUNTY	0.00	0.00	0.00	0.33	0.09	0.42
JACKSON	0.04	0.00	0.04	0.88	0.00	0.88
LICKING VALLEY	0.00	0.42	0.42	0.00	0.48	0.48
NOLIN	0.00	0.00	0.00	0.15	0.00	0.15
OWEN	0.00	0.00	0.00	0.02	0.00	0.02
SALT RIVER	0.00	0.00	0.00	0.44	0.00	0.44
SHELBY	0.00	0.00	0.00	0.75	0.03	0.78
SOUTH KENTUCKY	0.00	0.00	0.00	0.15	0.01	0.16
TAYLOR COUNTY	0.00	0.04	0.04	0.00	0.04	0.04
EKPC	0.00	0.00	0.00	0.32	0.00	0.32
SYSTEM AVERAGE	0.03	0.02	0.05	0.35	0.03	0.38

EKPC POWER SUPPLIER OUTAGES have accounted for .38 consumer hours out year to date. Of these .01 were scheduled, .00 were due to major storms, and .37 were other emergency outages.

AVERAGE SERVICE
UNAVAILABILITY INDEX
(ASUI) Report

<u>Month</u>	<u>Year</u>	<u>Without Major Storms (Min.)</u>	<u>With Major Storms (Min.)</u>	<u>Threshold</u>	<u>Target</u>	<u>Stretch</u>
1	2005	3.7650	3.7650	2.33	1.75	1.17
2	2005	4.7055	4.7055	4.67	3.50	2.33
3	2005	4.8633	4.8633	7.00	5.25	3.50
4	2005	6.7675	6.7675	9.33	7.00	4.67
5	2005	8.7305	8.7305	11.67	8.75	5.83
6	2005	9.7345	9.7345	14.00	10.50	7.00
7	2005	10.9883	10.9883	16.33	12.25	8.17
8	2005	14.7035	14.7035	18.67	14.00	9.33
9	2005	15.6243	15.6243	21.00	15.75	10.50
10	2005	16.4322	16.4322	23.33	17.50	11.67
11	2005	18.5874	18.5874	25.67	19.25	12.83
12	2005	0.0000	0.0000	28.00	21.00	14.00



POWER DELIVERY – MAINTENANCE - RICK DRURY, MANAGER

The main purpose of Power Delivery Maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	Year-To-Date Results	Year-To-Date Goal	Yearly Goal
Safety				
Accidents	Lost Time Accident Rate	5.11 ²	3.96 ²	4
Inspections	Avg. Inspection Rating	99.7% ²	98% ²	98%
Electric Service				
Frequency	MAIFI	.87 ¹	1.80 ¹	1.75
Duration	ASUI (without major storms)	18.6 ²	19.25 ²	21 min.
Cost Effective				
Cost	Operating Cost	\$6,179,735 ¹	\$6,256,968 ¹	\$7,600,189
	Capital Project Cost	\$1,382,870 ¹	\$6,454,253 ¹	\$7,765,792
Member’s Expectations				
Member System Satisfaction	Member System Survey	N/A ³	88%	88%

Notes:

1. Year to date results and goals through October 31, 2005
2. Year to date results and goals through November 30, 2005
3. These performance measures are not yet available for 2005

POWER DELIVERY-EXPANSION - MARY JANE WARNER, MANAGER

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

(h:PDdec05report.doc)



Power Delivery Expansion **DECEMBER PROJECT SUMMARY** **2005**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\R/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●				❖				12/31/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●								12/31/07		
Barren County - Magna 24 mi.	L	●	❖	❖	○	○				12/31/07		
Berlin #2 69-12.5 kV, 11.2 MVA Distr. Sub (Bracken)	S	●	●	●	●	●	N/A	●	●	09/15/04	12/15/04	04/05/05
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖		○	❖				12/01/06		
Tap, 9 mi.	L	●	○	○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●								05/01/06		
Tap 0.04 mi.	L	●								05/01/06		
Bristow # 2 Sub.	S	●		N/A	●	●	N/A	□		05/01/06		
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	□	N/A			05/05/06		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		❖	□	○				06/01/06		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●		○		❖				05/01/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖						05/05/06		
Conway Tap 0.2 mi.	L	●								05/01/06		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	○	□	●	●				01/02/07		
Downing # 2 Sub	S	●	N/A		N/A	●	N/A	❖		05/01/06		
East Bernstadt Breaker Station (North London)	S	●	●	●	●	●	●	●	●	06/17/05		08/01/05
Tap	L	●	N/A	●	●	●	●	●	●	06/17/05		08/01/05
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●		N/A		○				12/31/07		
Edmonton Ind'l Park 69-12.5 kV, 1.2 MVA	S	●	○	○	●	○				06/01/06		
Tap 4.0 mile	L	●	○		□					06/01/06		
Flemingsburg 138-25 kV 12/16/20 MVA Conversion	S	●	●	N/A	●	●	●	●	●	11/01/04		01/11/05
Tap	L	●	●	●	●	●	●	●	●	11/01/04		01/11/05
Gap of the Ridge Sub	S	●	❖	●	●	□				12/01/06		
Tap	L	●		○	○	○				12/01/06		
Garrard Co. Breaker Addition	S	●	N/A			○				12/01/06		
GM 161 kV Trans Sub (4 Breakers)	S	●	●	●	●	●	N/A	●	□	10/15/05		
GM-Memphis Jct. - 161 kV 14.5 miles	L	●	❖	○	□	□				12/31/07		
Goddard 138 kV Sub Upgrade/Addition	S	●	●	●	●	●	●	●	●	04/15/05		05/13/05
Tap	L	●	N/A	●	●	●	N/A	●	●	04/08/05		05/09/05
Goddard - Charters Static Replacement	L	●	N/A	N/A	●	●	N/A	●	●	07/15/05		06/08/05

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

S Substation Team
L Line Team



Power Delivery Expansion **DECEMBER PROJECT SUMMARY** **2005**

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\IR/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Hardin Co. Landfill Facilities and Tap	L	●								12/01/05		
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●		12/01/05	10/10/05	
<i>Tap, 69 kV, 3 mi.</i>	L	●	●	●	●	●	□	❖		12/01/05		
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●		❖		○				05/05/06		
Hinkston 69-25 kV, 11.2 mVA Distr. Sub	S	●	●	●	●	●	N/A	●	●	06/01/04	10/01/04	02/06/05
<i>Tap</i>	L	●	●	●	●	●	N/A	●	●	06/01/04		02/06/05
Inez Sub (Site Acquisition Only)	S	●								12/01/06		
<i>Tap 69 kV - 6.0 mi.</i>	L	●		❖						12/01/06		
J. K. Smith CT#8	S	●	N/A	N/A	N/A	○	N/A			03/31/07		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●				❖	N/A			05/01/06		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	❖	❖	❖					12/01/05		
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Lancaster EKPC-KU 69 kV, 0.23 mi.	L	●								On Hold		
Laurel Co. Ind'l Park #2 Sub	S	●	○	N/A		○				05/05/06		
Little Mount 161-12.5 kV Distr. Substation	S	●	●	●	●	●	●	●		12/01/05	10/31/05	
<i>Tap, 6 mi.</i>	L	●	●	□	●	●	●	❖		12/01/05		
Memphis Jct. 161 kV Trans Sub (2 Breakers)	S	●		N/A		○				12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	❖	○	□	□				12/31/07		
Miller Hunt 69-25 kV, 11.2 mVA Distr. Sub	S	●	●	●	●	●	●	●	●	01/15/05	01/28/05	04/25/05
<i>Tap</i>	L	●	●	●	●	●	●	●	●	01/15/05	01/28/05	04/25/05
Mt. Washington #2 Sub	S	●	N/A	●	●	●	N/A	●	●	06/01/05	07/14/05	07/14/05
<i>Tap</i>	L	●	N/A	●	●	●	N/A	●	●	06/01/05	07/14/05	07/14/05
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	○	○	○	●		○		05/05/06		
Oak Ridge Tap	L	●	□	●	❖					05/01/06		
Oxford Substation	S	●	●	●	●	●	●	●	●	06/01/05	07/13/05	07/13/05
<i>Tap</i>	L	●	●	●	●	●	●	●	●	06/01/05	07/13/05	07/13/05
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●				❖				06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	○	○	□	□				06/01/06		
Richardson #2 69-12.67kV, 11.2 MVA Sub	S	●	●	N/A	●	●	●	●	●	06/01/05		06/23/05
<i>Tap</i>	L	●	N/A	N/A	●	●	N/A	●	●	06/01/05		06/23/05

- ❖ - Project Started
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- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team



Power Delivery Expansion **DECEMBER PROJECT SUMMARY** **2005**

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Rineyville 69-12.47 kV, 11.2 MVA Substation	S	●	●	●	●	●	●	●	●	12/01/04	02/21/05	07/14/05
Tap, 6 mi.	L	●	●	●	●	●	●	●	●	06/15/05		07/13/05
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●								05/01/06		
Tap .20 mi	L	●								05/01/06		
South Point 69-12.47kV, 11.2 Sub	S	●		❖						06/01/06		
Tap	L	●		❖						06/01/06		
Spurlock-Flemingsburg 138 kV Line, 18 mi.	L	●	●	●	●	●	●	●	●	12/10/04		01/10/05
Spurlock #4	S	●		N/A		❖				04/01/08		
Upchurch Sub	S	●	●	●	●	●	●	●		05/02/06		
Tap	L	●	❖	○	●	●				05/02/06		
W. Bardstown Jct. 69 kV BKR Station	S	●				❖				05/01/06		
Web's Cross Roads 69-125 11.2/14 MVA Sub	S	●		○						11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		❖	❖					11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●		❖	○	○				12/31/07		
STATION UPGRADES												
Boone Dist Sub Upgrade 15/20/25 MVA	S	●	●	N/A	●	○	N/A	❖		05/01/06		
Cooper Dist Sub Rebuild	S	●	N/A	N/A	●	●	●	○		12/01/05		
Grant's Lick #2 Sub Upgrade	S	●	N/A	N/A		●	N/A	●		06/01/05		06/09/05
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05	Complete	Complete
Southville Station Rebuild & Tap	S	●	●	N/A	●	●	●	●	●	12/01/05		05/23/05
W. Berea Upgrade 69-12.47 kV, 15 MVA	S	●	N/A	N/A	N/A					05/01/06		
CAPACITOR BANKS												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●		○	●	●	N/A	●		06/01/05	09/11/05	12/01/05
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●				●				05/01/06		
E. Pine Knot 13.78 MVAR Cap Bank & Tap	S&L	●								Deferred		
Elliotville 12.25 MVAR Cap Bank & Tap	S&L	●								05/01/06		
Lees Lick 10.715 MVAR Cap Bank	S	●	N/A	●	N/A	●	N/A	●	●	01/31/02	06/21/02	06/30/05
Loretto 13.78 MVAR Cap Bank & Tap	S&L	●		N/A		●		●		12/01/04	07/31/04	09/02/05
Maggard 12.25 MVAR Cap Bank	S	●								Deferred		

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Power Delivery Expansion **DECEMBER PROJECT SUMMARY** **2005**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
CAPACITOR BANKS CONT'D												
Mt. Olive Cap Bank to 10.2 MVAR & Tap	S&L	●		N/A						On Hold		
Norwood 25.51 MVAR Cap Bank & Tap	S&L	●								12/01/06		
Shelby County 25.51 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	●	N/A	●		12/01/03	12/01/03	08/15/05
Sideview 6.12 MVAR Cap Bank & Tap	S&L	●								05/01/06		
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●				●	N/A	●		12/01/05	07/16/05	11/08/05
Tommy Gooch Cap Bank	S					❖				12/31/05		
Tyner 15.31 MVAR Cap Bank & Tap	S&L	●				❖				12/01/05		
W. R. Smoot 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●		05/01/06		
RECONDUCTORS												
Boonesboro-Avon Recond 8.2 mi	L	●	●	N/A	●	●	N/A	●	●	12/01/05		11/21/05
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A			05/01/06		
Bowen-Zachariah, 10.45 mi.	L	●	N/A	N/A	●	●	N/A	●	●	12/01/04		05/03/05
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L									12/01/07		
Colemansville-Four Oaks Jct., 69kV, 7.92 mi.	L	●	N/A	N/A	●	●	N/A	●	●	12/01/04		01/14/05
Colemansville-Renaker, 69kV, 6.18 mi.	L	●	N/A	N/A	●	●	N/A	●	●	07/01/05		06/30/05
Dale - Three Forks Jct. 138 kV Rebuild 4.75 mi										11/30/07		
Flemingsburg Distr.-Goddard Rebuild, 138 kV, 9.2 mi.	L	●	N/A	●	●	●	N/A	●	●	05/19/05		05/09/05
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L									05/01/07		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A			05/01/06		
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L									12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L									12/01/07		
JK Smith - Dale 138 kV Rebuild 9.5 mi	L									11/30/07		
JK Smith - Fawkes 138 kV Rebuild 14.29 mi	L									11/30/07		
JK Smith - Union City 138 kV Rebuild 10.26 mi	L									11/30/07		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L									04/01/07		
Nancy-Windsor, 69kV, 9.27 mi.	L	●	N/A	N/A	●	●	N/A	●	●	12/01/04		03/01/05
Renaker - Lees Lick 69kV Recond, 556.6, 7.2 mi	L									12/01/07		
Three Forks Jct.-Fawkes 138kV Line Rebuild 2.58mi	L									11/30/07		
Tyner-East Bernstadt ReblD.954MCM 69kV,16.71mi	L									05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L									05/01/07		
Union City - Lake Reba Tap 138 kV Rebuild 1.3 mi	L									11/30/07		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/06		

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S Substation Team
L Line Team

Power Production

DECEMBER 2005

Engineering

Engineering is supporting the Smith Unit No. 1 and Spurlock Unit No. 4.

Engineering is also supporting the scrubber at Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

Discussions have been held with Mason County officials concerning the burning of tires in the Gilbert unit. A second trial burn is planned in the first quarter of next year.

Reviews have been made to the proposed FGD system for Spurlock Power Station Unit No. 1. A cost and feasibility is being developed for the installation.

Meetings have been held with the Division of Water and Kentucky River Authority concerning water needs for the proposed Smith coal-fired unit. The water for the unit will be drawn from the pool of Dam 10 on the Kentucky River.

NRECA is completing an economic study of allowance prices for the G&T in the U.S. The results are expected right after the first of the year.

Work is continuing with the Division for Air Quality to obtain the Spurlock Power Station Unit No. 4 construction permit. All data responses have been supplied to the Division, and we await the permit release.

Discussions were held with RUS concerning the environmental approval process for the proposed Smith's site facilities. This includes the CTs, coal-fired unit, and transmission facilities.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

Fuel

EKPC's coal inventory at the end of December 2005 will be approximately 62 days. The inventory level is projected to be at approximately 55 days by the end of January.

Power Production

Production Monthly Report

Page 2

December 2005

Fuel (Continues)

Fuel personnel have continued their increased contact with EKPC coal suppliers to ensure that deliveries remain as current as possible. Eastern rail carriers appear to be making improvements to their service. Western U.S. rail carriers are beginning to make recoveries to their system deliveries; however, the recovery will be slow as has been in the East. Numerous Powder River basin coal users have been utilizing natural gas or decreasing sales to limit the impact to their coal inventories.

Fuel personnel continue to provide assistance to Production personnel in regards to future fuel sources for Gilbert Unit 3, Spurlock Unit No. 4, Smith Unit No. 1, and future combustion turbines.

Solicitations for proposals have been sent in preparation for a market price re-opener on a coal supply contract for the Gilbert unit at Spurlock Power Station.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station; 15,000 gallons for Cooper Power Station; and 22,500 gallons Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Production

Dale Power Station

Dale Power Station has generated a total of 1,117,108 net MWh through November 30, 2005. Units No. 2, No. 3, and No. 4 were on-line and fully available for the entire month. Unit No. 1 was on-line and fully available until December 9th. The unit was forced off-line due to a water wall tube leak. The leak was repaired, and the unit was back on-line December 11th and fully available the remainder of the month.

ECAR tests were performed on all units. These tests are done semi-annually by Dale Power Station employees. This is designed to demonstrate that under expected operating conditions the rating claimed for the generating equipment can be obtained for four hours. This document presents the criteria to be used for the uniform rating of generating equipment by ECAR members.

Power Production

Production Monthly Report

Page 3

December 2005

Dale Power Station (Continues)

Supervisor Leadership Training was held at Dale Power Station. Also, work is on-going for the Operation and Maintenance Training Program

Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

Routine safety meetings were held at Dale Power Station. The training consisted of annual OSHA required refresher training on "Emergency Procedures" such as bomb threat, fire, hazardous spills and leaks, weather, automated external defibrillator, and injury. A written test was given to each employee for documentation that the employee did attend this training and was aware of the procedures.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

J.K. Smith Power Station

The combustion turbines have generated a total of 417,623 net MWh through November 30, 2005. Units No. 1, 2, 3, 5, and 7 were available the entire month. Unit No. 4 completed its first combustion inspection this month. The unit was scheduled off-line 106 hours and 24 minutes. Unit No. 6 was on scheduled outage for 65 hours for GE to perform warranty work on the No. 2 bearing oil drain line.

Preparation and planning is ongoing for Smith Unit No. 1.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is also ongoing at the plant.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Power Production

Production Monthly Report

Page 4

December 2005

Cooper Power Station

Cooper Power Station has generated 1,843,066 net MWh through November 30, 2005. Unit No. 1 was on-line until a forced outage on December 5th when the 1B circulating water pump motor failed. The unit was back on-line the same day. The unit was forced back off-line the same day due to a drum trip on startup. The unit was back on-line the same day. The unit forced off-line again on December 5th when an ID fan motor failed. The unit was back on-line December 7th and remained on-line the remainder of the month. Unit No. 2 was off-line from last month due to the scheduled fall maintenance outage. The unit was back on-line December 9th and remained on-line the remainder of the month.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month. Some of the tasks that were completed were cleaned oil coolers; checked submerged chain and transfer chains; checked and calibrated coal feeders; did ball and spring check on Unit No. 1 and Unit No. 2 pulverizers; inspected Unit No. 2 air heaters, burners, boiler, and precipitator hopper valves; changed oil and greased various motors and pieces of equipment; meggered Unit No. 2 motors and switchgear; and checked Unit No. 2 evaporator.

Hall Contractors continues to work on the concrete retaining wall along the entrance road to Cooper Power Station. They completed the fire sprinkler system on 3-A conveyor belt and also completed the installation of Unit No. 2 hydrogen cooling water lines.

Other routine preventive maintenance was performed plant-wide by Cooper Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Power Production

Production Monthly Report

Page 5

December 2005

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 6,614,575 MWh through November 30, 2005. Units No. 1 and No. 2 were on-line and fully available through December 26th. Unit No. 3 was on-line and fully available until December 3rd. The unit was forced off-line by an incorrect shutdown of 3B limestone pulverizer. The unit was back on-line December 4th and remained on-line through December 26th.

Continued problem solving on the coal handling modifications and repairs were made to the barge unloader. Also, the power module on 3B limestone mill was replaced.

The 3B limestone pulverizer had to be taken out of service due to the crush roll journals seizing. The entire journal assemblies were replaced, and the pulverizer was returned to service.

Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

FEBRUARY 2006

Finance & Planning

JANUARY 2006

Finance, Planning & Risk Management Process – Frank Oliva, Manager

Treasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On January 30, EKPC had \$31,427,000 of temporary, short-term investments in general funds. Interest rates on investments ranged from 4.11% to 4.36%. \$21,415,412 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

- Construction Funds

No advances were requested nor received for January.

The interest rates on our floating/fixed rate pollution bonds through January 31 were:

Cooper – 6 Month fixed rate – 2.85%

Smith – 6 Month fixed rate – 2.95%

Spurlock – weekly floating rate ranged from 3.60% to 3.70%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of January 31, 5 of the 70 loans remain outstanding with balances totaling \$72,019.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of January 31, EKPC has purchased \$1,566,000 in capital stock and has loaned \$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of January 31 was \$3,678,583.

As of January 31, \$675,346 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through

Finance & Planning

Finance & Planning Monthly Report

Page 2

January 2005

an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. In January, the CFC interest rate for lines of credit was 6.20% and the CFC variable, long-term rate was 6.35%. FFB interest rates on January 31 were 4.51% and 4.66% for two-year loans and thirty-year loans, respectively. The prime commercial rate increased .25% to 7.50%. The interest rate on January 30 for the CFC thirty-year long-term fixed rate loan was 7.00%. As of January 31, the interest rates on EKPC's Revolving Credit Facility ranged from 5.40% to 5.64%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared preliminary actual-to-budget comparison reports for December 2005 for all departments and business units. Final reports will be completed as soon as year end is closed.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2005 projected margin.

The Budget Team provided assistance to various personnel with the 2005 year-end closing.

Prepared a detailed report of travel, computers, education, corporate dues, cell phones, and vehicles by department for the 2006 Budget. This report is currently being reviewed by senior management. These actions support EKPC's Mission to provide competitive energy to member systems.

- Financial Planning

The Twenty-Year Financial Forecast and Equity Development Plan for 2006-2025 was presented to the Board of Directors on January 10, with a detailed Power Point presentation showing financial highlights.

Finance & Planning

Finance & Planning Monthly Report

Page 3

January 2005

Provided workpapers, assumptions, and calculations to the Public Service Commission used in the economic analysis of the construction of a scrubber on the Spurlock Power Station Unit #2. This was the first data request from the Commission staff for PSC Case No. 2005-00417.

Prepared economic analysis for the application for a certificate of public convenience and necessity for construction of a scrubber on Spurlock Station Unit #1. These actions support EKPC's mission to provide competitive energy to the member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Property Insurance – The placement/renewal of the property insurance will be agenda items at the February Audit Committee and Board Meeting.

Smith CT #2 Claim: Personnel continue to work with FM Global on this claim. Claim is being filed. Work continues to resolve confidential issues between Alstom and FM Global.

Builder's Risk Coverage – The Builder's Risk Policy for Spurlock #4 has been placed with FM Global. Work is progressing on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Excess Liability Program, Marine and Crime Insurance – Received policies.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

Directors' and Officers' Liability and Fiduciary Liability Insurance – Binder in place.

- Member Systems Claims for Transmission System Disturbance – No open claims.
- Energy Risk Management

Energy Risk Management Policy – The final drafts of the Energy Risk Management policy and procedures are being reviewed and will soon go to the

Finance & Planning

Finance & Planning Monthly Report

Page 4

January 2005

Audit Committee, serving as the Risk Oversight Committee, for review. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC's credit is being reviewed and negotiated for purchases of power, transmission, Financial Trading Rights (FTR's) emission allowances and coal. Risk Management personnel continue to obtain, monitor and manage the credit support provided by trading counterparties, in the form of parental guarantees and payment netting provisions. Agreements are being negotiated with several counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market. Working with APM, EKPC purchased January and February FTRs Cinergy to EKPC for January and February through the MISO monthly auctions.

- Emergency Restoration Plan (ERP) – Distribution in process.

Resource Planning

- Certificate Filing for Smith Generation

An application for certificates of public convenience and necessity and site compatibility was filed with the PSC January 31, 2005 for approval to construct Smith CTs 8-12 and Smith CFB 1. Responses to data requests from the PSC were filed March 31 and August 1. The public hearing was held on November 29. A data request was then made by the PSC and a was filed by December 22. Resource Planning provided an analysis of the potential cost of delaying CTs 9-12 for the data request. An additional information request was received January 25, 2006. Responses are being prepared. This action supports EKPC's Mission to provide competitive energy to the member systems and Finance & Planning's Mission to maintain compliance with regulatory agencies.

- Development of 2006 IRP

Resource Planning is working on various analyses and gathering information for use in the 2006 IRP. However, due to the lack of staff resources to work on the IRP, a request for a six-month extension of time to file is being requested from the Commission. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies.

Finance & Planning

Finance & Planning Monthly Report

Page 5

January 2005

- SERC Data Requests

Resource Planning is providing actual and projected load, capacity, and interchange data to SERC for their use and to file with EIA. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies.

- EIA Data Requests

Resource Planning personnel continue to comply with expanded data requests from the Energy Information Administration including monthly updates that became effective in January 2005 for various types of information such as demand, capacity, and generator information. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies.

- Cooper Compliance Study

Resource Planning is participating in a study of emissions compliance options for Cooper Station. The team had its initial meeting January 18. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies and supports EKPC's Mission to provide competitive energy to the member systems.

Monthly Power Supply Update for EKPC Fuel & Power Supply Committee – 2/7/06												
<u>Capacity vs. Load Summary</u>												
Year	Peak Forecast		Reserves *		Capacity Required (Incl. Reserves)		Existing & Committed Capacity		Surplus After Capacity Additions		Reserve Margin (%)	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2006	2,709	2,193	325	263	3,034	2,456	2,707	2,503	-327	47	-0.1%	14.1%
2007	2,815	2,277	338	273	3,153	2,550	2,679	2,463	-474	-87	-4.8%	8.2%
2008	2,901	2,746	348	330	3,249	3,076	2,679	3,156	-570	80	-7.7%	14.9%
2009	3,439	2,833	413	340	3,852	3,173	3,416	3,130	-436	-43	-0.7%	10.5%
2010	3,542	2,914	425	350	3,967	3,264	3,684	3,398	-283	134	4.0%	16.6%
<u>Breakdown of Existing and Committed Capacity</u>												
Year	Coal Fired		Combustion Turbines		Purchases		SEPA Hydro		Landfill Gas		Total Capacity	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2006	1,655	1,655	842	626	30	40	170	170	10	12	2,707	2,503
2007	1,655	1,655	842	626	0	0	170	170	12	12	2,679	2,463
2008	1,655	1,933	842	1,041	0	0	170	170	12	12	2,679	3,156
2009	1,907	1,907	1,327	1,041	0	0	170	170	12	12	3,416	3,130
2010	2,175	2,175	1,327	1,041	0	0	170	170	12	12	3,684	3,398

NOTES:

*Reserve Margin goal is 12% in summer.

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Smith CT 8 assumed to be on-line January 2008.

Smith CT 9 assumed to be on-line March 2008.

Smith CT 10 assumed to be on-line April 2008.

Smith CT 11 assumed to be on-line May 2008.

Smith CT 12 assumed to be on-line July 2008.

Warren RECC load data included April 2008.

Spurlock 4 unit assumed to be on-line June 2008.

Smith CFB 1 assumed to be on-line November 2009.

Includes Laurel Ridge #5 December 2005, and Hardin Co LFGTE Plant February 2006.

Includes Greenup Hydro generation purchase through December 2006.

East Kentucky Power 2005-2006 Business Insurance				
as of January 30, 2006				
Type	Carrier	Coverage Limit	Self-Insured Retention	Annual Premium*
Property	FM Global	\$2,693,853,039	\$50,000 Headquarters \$1,000,000 -All other	\$1,630,217
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$5,842
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$7,174
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900
Builder's Risk - Spurlock #4	FM Global	\$250,000,000	\$500,000	\$235,631
3 year policy term- pd annually, coverage limit increases each year				
ENVISION, LLC				
Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,363
*Premium includes state surcharge and all taxes unless otherwise noted.				

E.A. Gilbert Project Costs thru 11/30/2005

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr.Award/Amend Over/(Under) Design Costs	(thru 11/30/05) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1		Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,602,489.95	\$ 16,289.95
E6		Feedwater Heaters	Yuba Heat	1,436,000	728,185	(707,815)	737,889	9,704
E8		Deaerator	Ecodyne	225,000	192,500	(32,500)	192,500	-
E11		Condenser	TEI	1,620,000	1,560,662	(59,338)	1,560,662	-
E16		Circ. Water Pumps	Goulds/ITT	796,000	611,700	(184,300)	611,700	-
E17		Condensate Pumps	Flowserve	260,000	232,610	(27,390)	236,056	3,446
E21		Boiler Feed Pumps	Flowserve	1,260,000	1,735,539	475,539	1,708,081	(27,458)
E36		Distributed Control System (DCS)	ABB	2,000,000	4,345,000	2,345,000	2,852,241	(1,492,759)
E101		Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103		Radial Stacker/Reclaimer	Metso Minerals	-	1,815,500	1,815,500	1,956,671	141,171
E131		Transformers	Waukesa/PSD	2,825,000	3,576,441	751,441	3,567,561	(8,880)
E146		Switchgear	Pederson	780,000	3,783,855	3,003,855	3,783,855	0
E201		Boiler Island	Alstom Power	126,900,000	146,725,985	19,825,985	146,585,189	(140,797)
E211		Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,134,088	466,615
E221		Stack	Pullman Power	4,950,000	4,604,000	(346,000)	4,604,000	-
E222		Cooling Tower	Marley Cooling	1,900,000	2,382,600	482,600	2,383,549	949
E251		Piling	Richard Goettle	9,600,000	5,071,757	(4,528,243)	5,127,161	55,404
E261		Substructure	Baker	-	9,650,846	9,650,846	13,623,512	3,972,666
E281		Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	82,463,314	358,214
E332		Painting	Universal	-	2,631,846	2,631,846	2,631,845	(1)
		Subtotal		\$ 264,826,000	321,959,328	57,133,328	325,313,891	3,354,563
		Escalation of Contracts		\$ 4,490,000		(4,490,000)		
		Contingency		9,880,000		(9,880,000)		
		Boiler Contingency		13,000,000		(13,000,000)		
		Subtotal		\$ 27,370,000	-	(27,370,000)	-	-
		Total Contracts		\$ 292,196,000	321,959,328	29,763,328	325,313,891	3,354,563
Other Costs								
		Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,265,106	1,545,106
		Owners Cost	EKPC	19,500,000	19,500,000	-	20,148,174	648,174
		Spare Parts	EKPC	3,000,000	3,000,000	-	138,235	(2,861,765)
		Site Prep	EKPC	500,000	500,000	-	3,283,060	2,783,060
		Environmental Costs	EKPC	1,275,000	1,275,000	-	554,725	(720,275)
		Total Other		\$ 34,915,000	35,995,000	1,080,000	37,389,300	1,394,300
		Total Contracts + Other		\$ 327,111,000	357,954,328	30,843,328	362,703,191	4,748,863
		IDC		40,500,000	40,500,000	-	30,582,152	(9,917,848)
		Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		Project Total		\$ 367,611,000	398,454,328	30,843,328	391,306,209	(7,148,120)

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Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 1,106 checks from January 1 through January 27, totaling approximately \$39,768,000. On January 17, EKPC filed responses to the PSC for the six-month fuel adjustment clause review. The FAC hearing is scheduled for March 16.

East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of December 31, 2005

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh
Jan-04	15.60	22.15	6.55	14.94	14.62	-0.32
Feb-04	15.60	19.61	4.01	14.94	15.65	0.71
Mar-04	15.60	20.25	4.65	14.94	15.32	0.38
Apr-04	15.60	19.80	4.20	14.94	16.14	1.20
May-04	15.60	18.79	3.19	14.94	15.02	0.08
Jun-04	15.60	20.93	5.33	14.94	16.27	1.33
Jul-04	15.60	20.46	4.86	14.94	16.46	1.52
Aug-04	15.60	22.39	6.79	14.94	17.07	2.13
Sep-04	15.60	20.87	5.27	14.94	18.10	3.16
Oct-04	15.60	20.18	4.58	14.94	18.01	3.07
Nov-04	15.60	22.56	6.96	14.94	17.05	2.11
Dec-04	15.60	26.85	11.25	14.94	17.73	2.79
Jan-05	15.60	28.28	12.68	14.94	18.14	3.20
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
Jul-05	20.25	25.69	5.44	18.10	24.81	6.71
Aug-05	20.25	31.34	11.09	18.10	25.70	7.60
Sep-05	20.25	29.12	8.87	18.10	24.80	6.70
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31
Dec-05	20.25	33.34	13.09	18.10	20.73	2.63

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Crowe Chizek Audit

Crowe Chizek will begin year-end fieldwork February 6, 2006.

Member System Meeting

EKPC hosted a Member System Finance and Accounting meeting on January 18. Topics covered included the environmental surcharge, fuel adjustment clause, CT usage, and generation/purchased power mix. A meeting to discuss EKPC's 2005 financial results and the financial forecast will be scheduled this spring.

Materials Management

A request for proposal was sent to eight (8) clothing suppliers for company-wide uniforms, with Little Red Barn of Maysville being the successful bidder. In-house catalogs and order forms have been distributed to all locations. Two senior buyers, Alma Gentry and Robert Sherman, are conducting a review course for team members in preparation to test for the Certified Purchasing Managers' (C.P.M.) certification. The Winchester Warehouse inventory increased during December by \$635,443, with an ending balance of \$11,425,268. Stock-related material handled during the month totaled \$1,295,424, and included material issued for eleven (11) Power Delivery Expansion projects, and credits for six (6) projects. 6,858 gallons of fuel was pumped at the facility during December; no fuel was purchased during the month.

Payroll

During January, Payroll compiled data from Benefits, Third Party Administrator, and employee records in order to issue a W-2 for each employee, including retired and disabled employees. As a result, 782 W2's were mailed on January 27, 2006.

In addition to the W2's, year-end payroll taxes were reconciled and the forms completed and submitted to the appropriate government agency by January 31, 2006 as required by law.

Plant Accounting

Assets – Gannett-Fleming will be on here January 31 through February 2 for site visits in conjunction with the depreciation study. Plant tours are set up for our four generation facilities, several substations, and one of our service centers.

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Pricing Process – Bill Bosta, Manager

EKPC/LG&E Transmission and Interconnection Agreement Dispute

The parties filed Reply Briefs on Exception on January 3, 2006 and the case is ripe for decision. While the Commission is required to rule on Judge Grossman's decision, the Commission is under no time deadline to rule on the case and the rates being billed by LG&E to EKPC remain subject to refund. Based on the Commission's rulings thus far, EKPC will experience a 15% increase (about \$300,000 annually) in costs compared to the 43% increase (about \$860,000 annually) proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund advocated by the FERC Trial Staff due to pancaked rates is in addition to the \$1.4 million noted above.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

Vanceburg-Grayson Agreement

The City of Vanceburg and the Electric Board of the City of Vanceburg have signed the proposed Agreement. EKPC and the Grayson Board of Directors are in the process of finalizing signatures on the Agreement. The parties agreed that Vanceburg would serve customers in the "contested area" in exchange for providing Grayson with a portion of the revenues received by Vanceburg for service to those customers. The Agreement will also be filed with the Kentucky Public Service Commission for acceptance and the Agreement will become effective on February 1, 2006. This project helps EKPC meet its goal of providing excellent customer service to its Member Systems.

Environmental Surcharge Implementation/Emission Allowance Strategy

On January 20, EKPC submitted its seventh monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 5.64% to be applied to service rendered in January 2006 and billed in February 2006. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 3.68% to 4.88%. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

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East Kentucky Power Cooperative, Inc.
Estimated Monthly Environmental Surcharge Factors
January through December 2006

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Jan-06	\$49,161,092	\$3,913,638	7.45%
Feb-06	\$49,885,117	\$4,869,923	9.25%
Mar-06	\$50,361,322	\$6,042,664	11.49%
Apr-06	\$51,229,539	\$5,760,234	10.73%
May-06	\$51,797,286	\$6,538,215	12.11%
Jun-06	\$52,024,223	\$7,291,289	13.51%
Jul-06	\$52,305,252	\$8,155,666	15.08%
Aug-06	\$52,627,923	\$8,036,532	14.76%
Sep-06	\$52,575,589	\$7,023,971	12.85%
Oct-06	\$52,618,917	\$5,944,476	10.79%
Nov-06	\$53,164,175	\$6,350,111	11.43%
Dec-06	\$53,263,308	\$7,473,204	13.52%

Current SO₂ price is \$1,400 per allowance as of January 26, 2006.

Current NO_x price is \$2,775 per allowance as of January 26, 2006.

Gallatin Meeting

As a follow-up to information presented to Owen/EKPC regarding NO_x and SO₂ costs, a meeting was held with Gallatin on December 16. Owen/EKPC offered information in support of our position for recovery of emission allowance cost during the last two years of the prior contract. Further discussions are scheduled for Friday, February 3 in an attempt to resolve this matter. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

Direct Load Control DSM Filing

On January 30, EKPC filed an Application with the Public Service Commission for approval of a Demand Side Management (DSM) demonstration project. The project consists of the Direct Load Control of Air Conditioners and Water Heaters. EKPC is requesting a reasonableness review of the project from the Commission under the DSM statute and will not seek recovery of the costs of the project from Member Systems. EKPC is proposing to conduct the demonstration project beginning in June 2006 through the end of September 2007. A total of 400 load

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control switches for Air Conditioning units will be installed in residences at Blue Grass Energy and 400 Water Heater switches will be installed in residences at Blue Grass as well. An additional 300 Water Heater switches will be installed in residences at Big Sandy RECC. The proposed program is similar to a DSM program currently in place at KU and at LG&E. It is anticipated that the project will help EKPC learn whether Direct Load Control is an effective tool in reducing the growth in peak demand. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

Internal Audit & Performance Measures -- Graham Johns, Coordinator

Internal Auditing for Member Systems

Clark Energy Cooperative—Completed the internal audit of employee travel and out-of-pocket expenses and presented the report to the board of directors on January 24.

Inter-County Energy Cooperative—Completed the internal audit of meter reading and delivered the report to management.

EKPC Annual Audit

Continued assisting Crowe Chizek with the annual audit by auditing work orders and observing the physical inventory at Spurlock Station. The next phase of the audit is long-term debt.

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Credit Union Process – Brian Tyler, Process Owner

December 2005 Financial Report

Loans	13,066,756.33
Investments	3,059,302.25
Total Assets	17,288,518.50
Liabilities	1,986,943.52
Deposits	3,076,558.67
Equity	2,225,016.31
Interest on Loans	60,303.95
Investment Income	13,438.46
Total Income	74,113.07
Total Expenses	69,976.73
Retained Earnings	4,136.34
YTD Retained Earnings	120,756.56

Credit Union Annual Meeting

The annual meeting of the members of the East Kentucky Employees Federal Credit Union will take place on Wednesday, March 29, 2006, at 12:15 pm in the Board Room of the Headquarters Building. All members are invited and encouraged to attend.

dge/dd

c: Directors & Alternate Directors
Executive Staff
Finance & Planning Staff

Governmental Affairs

JANUARY 2006

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
-
- Attended KAEC special board meeting regarding the Jackson Energy propane case to determine preferred legislative solution.
 - Continued to meet with co-op lobbyists to discuss a unified position on the municipal joint action bill. Evaluating MEPAK's initial response to electric industries' principles list of concerns.
 - Continued a weekly edition of Currents, EKPC's electronic newsletter on legislative activities in Frankfort.
 - Met three times with a state representative regarding transmission issues. Power Delivery, Legal, and KAEC also attended. Positive outcome – no legislation filed.
 - Attended the House and Senate Transportation Committees where state hours of service regulations were approved. EKPC coordinated an electric industry amendment to the state regulations so they would mirror the HOS blanket exemption that was passed by Congress in the highway reauthorization bill. This issue is resolved.
 - Continued to meet with the Kentucky Office of Energy Policy regarding potential legislation on timelines to issue air and generation construction permits.
 - Continued discussions with electric lobbyists and some legislators on home energy assistance in the winter of 2005-06. Rep. Tanya Pullin has announced plans to file a bill that would prohibit cut-offs for elderly and low-income customers. Met with Rep. Pullin to discuss this and other energy related topics.

Governmental Affairs

- Continued working with Environmental team to obtain an air permit for Spurlock #4.
- Continued developing a Governmental Affairs web page for external and internal use: <http://govt.ekpc.com>.
- Along with Roy Palk, met with Governor Fletcher about Clark County transportation issues and application of clean coal tax credits. These credits can mean a savings to EKPC between \$224,000 and \$764,000 in 2006, depending on EKPC's Kentucky coal purchases.
- Met with House Majority Floor Leader regarding energy, environmental, and tax issues.
- Monitored the attached listing of bills.
- Represented EKPC at the Southeastern Federal Power Customers annual and quarterly board meetings.

Bill	Sponsor	Issue	Filed	Committee	Bill History	Co-op rank (1-5)	Legislative status
SB28	Seum	Private activity bond issues	3-Jan	State & Local Government	Click for History		In Committee
SB29	Carroll	Eminent domain	3-Jan	Judiciary	Click for History		In Committee
SB39	Seum	Air pollution control districts	3-Jan	Agriculture & Natural Resources	Click for History		In Committee
SB75	Harris	Hazardous waste assessment fees	10-Jan	Agriculture & Natural Resources	Click for History		Passed Committee 1-19; to Rules 1-20
SB76	Harris	Hazardous waste management	10-Jan	Agriculture & Natural Resources	Click for History		Passed committee 1-26
SB89	Kelly	Reorganization - Coal Council, Energy Policy	17-Jan	Reassigned to Economic Development, Tourism & Labor, 1-23	Click for History		In Committee
SB96	Roeding	Administrative regulations	19-Jan	Economic Development, Tourism & Labor	Click for History		In Committee
HB9	Marcotte	Prohibits wireless devices in vehicles	3-Jan	Transportation	Click for History		In Committee
HB28	Crimm	Electricians/electrical contractors	3-Jan	Licensing & Occupations; posted 1-10	Click for History		Passed committee 1-25; first reading
HB52	Cherry	PSC Ethics	3-Jan	State Government	Click for History		In Committee
HB74	Denham	Rural development	3-Jan	State Government	Click for History		In Committee
HB82	Cherry	MEPAK joint action	3-Jan	Tourism, Development & Energy	Click for History		In Committee
HB83	Pasley	Surface mining	3-Jan	Tourism, Development & Energy	Click for History		In Committee
HB97	Embry	Worker's comp	3-Jan	Labor & Industry; posted 1-20	Click for History		Posted in Committee
HB113	Rudy	Sales and use tax	3-Jan	A & R	Click for History		In Committee
HB114	Wilkey	Eminent domain	3-Jan	Judiciary	Click for History		In Committee
HB122	Nelson	Eminent domain	3-Jan	Judiciary	Click for History		In Committee
HB139	Pasley	HVAC	3-Jan	Labor & Industry	Click for History		In Committee
HB158	Palumbo	Engineers	3-Jan	Licensing & Occupations; posted 1-10	Click for History		Passed committee 1-25; first reading
HB165	Floyd	Eminent domain	3-Jan	Judiciary; posted 1-12; posting withdrawn, 1-23	Click for History		Posting withdrawn
HB183	Wilkey	Eminent domain	3-Jan	Judiciary; posted 1-23	Click for History		Posted in Committee
HB187	Wayne	Manufactured homes	3-Jan	Local Government	Click for History		In Committee
HB253	Wuchner	Sales and use tax	6-Jan	A & R	Click for History		In Committee
HB263	Westrom	Sales and use tax	9-Jan	A & R	Click for History		In Committee
HB264	Westrom	Sales and use tax	9-Jan	A & R	Click for History		In Committee
HB271	McKee	Agricultural districts	9-Jan	Agriculture & Small Business; posted 1-17	Click for History		Posted in Committee
HB275	Lindsay	Big Rivers	10-Jan	Tourism, Development & Energy; posted 1-17	Click for History		Passed House 1-25
HB283	Owens	LIHEAP; PSC reporting	10-Jan	Senate A & R	Click for History		Passed House 1-19; received in Senate 1-20; passed Senate Committee with SCS 1-26
HB295	Belcher	Corporate Income Tax	10-Jan	A & R	Click for History		In Committee

HB298	Vincent	Executive branch lobbying	10-Jan	State Government	Click for History	In Committee
HB299	Adkins	Energy independence	10-Jan	Tourism, Development & Energy; posted 1-17	Click for History	Passed House w/CA1, FA1, 1-25
HB337	Jenkins	Deregulates telecom/PSC	12-Jan	Tourism, Development & Energy	Click for History	In Committee
HB349	Brinkman	Business entities	12-Jan	Reassigned to Judiciary, 1-23	Click for History	In Committee
HB350	Brinkman	Corporations/nonprofit entities	12-Jan	Reassigned to Judiciary, 1-23	Click for History	In Committee
HB364	Farmer	Taxation	17-Jan	A & R	Click for History	In Committee
HB374	Palumbo	Administrative regulations	17-Jan	Economic Development; posted 1-19	Click for History	Passed committee 1-25; first reading
HB380	Moberly	Budget	17-Jan	A & R	Click for History	In Committee
HB385	Bowen	Licensing of electricians	18-Jan	Licensing & Occupations	Click for History	In Committee
HB396	Cherry	Legislative ethics	18-Jan	State Government	Click for History	In Committee
HB403	Moberly	Revenue & taxation - emergency	18-Jan	A & R; posted 1-20	Click for History	Passed committee, 1-24; 2nd reading, to Rules, 1-25; posted for passage 1-26
HB433	Lee	Sales and use tax	23-Jan	A & R	Click for History	In Committee
HC24	Brinkman	Eminent domain	3-Jan	Judiciary	Click for History	In Committee
HC26	Nelson	Prohibits rate increases in 2006	3-Jan	Tourism, Development & Energy; posted 1-17	Click for History	Posted in Committee

Human Resources & Corporate Support Services

JANUARY 2006

EKPC: To provide reliable and competitive energy and member services.

Unit: To serve and assist the Cooperative, it's employees, the Member Systems, and External Customers by:

- Managing Costs
- Ensuring the safety, well-being, and development of EKPC employees
- Providing appropriate corporate staffing requirements
- Providing effective communications
- Complying with all laws and regulations

Human Resources, Facilities Management, Corporate Support Services

1. Managing Costs

Significant Results:

- **Budget management** – Centers 032,041,043,046,047 were \$260,000 under budget as of November 2005
- **Cost containment** – Increased utilization of purchasing cards to pay invoices, etc. allow EKPC to accumulate more VISA points that will be used to pay banking fees throughout the year.

2. Ensuring the safety, well-being, and development of EKPC employees

Significant Results:

- Lost Time Incident Rate for 2005 was 1.12
- Developed new strategy for addressing safety training of office personnel at HQ (2006 year)

3. Providing appropriate corporate staffing requirements

Significant Results:

- Three engineers and a GIS Coordinator were employed in the Power Delivery Business Unit to fulfill staffing needs
- An Electrician at Cooper Station began work in January
- Two temporary co-op students began work in January

Human Resources & Corporate Support Services

4. Providing effective communications

Significant Results:

- Conducted initial & follow-up orientations for 12 new employees to ensure their understanding of what the Cooperative expects from them as well as what they can expect from the Cooperative.
- Conducted initial orientation for 15 new supervisors to ensure understanding of their responsibilities, to assist them in their new role, and to reduce potential liability to the co-op.

5. Regulatory compliance

Significant Results:

- Distributed the fourth quarter and annual Affirmative Action report that reflected several partial goals were met in regards to hiring and promotions for females and minorities.

6. Member Systems Support

Significant Results:

- Completed year of training with Big Sandy employees – skills have increased in customer service, time management, telephone skills, and professionalism.
- To increase skills, free telephone training opportunity was offered to all co-ops.
- To reinforce that EKPC is owned by those we serve, a member system management employee is scheduled to speak to 7 February Learning for Leaders sessions.

Human Resources & Corporate Support Services

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Payroll – Calculated leave accrual for calendar year based upon first pay period of 2006 being split between 2005 and 2006.
- ◆ Benefits – Made modifications to an SQR to use different criteria that will make it easier to check benefit fees. Bundles on hold until tools upgrade completed.

PeopleSoft Financials Version 7.5

- ◆ Project Costing – Completing development of new Project Costing Reporting subsystem for the Power Delivery Business Unit. Subsystem extracts data from PeopleSoft Financials and loads into Oracle Database that will be accessed via the EKPC Intranet for reporting purposes. Process will replace manual process of reporting Costs and Estimates for Power Delivery.

PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Enhance Production Management Reporting System

- ◆ New setup for applications to be persistent on handheld Pocket PC has been implemented in case of handhelds cold booting, or charge on battery pack is exhausted.
- ◆ Additional report requirements are being developed to facilitate report of Fly Ash and Bed Ash.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

Project Justification and Tracking System

- ◆ The Initial Design of this application has started. This system will provide tracking capabilities for Production projects during the justification process as well as through project completion.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Production Business Unit.

Human Resources & Corporate Support Services

Support Maximo CMMS System

- ◆ Assisted with year-end processes.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Production Business Unit.

Extract Annual Pricing Data

- ◆ A complete list of 2005 Billing component data was extracted and exported to a comma delimited file for use by the Pricing Department to conduct price rate analysis.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Production Business Unit.

Enhance Coal Comparison Application

- ◆ Design and development for new web-based application.
- ◆ Testing of data.

This supports **Competitive Energy and Reliable Energy**, by providing a monthly analysis of coal among selected utilities.

Drawing Management System

- ◆ Beginning proof of concept design. This Web based application will enable users to view cad drawings as well as modify associated attribute data. Initial concept is for Spurlock, but a corporate solution is foreseen.

This supports **Competitive Energy and Reliable Energy**, by providing at each power plant a standardized drawing platform.

Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Set up new internet area for Government Affairs. <http://govt.ekpc.com> to allow them to easily distribute current legislative information. We have been assisting them with Acrobat issues on their newsletter.

This supports key measures **Competitive Energy, Reliable Energy, and Member Services** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 89 support calls during the previous period.
- ◆ Installed a new file server for PeopleSoft system that will improve performance and reliability.
- ◆ Inspected approximately 30 Dell laptops for battery recall
- ◆ Implemented new database server for Business Applications
- ◆ Furnished classroom PCs for Maximo class at Spurlock

Human Resources & Corporate Support Services

- ◆ Provided laptop PCs, portable network, and on site support for Energy Mgmt. Conference in Louisville
- ◆ Repaired and delivered a crashed file server for Spurlock
- ◆ Replaced hub and updated network wiring in Cooper control room that was causing intermittent outages.
- ◆ Testing new brand of wireless access points at headquarters and Spurlock to see if they improve connectivity.
- ◆ Installed 7 new computers that were ordered since Jan 1.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Telecommunications to Substations

- ◆ A telephone line has been ordered for the Headquarters substation.
- ◆ 220MHz radios were ordered for a new Renaker master and for the new Headquarters Substation.
- ◆ A HVIU isolation device has been installed at Upchurch substation.
- ◆ New RTU circuits have been tested and placed in operation McCreary County, Wayne County, and Tyner switchyards.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

Provide Telecommunications to Members

- ◆ Radios were ordered for the Cumberland Valley SCADA project
- ◆ Radios were received for an upgrade to the Owen Electric SCADA system
- ◆ A detailed map study and path profile was performed for a proposed Owen Electric microwave path to Walton Service Center.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System

- ◆ UTCG was hired to perform a predicted area coverage plot of the existing two-way radio system as a baseline and perform a drive test of one new radio site to confirm the computer model.
- ◆ A bid spec was prepared for the detailed consulting services for the project.

This supports key measures **Reliable Energy** and **Competitive Energy** by providing a two-way radio system that will enhance our ability to maintain and operate the transmission system and to assist in outage restoration.

Human Resources & Corporate Support Services

Maintain the Telecommunications System

- ◆ Drawings for the new digital system are being delivered to the remote sites.
- ◆ Routine maintenance was performed at seven microwave sites.
- ◆ On 1/24/05 the north ring OC-3 radio at Stanton was repaired.
- ◆ Tower lights were repaired at Tyner and Badger.
- ◆ Bi-annual microwave maintenance was done at Tyner, Shelby County Switchyard, Cooper and Johnson Hollow.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

Implement Telecommunications Strategic Plan

- ◆ All circuits have been moved to the new digital system except EMS channel 33 and dispatch dial circuits. Then new SCADA master for EMS channel 33 will be installed the first week of February.

This new telecom system supports key measures Competitive Energy and Reliable Energy by providing better circuits and more circuits to monitor and remotely control power facilities, network our computers, link our telephone systems, and links our 2-way radio base stations to the Control Centers.

IT Performance Measures

- ◆ Annual O&M Budget - On Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 99.4%
- ◆ Two-Way Radio Availability
 - Member System Base Stations – 99.48%
 - EKPC Base Stations – 99.76%
- ◆ Application Availability – 100%
- ◆ Data Circuit Availability – 98.57%
- ◆ On-Time 555 Problem Resolution – 93%
- ◆ Customer Satisfaction Index
 - NCS Team – 100%
- ◆ PBX Availability – 100%

JANUARY 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. The matter will be rescheduled for re-hearing in late February 2006.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 10, 2005, former employee Jordan sued CBA alleging improper denial of his eligibility for disability benefits under EKPC's group disability plan administered by CBA; and breach of his privately negotiated worker's compensation settlement with EKPC, specifically as to certain future disability entitlements. EKPC filed its Answer on August 19, 2005, wherein it denied any liability. On September 27, 2005, EKPC made its initial disclosure, and had the joint meeting with plaintiff's counsel as ordered by the court. EKPC is working on a Summary Judgment motion.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal EPA sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration ("PSD") provision of the Clean Air Act; the New Source Performance Standards ("NSPS") of the Clean Air Act; and the State Implementation Plan ("SIP") for Kentucky, as approved by EPA.

The lawsuit seeks injunctive relief, and civil penalties of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed its Answer denying all claims.

LEGAL

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. On January 17, 2006, EKPC filed four motions with the court asking that most, if not all of the claims, be dismissed. These motions for summary judgment involved,

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

The court has previously set this matter for trial in late May/early June 2006; but this schedule could change depending upon whether the court rules favorably upon all or some of these motions.

5. *Anthony Stevens v. EKPC* – U.S. District Court for the Eastern District of Kentucky. On September 1, 2004, Anthony Stevens sued the Company alleging that he is an African-American and that despite his superior qualifications for a position as a Coal Yard Operator, he was denied the opportunity to interview for and take a written test for that position at EKPC's Spurlock Power Station because of his race. Stevens seeks an Order from the Court allowing him to take the written exam, to order EKPC to interview and consider hiring him, and for all other relief "as the Court may deem just and proper." EKPC has filed an Answer to the lawsuit denying the claims of the plaintiff and intends to vigorously defend the case. Plaintiff's first set of discovery has been answered by EKPC. Plaintiff's counsel has filed a motion to withdraw as counsel.
6. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. A hearing was held in Franklin Circuit Court on January 13 on motions by EKPC and the PSC to dismiss Enviropower's appeal of the Commission order granting EKPC construction certificates for Spurlock 4. EKPC and the Commission contend that Enviropower has no standing to appeal the order, since it was denied intervention in the case. EKPC has filed a supplemental memorandum with the Court, and the Commission should be filing its supplemental memorandum in the near future. A written order will be issued by Judge Graham.
7. *Enviropower v. EKPC (Smith Generation)* – Enviropower failed to appeal the Franklin Circuit Court's dismissal of its temporary injunction complaint in this case within the statutory period. (CASE CLOSED)

LEGAL

Pending Litigation for EKPC

1. Substation Vandalism (EKPC v. Caudill, Middleton & McElroy) – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$75,271.72 on the Judgment has been collected from the defendants.
2. EKPC v. Greenwich Insurance Company – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim. Lexington Coal has attempted to transfer this action to Bankruptcy Court but the U.S. District Court, in an order entered on January 24, 2006, denied the motion to transfer and has remanded the case back to Clark Circuit Court.

Claim and Topics

1. KU and LG&E v. EKPC (FERC Proceeding) – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreement with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected shortly.

2. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.



EAST KENTUCKY POWER COOPERATIVE

Financial Forecast Review

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2006 Statement of Operations – 4-Months Actual/8-Months Budget

• Total Revenue	\$682,045,483
• Fuel	\$282,058,055
• Operations Expense	\$220,730,166
• Maintenance	\$ 50,115,785
• Fixed Costs	\$145,533,745
• Operating Margins	(\$ 16,392,268)
• Non-Operating Items	\$ 18,272,494
• Net Margins	\$1,880,226

6/12/06



EAST KENTUCKY POWER COOPERATIVE

Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Monthly Reports (Trends, Forecasts, and Variances)

Coal

Purchased Power

Gas

FAC Forecast

Allowances

Environmental Surcharge Forecast

6/12/06



Reporting Metrics Discussion

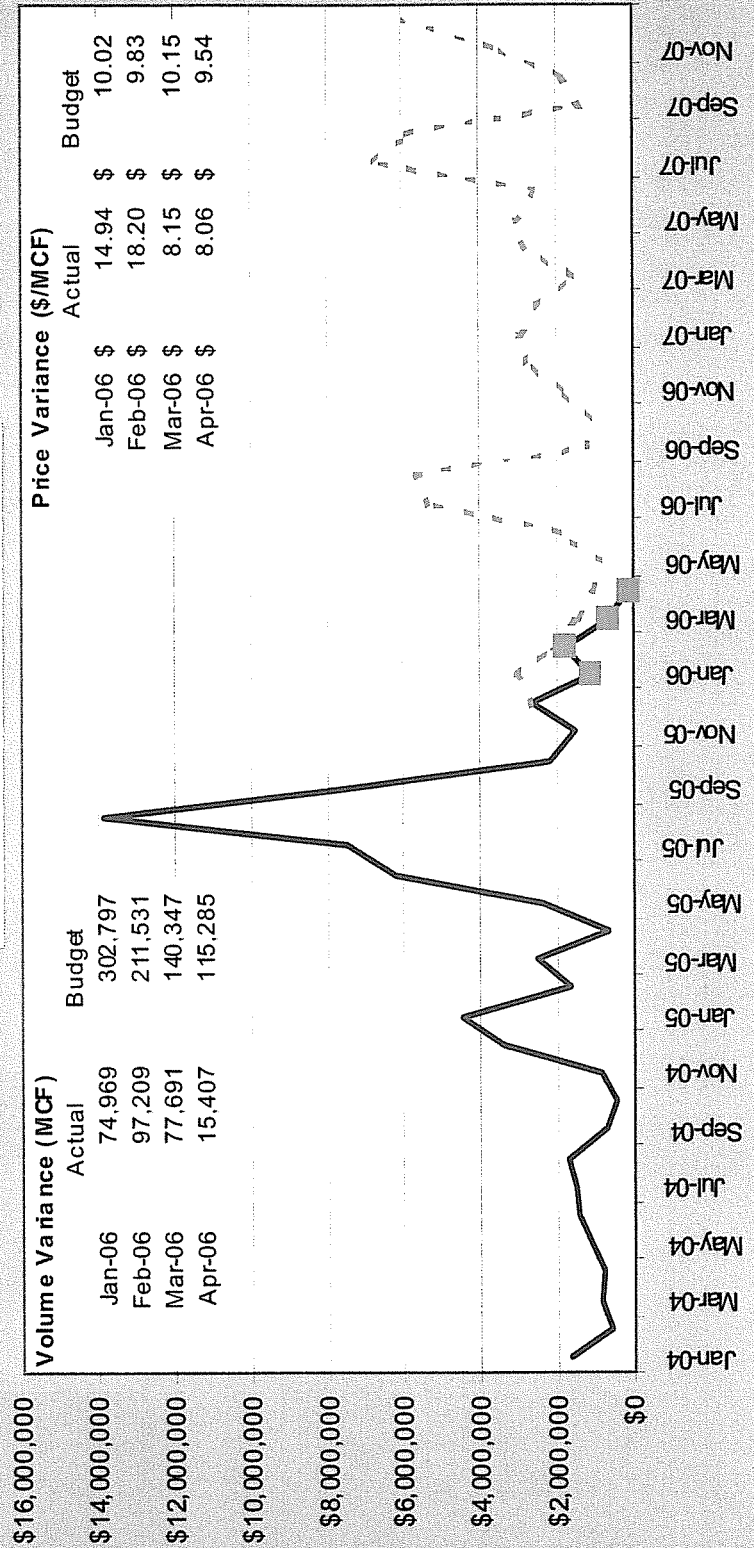
COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

EKPC Gas Dollars

— Historical ■ Actual ■ Budget



6/12/06



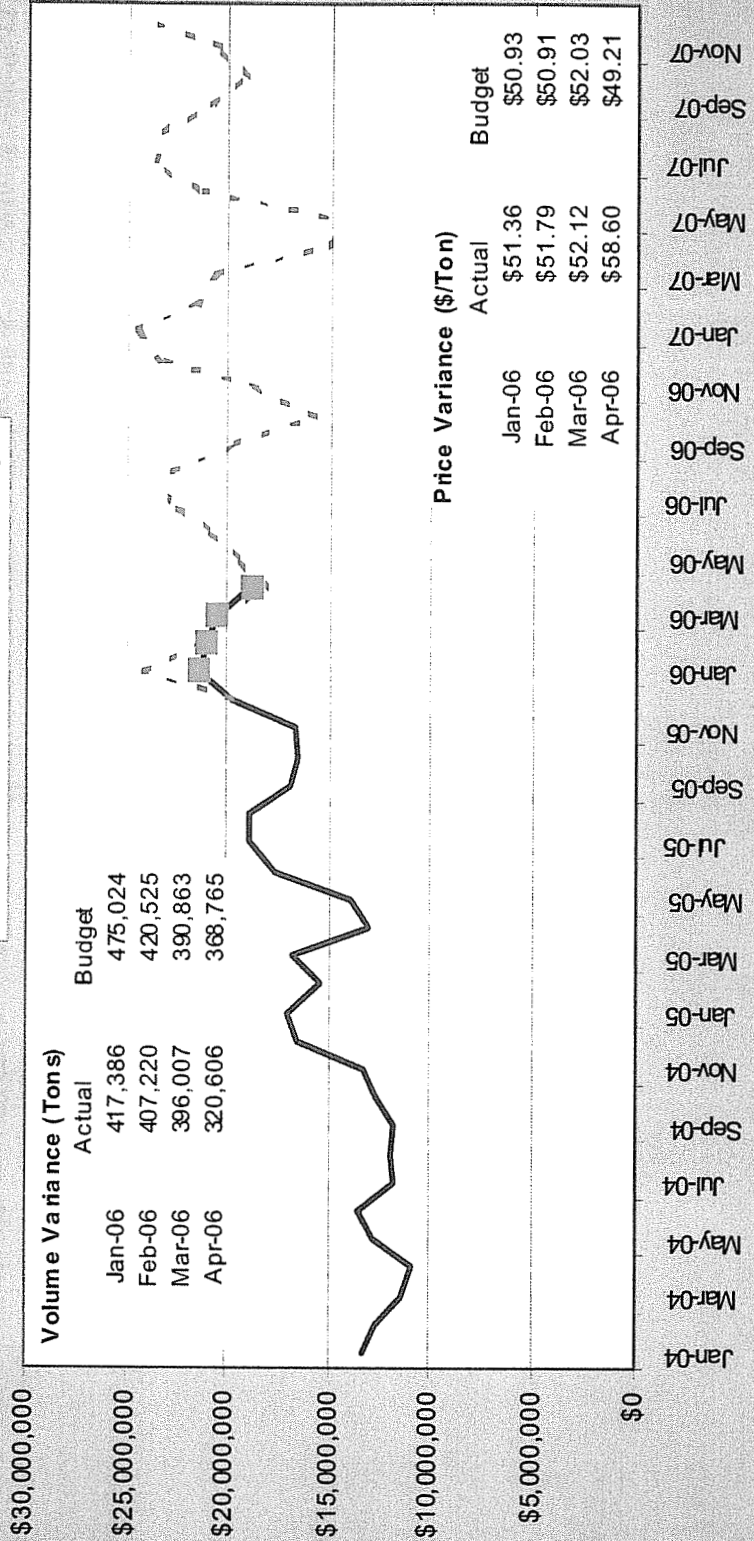
Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

— Historical ■ Actual ■ Budget



6/12/06



Reporting Metrics Discussion

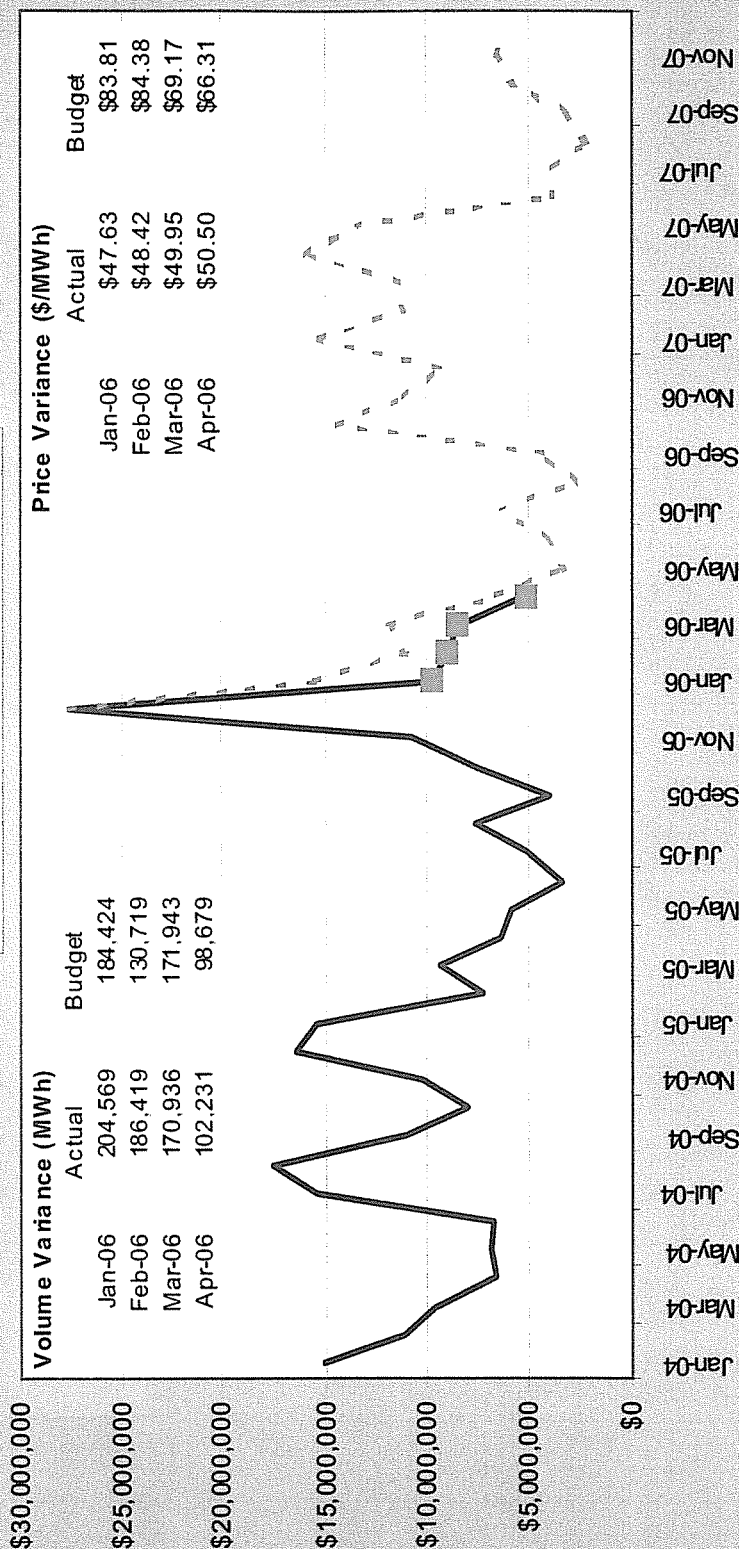
COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

EKPC Purchased Power Dollars

— Historical ■ Actual - - Budget



6/12/06



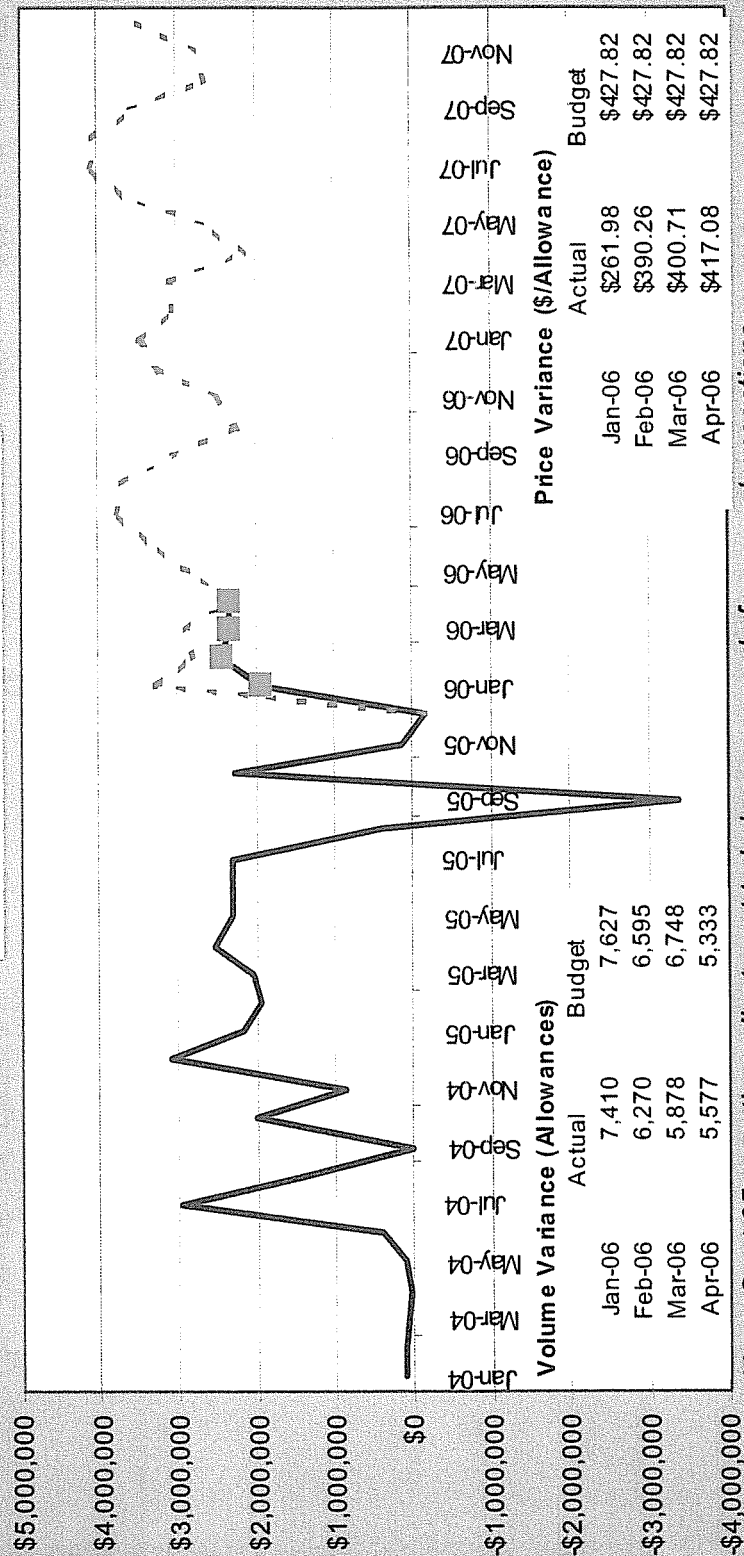
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - Budget



Note: Sept 05 negative adjustment to balance accruals for swap transactions.

5/12/06



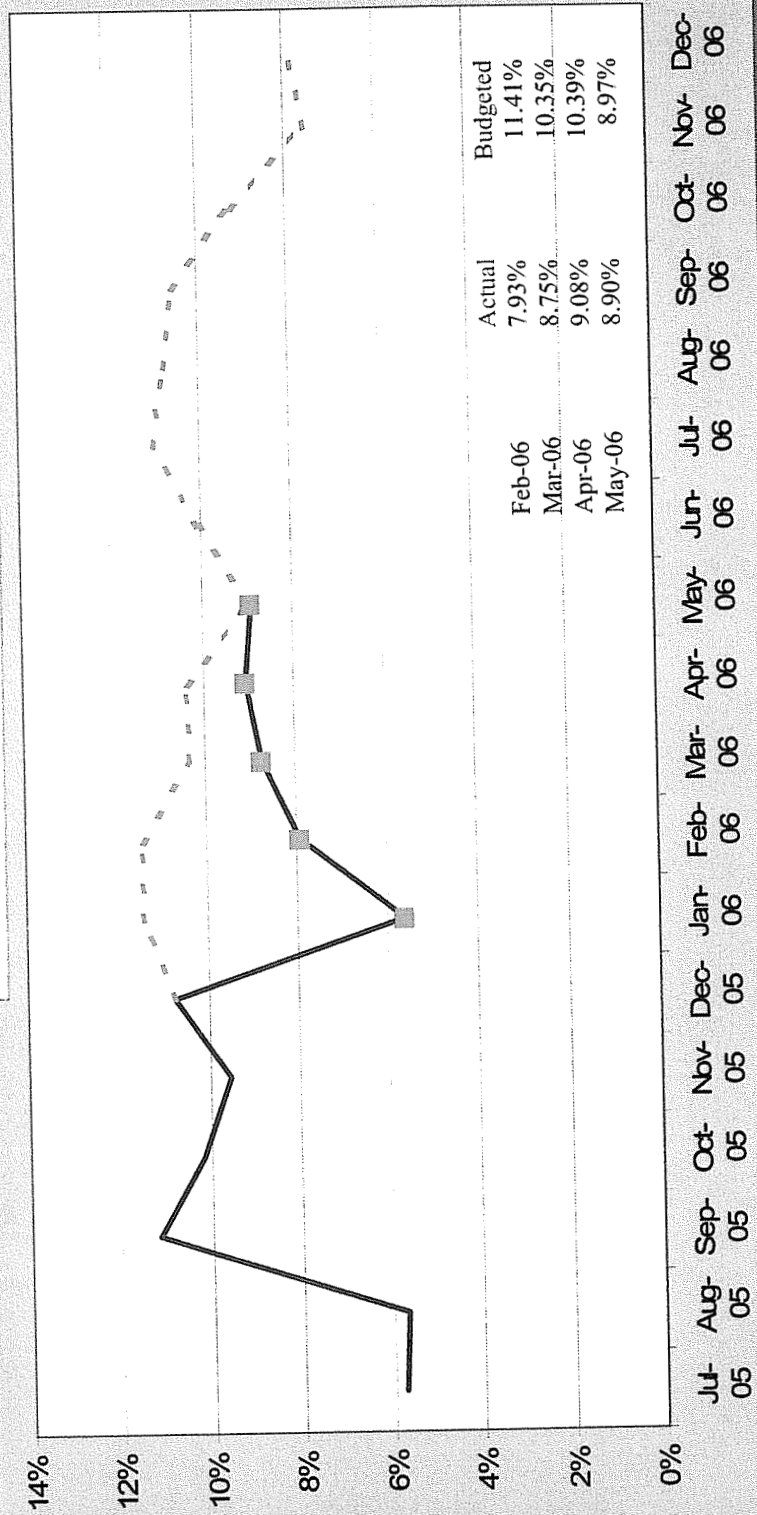
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors

— Historical ■ Actual - - Budgeted



6/12/06



EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Cost Reduction Plan

\$20.0 Million Target
\$12.2 Million Identified for 2007
\$ 8.0 Million Identified for 2006

6/12/06



EAST KENTUCKY POWER COOPERATIVE

EKPC Business Management Plan

EKPC Board of Directors

Status Report for July

July 11, 2006



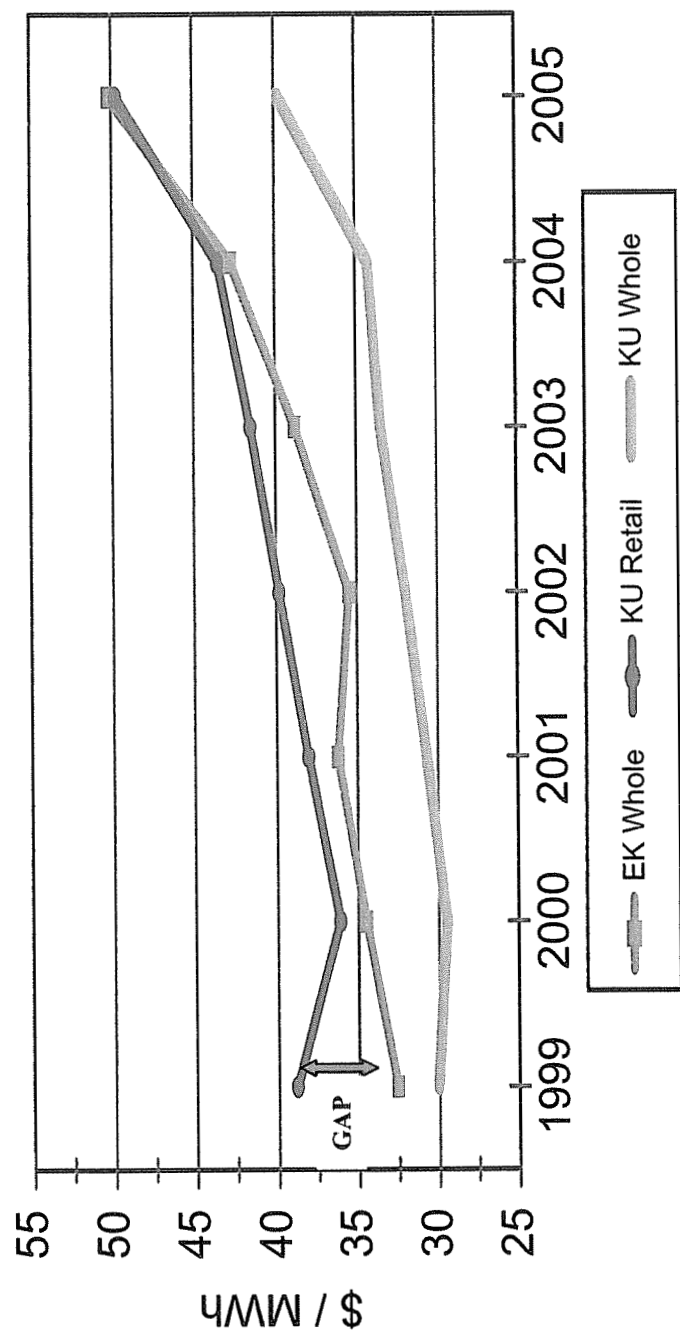
July Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU

Comparison of Avg Cost



7/11/06

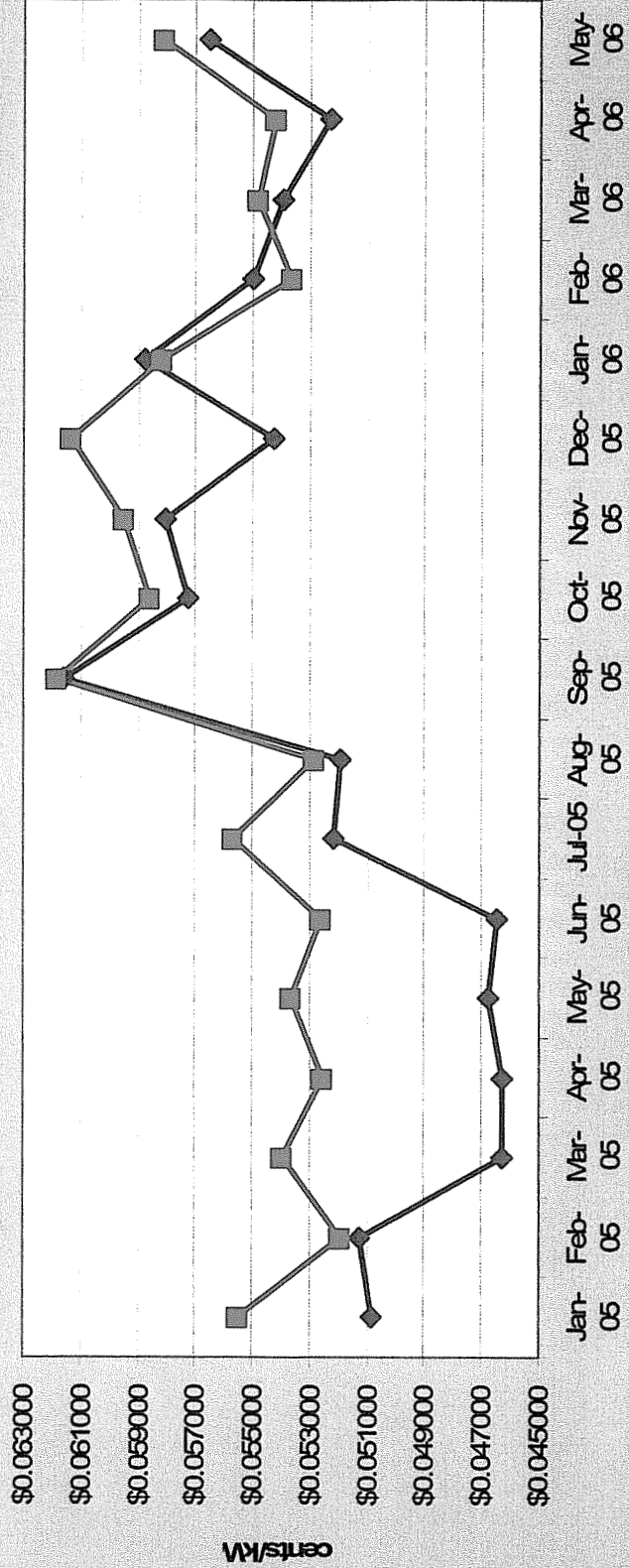


July Status Report

EKPC Business Management Plan

EK Rate E Compared to KU Residential

—◆— EK —■— KU bill



7/11/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Fuel - \$5 Million: Randy Dials
 - Reported May 2006 \$3,301,700
 - Spurlock Units 1 & 2 – Test Burn Continuing Contract Amendment w/Argus Planned for August
 - Total Savings to Date \$3,301,700
- ☐ Independent Fuel Consultant – Report Presented at July Board Meeting



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Purchased Power - \$4 Million: Randy Dials, Jim Lamb
 - Outage Management
 - Reported June 2006
 - Total Savings To Date

\$4,116,340

\$4,116,340

7/11/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE –ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million

- ☐ Reduce the costs of current compliance strategies-
Dale 1 & 2 NOV's (\$2.4 M increase)
- ☐ Reduce the operation and maintenance costs of pollution
control equipment - Randy Dials
- ☐ Volatility of Surcharge has decreased
7.93% Low – February
8.90% – May
9.69% High – June

7/11/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

2006 2007

☐ Reduce operational budget – \$1,543,000 \$1,543,000

☐ Cost containment –

- Advertising - \$665,656 \$1,450,084
- Partners Plus - \$110,675 \$1,137,839
- Fuel Inventory - \$314,000 \$ 628,000

Total Savings to Date – \$2,633,331 \$4,758,923

7/11/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings:

<u>2006</u>	<u>2007</u>
\$7,977,711	\$12,176,963

7/1/06



Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Quarterly Reports

Project Reviews

Report Date

July

7/11/06

EAST KENTUCKY POWER COOPERATIVE



Budget to Actual Variance Analysis

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

<input type="checkbox"/> Variance Analysis as of May 31, 2006	
• Revenue	(\$36,474,998)
• Fuel	(\$ 6,575,184)
• Operations Expense	(\$19,521,632)
• Maintenance	(\$ 7,525,351)
• Fixed Costs	(\$ 2,181,232)
• Margins	(\$6.8 Million)



Power Delivery Expansion **SEPTEMBER PROJECT SUMMARY** **2006**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendmen	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	❖	●	○				To be revised		
Alex Creek 5.6/6.44 MVA Substation	S	●	○	□	●	❖				12/01/07		
Alex Creek Tap 69 kV, 1.4 mi.	L	●		❖						12/01/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●	N/A	N/A	N/A	□	N/A			To be revised		
Barren County - Magna 24 mi.	L	●	❖	○	□	□				To be revised		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville Rebuild, 15/20/25 mVA	S	●		○						05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖			❖				12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖	❖	○	❖				12/01/06		
Tap, 10 mi.	L	●	□	□	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	●	●	●	●	●	●		11/30/06		
Tap 0.04 mi.	L	●	●	●	●	●	●	□	□	11/30/06		
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	01/16/06	05/04/06
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	●	N/A	○		12/01/06		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●	❖	□	□	●				12/31/06		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●		○						05/01/07		
Tap .19 mile	L	●		❖						05/01/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A	○	N/A			05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	●	●		12/15/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖	□	○				03/07/07		
Conway Tap 0.2 mi.	L	●		❖	□	□				03/07/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	□	❖	●	●	❖	❖		05/01/07		
Cynthiana Dist Sub Rebuild	L	○	❖	❖						05/01/08		
Cynthiana Normally Open 69 kV Tap and Switch	L	●	❖	□	□	□				12/01/06		
Deatsville 11.2/14 MVA, 69-12.5 kV Distr. Sub	S	●		❖						05/01/07		
Tap, 0.2 mi	L	●	❖	❖	□	□				05/01/07		
Downing # 2 Sub 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	●	●	●	●	●	●	05/01/06	02/28/06	07/21/06
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●		N/A	●	○				To be revised		
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	●	□	●	●				06/01/06	On Hold	
Tap 4.0 mile	S	●	○	□						06/01/06	On Hold	
Fall Rock 161/69 kV 100 MVA Sub.& Install 3-69 kV Brks	S	●	N/A	N/A	N/A	❖				04/30/08		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●		○						05/01/07		
Tap, 0.5 mi	L	●		❖						05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	●	○	❖		12/01/06		
Tap	L	●	●	□	□	●	❖	❖		12/01/06		

❖ - Project Started
○ - 25% - 49% Complete
□ - 50% - 89% Complete
● - 90%- 100% Complete

S Substation Team
L Line Team



Power Delivery Expansion **SEPTEMBER PROJECT SUMMARY** **2006**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendmen	Permits\Environmental\Soil Testing	Siting\R/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	□	N/A			12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV,.10 mi	L	●	❖	❖	□	○				12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖						05/01/07		
Tap, 3.5 mi	L	●		❖						05/01/07		
GM 161 kV Trans Sub (4 Breakers)	S	●	●	●	●	●	N/A	●	●	10/15/05	01/15/06	
GM-Memphis Jct. - 161 kV 14.5 miles	L	●	□	□	●	●				To be revised		
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●	●	12/01/05		03/09/06
Tap, 69 kV, 3 mi.	L	●	●	●	●	●	●	●	●	02/23/06		02/23/06
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06	05/19/06	05/19/06
Tap, 69 kV, .02 mi.	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Headquarters Tap (Assoc w/Transmission Stat. Portion)	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Inez Sub (Site Acquisition Only)	S	●	❖	❖	○	N/A	N/A	N/A	N/A	12/01/06		
Tap 69 kV - 6.0 mi.	L	●	❖	❖	□	❖				12/01/06		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	□	○	□	○	○	○	06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●								06/01/07		
J. K. Smith CT Substation 345 kV	S	●	N/A	N/A	●	○	N/A	❖		06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications	S	●	N/A	N/A	N/A	●	N/A	❖		12/29/06		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	06/01/06	07/07/06	
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	□	○	○	○				06/01/06		
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Laurel Co. Ind'l Park #2 Sub 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	05/05/06	05/18/06	
Liberty Church 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖						05/01/07		
Tap, 1.8 mi	L	●		❖						05/01/07		
Little Mount 161-12.5 kV Distr. Substation	S	●	●	●	●	●	●	●	●	12/01/05		06/20/06
Tap, 6 mi.	L	●	●	●	●	●	●	●	●	12/01/05		06/15/06
Memphis Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	N/A	●	□				To be revised		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	□	□	●	●	❖	❖		To be revised		
North Clark (Sideview) 345 kV Transmission Station	S	●	●	●	●	□	❖			06/01/07		
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06		03/13/06
Oak Ridge Tap	L	●	●	●	●	●	N/A	●	●	05/01/06		03/10/06
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.	S	●								11/01/07		
Pine Grove # 2 Tap 69 kV, 0.1 mi.	L	●								11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●		06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	●	●	●	●	□	○	○	06/01/06		

❖ - Project Started
○ - 25% - 49% Complete
□ - 50% - 89% Complete
● - 90%- 100% Complete

S Substation Team
L Line Team



Power Delivery Expansion SEPTEMBER PROJECT SUMMARY

2006

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●		N/A	●	❖				To be revised		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	●	●	●	○				06/01/07		
Tap .20 mi	L	●	●	□	□	□				06/01/07		
South Point 69-12.47kV, 11.2 Sub	S	●	●	●	●	●	○	❖		06/01/06		
Tap	L	●	□	□	□	○				06/01/06		
Spurlock #4	S	●	●	N/A	N/A	□	N/A			02/15/08		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	●	●	05/02/06		06/22/06
Tap	L	●	●	●	●	●	●	●	●	05/02/06		06/22/06
W. Bardstown Jct. 69 kV BKR Station	S	●	○	●	●	□				05/20/06		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	N/A	N/A	N/A	□	N/A	❖		05/01/07		
W. Nicholasville Tap 69 kV, .04 mi	L	●	●							05/01/07		
Web's Cross Roads 69-12.5 11.2/14 MVA Sub	S	●	●	●	●	○				11/01/06		
Web's Cross Roads Tap .30 mi.	L	●	□	●	□	❖				11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●	○	○	□	□				To be revised		
Woodstock 11.2/14 MVA Substation	S	●		❖						12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●		❖						12/01/07		
STATION UPGRADES												
Avon 138 kV Line Tap (Dale Line)	S	●	N/A	N/A	N/A	●	●	●	●	Complete		
Boone Dist Sub Upgrade 15/20/25 MVA Complete	S	●	●	N/A	●	●	N/A	●	●	05/01/06	05/01/06	05/01/06
Boone Co. Station Service Relocation	S	●	N/A	N/A	N/A	●	●	●	●	05/01/06	05/01/06	05/01/06
Boone Sub Tap Reconf 69kV, 0.1 m	L	●								05/01/06	05/01/06	05/01/06
Cooper Aux. Transformer Addition	S	●	N/A	N/A	●	●	N/A	●	●	09/01/03	02/01/04	
Cooper Dist Sub Rebuild	S	●	N/A	N/A	●	●	●	●	●	12/01/05		03/14/06
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05		
McKinney Corner Substation Upgrade	S	●								05/01/06		
CAPACITOR BANKS												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●	●	●	●	●	N/A	●	●	06/01/05	09/11/05	02/09/06
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06		04/20/06
Clay Village 12.25 MVAR Cap bank	S	●	N/A	N/A	N/A	●	N/A	●	□	05/01/06		
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	○		05/01/06		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



Power Delivery Expansion
SEPTEMBER PROJECT SUMMARY
2006

Projects	PDE Team in Charge of Project	Project Justification\WP Amendmen	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
CAPACITOR BANKS CONT'D												
Hickory Plains 25.52 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A			05/01/06		
Lees Lick 10.715 MVAR Cap Bank	S	●	N/A	●	N/A	●	N/A	●	●	01/31/02	06/21/02	
Loretto 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	12/01/04	07/31/04	
Martin County 12.25 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●		05/01/06	08/01/06	
Maytown 10.2 MVAR Cap Bank	S			N/A	N/A	●	N/A	●		12/01/06		
Pulaski Co.(Norwood) 18.0 MVAR Cap Bank&Tap	S&L	●	N/A	N/A	N/A	●	N/A	❖		12/01/06		
Shelby County 25.51 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	●	N/A	●	●	12/01/03	12/01/03	
Sideview 7.14 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	●	●	●	05/01/06		06/07/06
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/05	07/16/05	
Tyner Increase to 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	●	N/A			12/01/06		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	05/01/06		06/08/06
RECONDUCTORS												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	●	●	06/01/06		08/11/06
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●								12/01/07		
Davis Jct.- Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●								05/01/12		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/09		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	❖	❖	09/01/06		
Headquartaers - Millersburg Reconductor .09	L	●	N/A	N/A	●	●	N/A	●	●	05/01/06		05/24/06
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L	●								12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●								12/01/10		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReblD.954MCM 69kV,16.71mi	L	●								01/02/09		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/09		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/07		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●	05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●								05/01/12		

❖ - Project Started
 ○ - 25% - 49% Complete
 □ - 50% - 89% Complete
 ● - 90%- 100% Complete

S Substation Team
 L Line Team

Power Production

SEPTEMBER 2006

Engineering

Engineering is supporting the Smith Unit No. 1, combustion turbines, and Spurlock Unit No. 4.

Engineering is also supporting the scrubbers at Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

A meeting was held with the Division for Air Quality concerning the application for the new generation facility at J.K. Smith Power Station. The application for the CTs will be filed followed by the application for the CFB. The Division has promised a quick turnaround on the permit issuance. They proposed having both applications approved by early spring 2007.

A meeting was held with RUS concerning Environmental Reports on the CTs, CFB, and transmission line for the J.K. Smith Projects. RUS has set a scoping meeting for the CFB on October 16th to obtain local input into the project.

Cleanup continues at the proposed Webb's Crossing substation site. The waste areas have been identified, and steps to remove the material continue.

A meeting was held with the Division for Air Quality in startup procedures at all power plants in the state. The Division is requesting a great deal of additional information than in the past.

Reviews have been conducted with Spurlock and Cooper Power Stations of their newly issued air permits. The new permits require additional data collection over prior permits.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

Power Production

Production Monthly Report

Page 2

September 2006

Fuel

EKPC's coal inventory at the end of September 2006 will be approximately 37 days. The inventory is projected to increase slightly in the future months in preparation for the winter months.

A recommendation for a coal supply contract amendment with Infinity Coal Sales, LLC, will be presented at the October 2006 Board and Committee meetings. The amendment has been negotiated to lock in compliance coal for Spurlock Power Station Unit No. 2 until the scrubber begins operation.

A recommendation for a coal supply contract with Coalsales, LLC will be presented at the October 2006 Board and Committee meetings. The contract has been negotiated to lock in compliance coal for Spurlock Power Station Unit No. 2 until the scrubber begins operation.

Crounse Corporation in compliance with contract terms and conditions, notified EKPC of their intent to terminate the barge transportation contract unless new rates could be agreed upon. Negotiations have been ongoing since August with Crounse to obtain the lowest achievable barge rates, and management anticipates making a recommendation regarding the barge contract at the November 2006 Board and Committee meetings.

Work continues on future coal and limestone sources for the new scrubbers.

Fuel personnel continue to work with various departments in providing fuel price projections for use in the budget and the Integrated Resource Plan.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station, approximately 7,500 gallons for Cooper Power Station, and approximately 30,000 gallons for Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Power Production

Production Monthly Report

Page 3

September 2006

Production

Dale Power Station

Dale Power Station has generated a total of 717,217 net MWh through August 31, 2006. Units No. 1, No. 3, and No. 4 were on-line and fully available for the entire month. Unit No. 2 was removed from service on September 11th due to a forced outage that occurred due to a water wall tube leak. The unit was repaired and back on-line September 13th and fully available the remainder of the month.

Allen Company is on-site cleaning the No. 2 ash pond. ABM Technical was on-site performing monthly vibration analysis on critical equipment plant-wide. FM Global was on-site for semi-annual inspection.

Dale personnel assisted the CT Site with water treatment needs. They also repaired the 4B circulating water pump thrust bearing cooling coils at Dale Power Station. Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

Routine Safety Meetings were held at Dale Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

J.K. Smith Power Station

The combustion turbines have generated a total of 157,281 net MWh through August 31st.

All units were available the entire month of September.

Preparation and planning is ongoing for Smith Unit No. 1 CFB and combustion turbines eight through twelve.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is ongoing at J.K. Smith.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Power Production

Production Monthly Report

Page 4

September 2006

Cooper Power Station

Cooper Power Station has generated 1,382,202 net MWh through August 31, 2006. Unit No. 1 was on-line and fully available for the month until September 13th. The unit was forced off-line due to a gland seal exhauster problem. The unit was back on-line the same day and fully available the remainder of the month. Unit No. 2 was taken off-line due to a maintenance outage to clean the condenser on August 31st and was back on-line September 1st. The unit forced off-line on September 19th due to a tube leak in the boiler. The unit was back on-line September 21st and was fully available the remainder of the month:

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of September. Some of the tasks that were completed were collecting monthly oil samples, servicing all conveyors main bearings, inspecting and servicing coal sample building equipment, checking Unit No. 1 and Unit No. 2 submerged chains, checking Unit No. 1 and Unit No. 2 coal feeders, and changing filters on various pieces of equipment. These, as well as other projects, were completed during this time.

Mann Painting Contractor continued to work on the 2-A conveyor.

Other routine preventive maintenance was performed plant-wide by Cooper Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 5,214,448 MWh through August 31, 2006. Units No. 1 and No. 2 were on-line and fully available through September 19th when this report was issued. Unit No. 3 was on-line but derated to 260 MW due to the floor nozzle needed to be clean. On September 9th the unit was taken off-line for the fall outage. The unit was back on-line September 17th.

Maintenance work for September included the outage work, which has the highest priority. Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

NOVEMBER 2006

Coordinated Planning

OCTOBER 2006

Transmission Planning

Summary of Future Transmission Projects Identified as of November 2006

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2006 through 2015):

- 262 miles of new transmission line construction, including 55 miles of new 345 kV line required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 19 new transmission switching substations, including three new 345 kV switching substations required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 191 miles of re-conductor or rebuild of existing transmission line
- 21 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 29 new 69 kV capacitor banks totaling 419 Mvars
- 193 miles of transmission line requiring high-temperature upgrades
- 25 new distribution substations
- 3 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

All of the above numbers include the new 161 kV lines and substations required for Warren RECC's membership in EKPC.

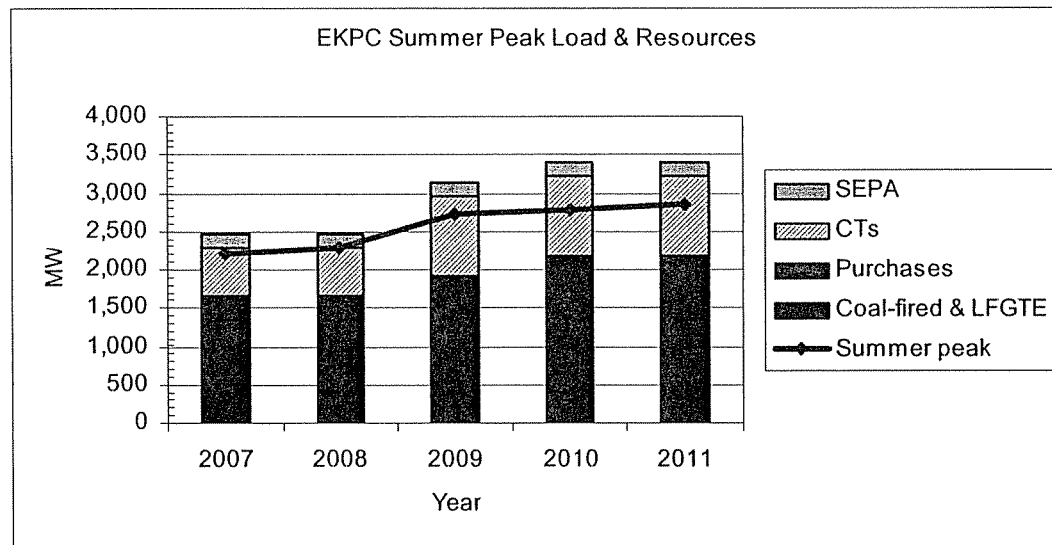
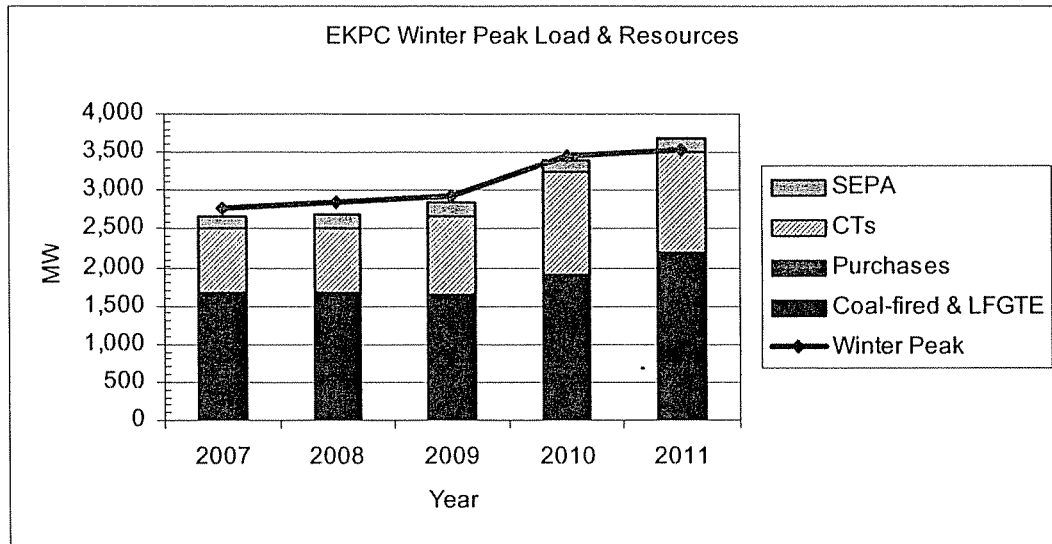
No significant changes have been made to these plans since the report provided in October 2006.

Resource Planning

The following graphs show the projected winter peak load and capacity resources broken down by baseload and other resources. Capacity resources include existing and committed resources as noted following the graphs. The peak loads shown do not include reserves. The pick up of the Warren RECC load is delayed by one year. The winter graph shows that there will be tight winter margins even with the delay of WRECC's load due to delays in adding new capacity. EKPC will need to make some seasonal purchases of transmission and/or power to help cover the peak load and reserves throughout the period. Summer seasonal purchases should not be necessary although it may be economical to purchase transmission to bring in economy power. PSC approval for the proposed Smith capacity was received August 29, 2006, and is a big step in getting the power supply plan on track. The graphs assume that 2 of the new Smith CTs will be available for the Winter 2008-09 peak. The other 3 are assumed to be available by Summer 2009.

Coordinated Planning

The 2006 IRP was completed and filed with the PSC on October 20th. The plan provides for about 900 MW of baseload capacity and 200 MW of peaking capacity to be added through 2020.



NOTES:

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Pendleton Co. LFGTE assumed to be on-line by February 2007.

Smith CTs 8-12:

First 2 units assumed to be on-line for Winter 2008-09 peak.

Last 3 units assumed to be on-line for Summer 2009 peak.

Warren RECC load data included April 2009 (One Year Delay).

Spurlock 4 unit assumed to be on-line in Spring 2009.

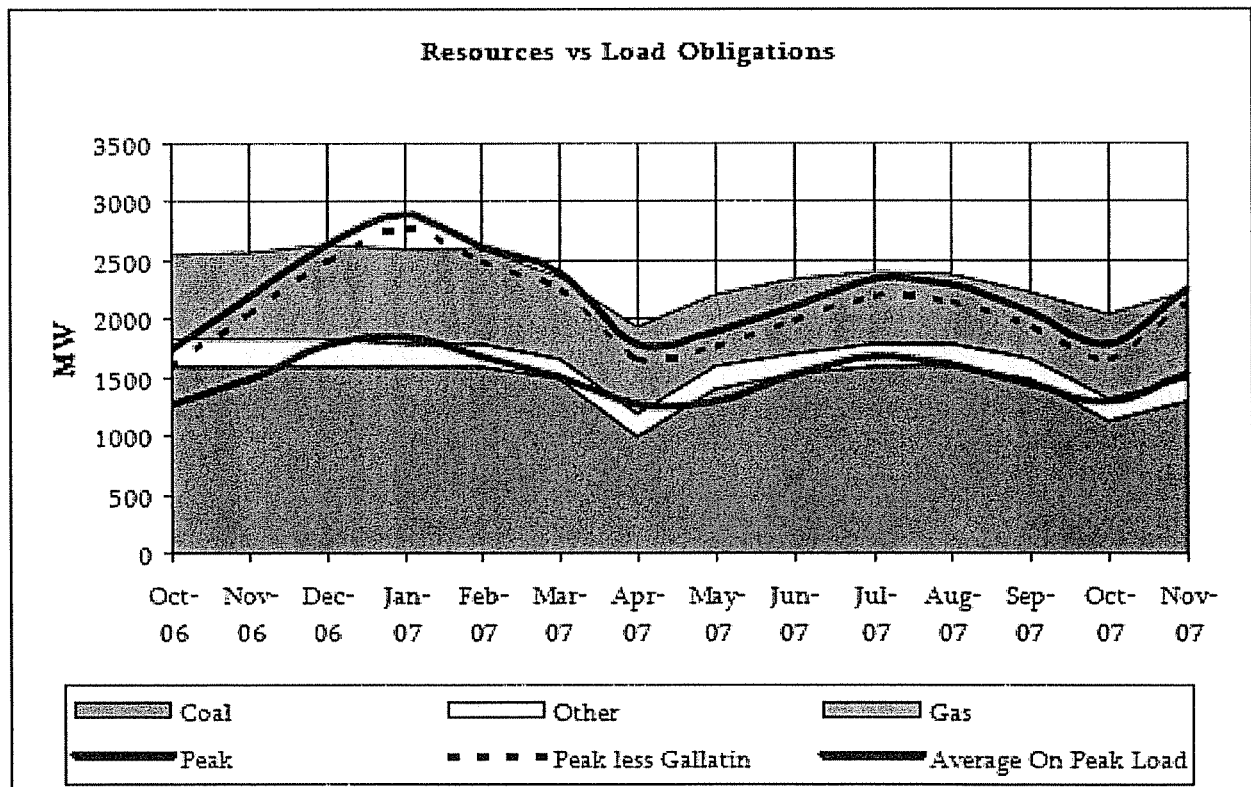
Smith CFB 1 assumed to be on-line by Summer 2010.

Coordinated Planning

Mid-Term Planning

Mid-Term Planning focuses on EKPC's power supply issues from one month out to three or more years. It functions to optimize the use of EKPC's assets for power supply to our Members focusing on the mid-term time frame. We are working with other areas of the company to compile a view of hedging activity that aims to mitigate risk exposure and reduce price volatility. The following list summarizes those activities.

- Coal costs are being hedged by entering into long-term purchase contracts for approximately 60% of our needs. The remaining 40% is locked up by purchase orders on a month to two-month ahead basis. We are investigating other ways to potentially mitigate transportation cost risk.
- Natural gas costs are being hedged by purchasing financial futures of 30% of our historical needs through Constellation Energy. The futures are sold to offset against the current month's gas purchases.
- Emission allowances are being purchased ahead to build an inventory to average the allowance costs resulting in levelizing that portion of the environmental surcharge.
- Transmission rights are being purchased for the next year to guarantee a transportation flow into our system for the market purchases that will be needed to supply Member's needs.
- Power purchases are being evaluated to estimate our future needs and investigating opportunities to obtain contracts to supply those needs.



Coordinated Planning

Generation Dispatch

System Peak – EKPC's coincident peak in September 2006 was 1,652 MWh, occurring at hour 1500 on the 9th. Member system requirements for the month of September 2006 were 861,705 MWh, a decrease of -10.97% below September 2005. During September, there were 150 cooling degree days less than last year, temperature was 10.4% cooler than September 2005.

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OCTOBER 2006**Corporate Strategy and Technology Applications Process – Shiela Medina, Manager**Cooperative Research Network (CRN) Visit

The Corporate Strategy and Technology Applications Process scheduled and held its final three of four regional visits aimed at informing the Member Systems of what is available to them with our CRN membership. Owen Electric, Nolin, and South Kentucky hosted the three meetings. All EKPC Member Systems and Warren RECC have attended at least one of the four CRN membership meetings. This effort is in line with EKPC's Mission to provide member services.

Benefit Assessment of the Electric Power Research Institute (EPRI)

The Corporate Strategy and Technology Applications Process was asked to revise its EPRI Benefit Assessment report. As a reminder, the report was to consider only those projects that are being directly used by EKPC. As directed, the Benefit Assessment considers the years from 2003 to 2011. This time period looks back three years, includes the current year, and looks forward for five years. The result of this exercise resulted in a 3 to 1 rate of return on EKPC's EPRI membership. This effort is in line with EKPC's Mission to provide reliable and competitive energy to the member systems.

OCTOBER 2006

Finance & Risk Management Process – Frank Oliva, ManagerTreasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On October 31, EKPC had \$53,766,500 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.10% to 5.20%. \$22,769,960 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

As of October 31, a total of 97 bank wires/transfers were initiated for a total amount of \$103,107,751, which brings the total number of bank wires to 838 for the year 2006 compared to a total of 977 for the year 2005. These bank wires/transfers include cash investments, benefit reimbursements, purchasing card payments, MISO payments, emission purchases, coal payments, contract payments, purchased power, debt service payments, and all expenditures related to payroll.

- Construction Funds

No advances were requested nor received for October.

The interest rates on our floating/fixed rate pollution bonds through October 31 were:

Cooper – 6 Month fixed rate – 3.68%

Smith – 6 Month fixed rate – 3.55%

Spurlock – weekly floating rate ranged from 3.48% to 3.83%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of October 31, 6 of the 71 loans remain outstanding with balances totaling \$61,057.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of October 31, EKPC has purchased \$1,566,000 in capital stock and has loaned

Finance

Finance Monthly Report

Page 2

October 2006

\$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of October 31 is \$3,462,287.

As of October 31, \$565,950 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. In October, the CFC interest rate for lines of credit was 7.15% and the CFC variable, long-term rate was 7.30%. FFB interest rates on October 31 were 4.65% and 4.72% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on October 31 for the CFC thirty-year long-term fixed rate loan was 7.25%. As of October 31, the interest rates on EKPC's Revolving Credit Facility ranged from 6.15% to 6.21%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared actual-to-budget comparison reports for September 2006 for all departments and business units.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2006 projected margin.

Provided historical, current, and projected volume and cost of coal, oil, gas, methane gas, emission allowances, and purchased power for the Business Management Plan. This information will be used in comparison of historical and projected trends of these large expenses for the cooperative.

Continued to provide information to management for their use in cost containment efforts.

Finance Monthly Report

Page 3
October 2006

Provided the 2006 and 2007 capital construction budget and a monthly comparison of the 2006 actual to budget expenditures with explanation of variances to the Public Service Commission. This was the PSC's first data request in the case reviewing EKPC's financial condition.

The Budget Team continued consolidation of all budget data relevant to EKPC's 2007-2008 operating budget and 2007-2009 capital budget. Extensive analyses of revenue, operation/maintenance expense, fuel, emission allowances, and purchased power are being done with comparison to prior years. These actions support EKPC's Mission to provide competitive energy to member systems.

- Financial Planning

Continued preparation of the Twenty-Year Financial Forecast and Equity Development Plan 2007-2026. Analysis is done of various financial statements including Balance Sheets, Statement of Operations and Cash Flow Schedules. Actual operating data and capital expenditures for 2005 and 2006 as well as future capital requirements are being reviewed at this time.

Assisted Resource Planning on various analyses and provided information for use in the 2006 Integrated Resource Plan to be filed in October 2006. These actions support EKPC's mission to provide competitive energy to the member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Property Insurance – Staff begun work on the property renewal/placement.

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the CTs, Smith #1 and renewing coverage for Spur #4.

Excess Liability, Excess Workers' Compensation, Marine, Crime, and Envision Insurance – These policies have been placed with October 2006 to 2007 effective dates. The excess liability coverage limit remained at \$35 million.

Directors' & Officers' Liability and Fiduciary Liability Insurance – Work continues on these placements/renewals. Current policies expire on November 14, 2006.

Page 4
October 2006

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – One claim for South Kentucky RECC was paid.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents continue to be reviewed by EKPC and APM. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC's credit is being reviewed and negotiated for purchases of power, transmission, Financial Trading Rights (FTR's) emission allowances and coal. Risk Management personnel continue to obtain, monitor and manage the credit support provided by trading counterparties, in the form of parental guarantees and payment netting provisions. Agreements are being negotiated with several counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market.

Finance Monthly Report

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October 2006

East Kentucky Power 2005-2006 Business Insurance as of October 31, 2006								
	Carrier	Coverage Limit	Self-Insured Retention	Annual Premium*	Coverage Period	Policy #		
Property	FM Global	\$2,869,666,209	\$50,000 Headquarters \$1,000,000 -All other	\$2,136,752	3/1/06-3/01/07	NC006		
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$531,858	10/15/06-10/15/07	Binder		
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$167,697	10/15/06-10/15/07	Binder		
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$8,840	10/15/06-10/15/07	Binder		
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$4,000,000	n/a	\$8,526	10/15/06-10/15/07	Binder		
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	10/15/06-10/15/07	Binder		
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010	11/14/05-11/14/06	D0459A1A05		
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900	11/14/05-11/14/06	104388370		
Builder's Risk - Spurlock #4	FM Global	\$375,000,000	\$500,000	\$384,329	10/3/06-10/3/07	NC125		
3 year policy term- pd annually, coverage limit increases each year								
\$384,329 does not include transit coverage.								
ENVISION, LLC								
Professional Liability	Lloyds of London	\$1,000,000	\$5,000	\$3,326	10/27/06-10/27/07	Quote		
*Premium includes state surcharge and all taxes unless otherwise noted.								

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E.A. Gilbert Generation Project Costs thru 9/30/2006

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr Award/Amend Over/(Under) Design Costs	(thru 9/30/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,602,490	\$ 16,290
E6	Feedwater Heaters	Yuba Heat	1,436,000	728,185	(707,815)	737,889	9,704
E8	Deaerator	Ecodyne	225,000	192,500	(32,500)	192,500	-
E11	Condenser	TEI	1,620,000	1,560,662	(59,338)	1,560,662	-
E16	Circ. Water Pumps	Goulds/ITT	796,000	611,700	(184,300)	611,700	-
E17	Condensate Pumps	Flowserve	260,000	232,610	(27,390)	236,056	3,446
E21	Boiler Feed Pumps	Flowserve	1,260,000	1,735,539	475,539	1,708,081	(27,458)
E36	Distributed Control System (DCS)	ABB	2,000,000	4,345,000	2,345,000	3,329,532	(1,015,469)
E101	Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103	Radial Stack/Reclaimer	Metso Minerals	-	1,815,500	1,815,500	1,956,671	141,171
E131	Transformers	Waukesa/PSD	2,825,000	3,576,441	751,441	3,567,561	(8,880)
E146	Switchgear	Pederson	780,000	3,783,855	3,003,855	3,783,855	0
E201	Boiler Island	Alstom Power	126,900,000	146,725,985	19,825,985	149,038,624	2,312,639
E211	Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,092,380	424,907
E221	Stack	Pullman Power	4,950,000	4,604,000	(346,000)	4,604,000	-
E222	Cooling Tower	Marley Cooling	1,900,000	2,382,600	482,600	2,383,549	949
E251	Piling	Richard Goettle	9,600,000	5,071,757	(4,528,243)	5,071,757	-
E261	Substructure	Baker	-	9,650,846	9,650,846	15,343,775	5,692,929
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,287,552	1,182,452
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
Subtotal			\$ 264,826,000	321,959,328	57,133,328	330,692,008	8,732,680
Escalation of Contracts			\$ 4,490,000		(4,490,000)		
Contingency			9,880,000		(9,880,000)		
Boiler Contingency			13,000,000		(13,000,000)		
Subtotal			\$ 27,370,000	-	(27,370,000)	-	-
Total Contracts			\$ 292,196,000	321,959,328	29,763,328	330,692,008	8,732,680
Other Costs							
	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,278,222	1,558,222
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,014,847	514,847
	Spare Parts	EKPC	3,000,000	3,000,000	-	925,285	(2,074,715)
	Site Prep	EKPC	500,000	500,000	-	3,386,927	2,886,927
	Environmental Costs	EKPC	1,275,000	1,275,000	-	554,725	(720,275)
Total Other			\$ 34,915,000	35,995,000	1,080,000	38,160,006	2,165,006
Total Contracts + Other			\$ 327,111,000	357,954,328	30,843,328	368,852,014	10,897,686
IDC			40,500,000	40,500,000	-	30,582,152	(9,917,848)
Fuel Credit during Commissioning						(1,979,134)	(1,979,134)
Project Total			\$ 367,611,000	398,454,328	30,843,328	397,455,032	(999,296)

Spurlock #4 Generation Project Costs thru 9/30/2006

Contract #	Contract Number Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 9/30/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 23,884,517	\$ (9,010,483)
F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,122,645	(84,479)
F8	DEAERATOR	Ecodyne	200,000	303,094	103,094	280,040	(23,054)
F11	CONDENSER	TEI	1,600,000	2,358,510	758,510	2,144,100	(214,410)
F16	CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	494,200	(200,000)
F17	CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	323,505	-
F21	BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36	DISTRIBUTED CONTROL SYSTEM	ABB	4,000,000	3,928,175	(71,825)		(3,928,175)
F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	1,840,804	(877,654)
F71	ASH HANDLING EQ ONLY		1,500,000		(1,500,000)		-
F101	ALLOY PIPING AND ALLOY SUPPORTS	BendTec	2,450,000	3,922,297	1,472,297	2,144,606	(1,777,690)
F103	RADIAL STACKER/RECLAIMER		-		-		-
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	310,055	(2,790,497)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700		(1,354,700)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	2,451,283	(1,463,363)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	94,665,037	(99,834,963)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	1,174,900	(10,903,500)
F221	STACK / CHIMNEY	Pullman Power	5,700,000	5,851,000	151,000	78,000	(5,773,000)
F222	COOLING TOWER	Marley Cooling Twr.	2,454,000	3,025,100	571,100	1,782,413	(1,242,687)
F251	PILING	Richard Goettle	5,650,000	9,246,942	3,596,942	9,069,387	(177,555)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	9,078,984	(8,099,492)
F271	STRUCTURAL STEEL		-		-		-
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	6,519,580	(3,866,040)
F264	ASH SILO'S		-		-		-
F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	6,523,423	(93,051,285)
F281	TURBINE CRANE		-		-		-
F281	AUXILIARY GEN & BUILDING (2000 KW)*		-		-		-
F332	PAINTING		2,500,000		(2,500,000)		-
	Subtotal		\$ 353,770,000	410,936,279	57,166,279	165,051,176	(245,885,102)
	STEEL CONTINGENCY		\$ 10,000,000		(10,000,000)		-
	F201 BOILER CONTINGENCY		9,025,000		(9,025,000)		-
	F281 BOP CONTINGENCY		7,200,000		(7,200,000)		-
	CONTINGENCY (EXCL F1,F201,F281)		6,887,500		(6,887,500)		-
	Subtotal		\$ 33,112,500	-	(33,112,500)	-	-
	Total Contracts		\$ 386,882,500	410,936,279	24,053,779	165,051,176	(245,885,102)
Other Costs							
	Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	6,819,820	(9,380,180)
	Owners Cost	EKPC	20,000,000	20,000,000	-	6,148,128	(13,851,872)
	Spare Parts	EKPC	-	-	-	-	-
	Site Prep	EKPC	-	-	-	1,752,187	1,752,187
	Environmental Costs	EKPC	-	-	-	-	-
	Total Other		\$ 36,270,000	36,200,000	(70,000)	14,720,135	(21,479,865)
	Total Contracts + Other		\$ 423,152,500	447,136,279	23,983,779	179,771,312	(267,364,967)
Interest During Construction	IDC		46,546,775	46,546,775	-	6,183,347	(40,363,428)
Fuel Credit during Commissioning							(1,979,134)
	Project Total		\$ 469,699,275	493,683,054	23,983,779	185,954,659	(309,707,528)

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Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 966 checks for the month of October 2006 totaling approximately \$37,678,000.

East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of September 30, 2006

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
Jul-05	20.25	25.69	5.44	18.10	24.81	6.71
Aug-05	20.25	31.34	11.09	18.10	25.70	7.60
Sep-05	20.25	29.12	8.87	18.10	24.80	6.70
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31
Dec-05	20.25	33.34	13.09	18.10	20.73	2.63
Jan-06	20.25	27.81	7.56	18.10	20.13	2.03
Feb-06	20.25	27.13	6.88	18.10	22.50	4.40
Mar-06	20.25	26.38	6.13	18.10	25.30	7.20
Apr-06	20.25	27.37	7.12	18.10	24.18	6.08
May-06	20.25	27.91	7.66	18.10	25.33	7.23
Jun-06	20.25	24.96	4.71	18.10	26.39	8.29
Jul-06	20.25	26.08	5.83	18.10	27.57	9.47
Aug-06	20.25	27.85	7.60	18.10	31.09	12.99
Sep-06	20.25	27.00	6.75	18.10	23.18	5.08

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Materials Management

Due to forecasting and contract purchasing of aluminum wire, EKPC has realized \$242,683 in savings on seven recent orders. Purchasing team members made power plant visits to evaluate and begin work on 2007 blanket order/contract requirements. One warehouse and three purchasing team members attended the 2nd part of the 3-part NRECA Materials Certification Program held in conjunction with the Kentucky Materials Management Association conference; two team members stayed for the conference. An Institute of Supply Management satellite seminar, "Finance for the Supply Professional," was hosted at EKPC and attended by several Purchasing team members.

The Winchester Warehouse inventory increased in September by \$107,627, with an ending balance of \$12,662,466. Stock-related material handled during the month totaled \$1,417,588, and included material for ten (10) Power Delivery Expansion projects, and credits for five (5) projects. 7,149 gallons of fuel was pumped at the fuel facility during September. 7,874 gallons of unleaded was purchased for \$2.20/gallon. No diesel was purchased.

Payroll

Payroll Supervisor attended the Peoplesoft Regional Users Group meeting in Nashville, Tennessee. Added employees to the Time and Labor self service module. Performed routine payroll

Plant Accounting

Plant accounting has completed physical inventory at Spurlock, Smith, Winchester Warehouse, and Dale. Cooper is scheduled for the week after Thanksgiving.

General Accounting

Accounts payable wrote 734 checks from September 1 through September 22, 2006, totaling approximately \$33,163,000.

Materials Management

EKPC has entered into a corporate-wide scrap metal program with Mansbach Metal Company. A two-year agreement has been entered into with United States Alumoweld for alumoweld shield wire for line construction, with an estimated

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total spend of \$200,000. A two-year agreement has been entered into with Alcan Cable for line construction conductor requirements, with an estimated total spend of \$12,000,000. Jennifer Messer has been promoted to Buyer on the Purchasing Team.

The Winchester Warehouse inventory decreased in August by \$42,555, with an ending balance of \$12,554,839. Stock-related material handled during the month totaled \$1,043,948, and included material for nineteen (19) Power Delivery Expansion projects, and credits for ten (10) projects. 9,070 gallons of fuel was pumped at the fuel facility during July. 7,000 gallons of diesel was purchased for \$2.81/gallon. No unleaded was purchased. Steven Tolson has joined the Warehouse Team as a temporary laborer and delivery person. Melanie Hubbard marked her 25th year of employment with East Kentucky Power in September.

Payroll

Tested Payroll Tax Update 06D prior to it being put in production.
Performed routine payroll duties.

Plant Accounting

Plant accounting is in the process of Scheduling Physical Inventory for each location. The first was performed in September at Spurlock, with the other locations scheduled for October and November.

Pricing Process – Bill Bosta, Manager

EKPC/LG&E Transmission and Interconnection Agreement Dispute

On September 1 the Commission issued its final order in the case. The Commission essentially upheld Administrative Law Judge Grossman's prior decision. According to the Order, LG&E will be required to calculate a new transmission rate to now reflect in the formula rate any load that received service on the LG&E transmission system that had not previously been included in the denominator of the calculation. LG&E had stated at the hearing and in Legal

Briefs that it did not have adequate data to perform this calculation. The Commission ruled that if LG&E could not identify such data that the transmission rate would revert back to the previous rate of \$.77/KW-Mo. LG&E must identify its transmission rate calculation along with the refund amount in a Compliance Filing with the FERC that is due on October 2. EK will have the right to challenge

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LG&E 's Compliance Filing. The Commission's ruling brings to an end a four-year litigation with LG&E on these transmission rates, application of ancillary service charges and how to treat MISO Schedule 10 administrative charges. Shown below is a summary of the annual effect of the Commission's Order, assuming that LG&E uses the transmission rates in effect prior to their original filing in September 2002.

	Proposed Increase		Increase as Ordered	
Interconnection Agmnt	\$581,000	70.0%	\$62,000	7.4%
Transmission Agmnt	<u>\$278,000</u>	23.5%	<u>\$35,000</u>	2.9%
Total	\$859,000	42.6%	\$97,000	4.8%

As a result of the Order, EK estimates that LG&E will be required to refund about \$1.8 million, which includes interest. The actual refund amount will be determined by LG&E and submitted to the FERC in the Compliance Filing. Both EK and LG&E will have the opportunity to request rehearing. As the Commission ruled against EK and the Commission Trial Staff with regard to an additional \$3.5 million refund to EK as a result of LG&E billing EK for pancaked rates over the four-year period, EK will likely seek rehearing on that issue. The request for rehearing must be filed by October 2.

Aside from the Commission's Order, as a part of the LG&E request to exit MISO at the FERC, EKPC was able to negotiate a provision that allows LG&E to reimburse EK for the pancaked rates issue going forward beginning December 1, 2005. To date, EKPC has received a credit of about \$310,000. EKPC and LG&E have completed the negotiation of a new Interconnection Agreement. The new Agreement became effective on September 1.

Including the effects of pancaking cited above, it appears that LG&E's proposed filing in 2002 resulted in a net loss to them rather than the 43% increase they had originally sought.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

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Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On September 20, EKPC submitted its fifteenth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 12.49% to be applied to service rendered in September 2006 and billed the first week of October. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 7.95% to 10.61%.

In early August, as requested by the Commission, EKPC filed a response on behalf of itself and all Member Systems that the Commission may issue an Order based on the existing record in the case. Gallatin Steel, an intervenor in the case, filed a similar response. The Case is ripe for decision and an Order is expected in the near future. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

East Kentucky Power Cooperative, Inc. Estimated Monthly Environmental Surcharge Factors October 2006 through December 2007

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Oct-06	\$49,857,207	\$5,230,443	9.98%
Nov-06	\$50,402,465	\$5,107,453	9.62%
Dec-06	\$50,501,598	\$5,993,781	11.36%
Jan-07	\$50,846,554	\$6,325,837	11.93%
Feb-07	\$50,979,269	\$5,776,436	10.82%
Mar-07	\$51,085,745	\$5,713,943	10.68%
Apr-07	\$51,332,782	\$4,641,347	8.53%
May-07	\$51,835,232	\$5,883,590	10.84%
Jun-07	\$51,822,793	\$6,999,987	13.00%
Jul-07	\$52,020,248	\$7,374,873	13.67%
Aug-07	\$52,090,097	\$7,241,508	13.39%
Sep-07	\$52,675,379	\$6,563,338	11.95%
Oct-07	\$52,652,043	\$5,622,701	10.17%
Nov-07	\$52,417,912	\$5,612,825	10.20%
Dec-07	\$52,380,541	\$6,401,955	11.71%

Current SO2 price is \$512.50 per allowance as of November 3, 2006

Current NOx price is \$775 per allowance as of November 3, 2006.

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Case 2006-00045 Consideration of 2005 Energy Policy Act

On August 30, legal briefs were filed in the case. Based on the record to date and the results of the hearing, it does not appear that the Commission will mandate implementation of time-of-day metering for all customers. A decision is expected to be rendered by the Commission this fall. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

Internal Audit & Performance Measures – Graham Johns, Coordinator

Internal Auditing for Member Systems

- Jackson Energy Cooperative—Completed the audit of tool control and expense and delivered the report to management. Presented the results of all three audits completed in 2006 to the Board of Directors on November 1. These included cellular telephones, contracts, and tool control and expense.
- Clark Energy Cooperative—Completed the audit of cash receipts and delivered the report to management. Will present the results of all four audits completed in 2006 to the Board of Directors on December 21. These include purchasing, inventory control, consumer bill adjustments, and cash receipts.
- Inter-County Energy Cooperative—Will begin an audit of employee travel and out-of-pocket expenses on November 7. Presentation to the Board of Directors is scheduled for February 16.

Cost Review—Areas to Review and Status are as follows:

- Cellular Telephones—Completed
- Security Costs—Completed
- Vehicles—In Progress
- Maintenance Agreements (HST)—In Progress
- Credit Cards—In Progress

Other

Spoke at the KMMA Conference in Nashville on October 3 about “How Purchasing and Warehousing Affect the Bottom Line.”

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Credit Union Process – Brian Tyler, Process Owner

September 2006 Financial Report

Loans	14,046,994.37
Investments	3,222,009.21
Total Assets	18,005,868.68
Liabilities	2,006,963.32
Deposits	13,712,437.49
Equity	2,286,467.87
Interest on Loans	67,458.13
Investment Income	19,957.03
Total Income	88,342.19
Total Expenses	81,317.43
Retained Earnings	7,024.76
YTD Retained Earnings	61,451.69

Kentucky Credit Union League Annual Meeting

The Kentucky Credit Union League recently held their annual meeting and conference in Louisville. Brian Tyler, Credit Union Manager, attended on behalf of the East Kentucky Employees Federal Credit Union and served on the nomination and election committees for the league. The conference offered many educational and networking opportunities as well as a chance to talk to state legislators about issues that might affect local credit unions.

At the annual awards banquet, Brian Tyler was presented with the *Richard B. Zimmerman Outstanding Young Credit Union Leader Award*. This award is presented to the young person who has demonstrated the highest dedication and achievement in Kentucky's Credit Union movement. Brian is also the president of the Bluegrass Credit Union Chapter, and accepted the *Most Effective Chapter Award* for the second year in a row.

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c: Directors & Alternate Directors
Executive Staff
Finance Staff

Governmental Affairs

OCTOBER 2006

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
- Attended a meeting with Thoroughbred Energy executives to discuss the status of their project in Western Kentucky.
 - Attended the Interim Agriculture & Natural Resources Committee meeting in Frankfort, and meetings of its subcommittees, and the Interim State Government Committee meeting.
 - Sponsored a meeting for co-op lobbyists to discuss issues in the upcoming legislative session, and to continue building relationships in the co-op group. Representatives from the Kentucky Association of Electric Cooperatives, Government Strategies, Big Rivers Electric Corp., and MMLK Government Affairs attended.
 - Coordinated several interim legislative committee meetings and social events as part of the “Building a Better Bluegrass” coalition of local business groups and organizations. This included a meeting of the Interim Appropriations & Revenue Committee in Winchester, the first time that committee has met in Clark County, and a meeting of the Special Subcommittee on Energy in Lexington that featured a presentation by Joe Settles about EKPC’s environmental education programs. More than 75 legislators attended the three days of events and meetings. Inter-County Energy, Blue Grass Energy and Clark Energy also were sponsors. This is the second year for Central Kentucky to host the committees. An outline of Roy Palk’s remarks before A & R in Winchester is attached.
 - Worked with Planning and Production teams to respond to a state request for proposals on potential sites for coal-to-liquids and coal-to-gas facilities throughout Kentucky. EKPC has submitted its J.K. Smith site in Clark County as a potential location.
 - Continued working to develop a Governmental Affairs web site for member use.

Governmental Affairs

- Attended the Democratic Jefferson-Jackson dinner in Louisville, which featured a speech by former President Bill Clinton.
- Worked with lobbyists from Duke Energy on EKPC panel representation at an energy efficiency conference in November.
- Attended a regional forum sponsored by Bluegrass Tomorrow.

Human Resources & Support Services

OCTOBER 2006

EKPC: To provide reliable and competitive energy and member services.

Unit: To serve and assist the Cooperative, it's employees, the Member Systems, and External Customers by:

- Managing Costs
- Ensuring the safety, well-being, and development of EKPC employees
- Providing appropriate corporate staffing requirements
- Providing effective communications
- Complying with all laws and regulations

Human Resources, Facilities Management, Corporate Support Services

1. Managing Costs

Significant Results:

- **Budget management** – Centers 032, 040, 041, 043, 046, 047 are under budget \$647,220 year-to-date through September.
- **Cost containment** – Saved \$720 by mailing employees Open Enrollment Packets in-house instead of to their home.

2. Ensuring the safety, well-being, and development of EKPC employees

Significant Results:

- OSHA Lost Time Incident Rate – 1.61
- From SKILLSCOPE development plans, supervisors have begun long-term improvement plans.
- Employee opinion survey completed – results soon.

3. Providing appropriate corporate staffing requirements

Significant Results:

- **Positions Filled:**
 - Senior Engineer (was filled with the transfer of Jeff Brandt in August)
 - Maintenance Mechanic – Entry @ Spurlock – Cody Dicken (temp to ft)
 - Lab Technician @ Dale – Amanda Warner Hall (temp to ft)
 - 2 – Student Engineers (Part-time/Temporary) – Michael Travelstead & Matthew Williams

Human Resources & Support Services

- **Positions open:**

- Construction Project Manager @ Spurlock
- Senior Engineer (Production)
- Senior Engineer – EMS
- Environmentalist
- Construction Technician Crew Leader
- Senior Analyst
- Electrician @ Spurlock
- Auxiliary Operator @ Dale
- Computer & Instrument Technician @ Spurlock
- 2 – Warehouseman @ Spurlock
- Maintenance Material Specialist @ Spurlock
- Engineer – Operations
- Maintenance Mechanic @ Cooper
- Landfill Generating Plant Operator – Pendleton County
- Auxiliary Operator – Spurlock
- Payroll Specialist
- Substation Technician – Bardstown
- Substation Technician – Hillsboro
- Plant Safety & Warehouseman @ J.K. Smith
- Construction Technician
- Senior Accountant

4. Providing effective communications

Significant Results:

- Provided numerous communications through e-mail and Insider to all employees regarding the changes in the medical plan for 2007. These communications informed employees how to lower their costs for prescription drugs. The communications also gave examples of the impact of the new prescription drugs co-pays and how employees could use Section 125 plan to defer income taxes when paying for those expenses.

5. Regulatory compliance

Significant Results:

- No Notifications

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Human Resources & Support Services

6. Member Systems Support

Significant Results:

- Met two member systems' training needs.

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Payroll – Analyze reporting to NRECA for various 401k distributions. Setup new payroll deduction codes and acquire new general ledger accounts for both of the new employee 401k programs. Tested payroll for 2007 to ensure that the new 401k program setup was calculating the correct percentages and that paychecks printed the new contributions. Involved in discussions on new employee setup.
- ◆ Benefits – Completed PeopleSoft setup for New Employees hired on or after 01/01/07. Setup new benefit programs for new full-time and part-time employees. Setup new eligibility and event rules so PS will automatically find a new employee eligible for the correct benefit program. Setup various 401k programs. Tested hiring new full-time and part-time employees to ensure that PS would find them eligible for their correct benefit program. Setup new medical rates for new employees and linked to their new benefit program. Changed medical rates for current employees, retirees, etc. Setup and processed 2007 Open Enrollment. Printed Enrollment Forms. Work on new interface program for insurance provider was on hold due to new employee benefit program setup and testing.
- ◆ Human Resources - HR has made preliminary SSEGs (Similarly Situated Employee Groups) as required by OFCCP. Testing Crystal reports based on these groupings as part of self-evaluation of compensation practices. Cost of living increases have been applied to Production.

PeopleSoft - Financials Version 7.5

- ◆ Project Costing -Research and testing has begun with batch processes that will be used to load 800+ Assets into the Asset Management module. These Assets have been created from the Gilbert Unit being built and placed online at Spurlock Station.
- ◆ Network and Business Applications teams worked together to setup new integration software that will allow Real-Time reporting against PeopleSoft Financial information over the EKPC Intranet. This has been put in place to assist with the development of the Power Delivery Scoping System.

PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more

Human Resources & Support Services

accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Enhance Production Management Reporting System

- ◆ Plans/Meetings have been put on hold until both the Production Business Unit Landfill Gas plant manager and the Business Applications team have the necessary time to design and develop the changes to PMRS to allow Landfill Gas plants to track data on a daily basis instead of monthly.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

Develop Power Delivery Scoping System

- ◆ The additional functionality for the On-Line version of the application has been completed.
- ◆ Power Delivery users have developed the reporting requirements, and the Business Apps team is currently developing the reports.
- ◆ Power Delivery has 5-6 users involved with the testing of the application.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Delivery Business Unit.

Upgrade MV90 Metering System

- ◆ Upgrade is complete. Still working on minor issues between MV90 and MVPBS systems
- ◆ Installed 2 b&w and 1 color laser printers in metering area to replace line printers. This was required because the new version of MV90 does not support the old high speed line printers
- ◆ Setup outside Internet access for Operations training session in the Learning Center.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate metering/billing data for the Production and Finance Business Units.

Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Generated traffic reports for October 06. Corporate Communications is currently analyzing the results for future planning.
- ◆ Completed interactive map pages for "Go Team" Industrial Development section. Provides key information about industrial building sites and spec buildings within our service area.

This supports key measures **Competitive Energy, Reliable Energy, and Member Services** by developing a network and computing environment that facilitates a collaborative work environment.

Human Resources & Support Services

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 114 support calls during the previous period.
- ◆ Purchased new workstation backup/recovery software, which will dramatically improve our ability to restore crashed computers. Rollout will start after new servers arrive.
- ◆ Setup Tellabs server for Telecom under Windows NT and Windows 2000 at their request.
- ◆ Installed new training database software purchased by Energy Control. Will track NERC training of EC personnel.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Telecommunications to Substations.

- ◆ Ordered T1 multiplexers for the Backup Control Center to match those used at Headquarters.
- ◆ Ordered SONET multiplexer cards required to reprogram the Backup Control Center multiplexers to match Headquarters after a disaster.
- ◆ Installed the Tellabs DACS server. Wrote and tested a procedure to back up DACS programming and reload it.
- ◆ Made plans to extend orderwire and microwave radio alarm circuits to the Backup Control Center
- ◆ Made plans for SCADA radios for Bluegrass Parkway and Griffin substations.
- ◆ Ordered parts to terminate a new fiber optic cable to the Backup Control Center, to replace one that must be abandoned to make way for another structure.
- ◆ The leased data circuit at Elihu was replaced with a 220 Mhz SCADA radio.
- ◆ Design was completed for RS232 EMS RTU circuits to Bullitt and Pulaski Counties. Bullitt circuit was tested.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

Provide Telecommunications to Members.

- ◆ More remote radios were installed for Flemingsburg's SCADA system.
- ◆ Work is underway on the microwave link to the Blue Grass Harrison office. This will provide Blue Grass Energy network and phone connectivity to the Harrison office.

This supports key measure **Member Services** by providing a value-added service to member systems.

Human Resources & Support Services

Provide New Two-way Radio System.

- ◆ Lockard & White consultants has completed their predicted area coverage maps and estimated the number of sites to cover this area.
- ◆ Lockard & White have revised their cost estimates for the project based on the number of sites and needed channel capacity.

This supports key measures **Reliable Energy** and **Competitive Energy** by providing a two-way radio system that will enhance our ability to maintain and operate the transmission system and to assist in outage restoration.

Maintain the Telecommunications System

- ◆ Drawings for the new digital system are being delivered to the remote sites.
- ◆ Routine maintenance was performed at eight microwave sites.
- ◆ The EKPC low band base station was repaired at Tyner.
- ◆ Because of vandalism, telecom personnel again responded and made repairs to the New Castle microwave site.
- ◆ The old building at Maysville was torn down and removed from the site.
- ◆ All old microwave antennas were removed from the Winchester microwave site.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

IT Performance Measures

- ◆ Annual O&M Budget - Under Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 100.0%
- ◆ Two-Way Radio Availability
 - Member System Base Stations – 98.7%
 - EKPC Base Stations – 99.89%
- ◆ Application Availability – 99.99%
- ◆ Data Circuit Availability – 99.91%
- ◆ On-Time 555 Problem Resolution – 99.1%
- ◆ Customer Satisfaction Index
 - NCS Team – 93%
- ◆ PBX Availability – 100%

OCTOBER 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. The case been fully briefed and submitted for a decision. At issue are allegations by a former employee seeking damages on claims of a hostile work environment, retaliation and assault and battery by a co-worker.
2. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 14, 2006, the Federal District Court Judge granted EKPC's Motion for Summary Judgment and dismissed the lawsuit. This lawsuit had been filed by a former employee alleging that EKPC had breached one or more of the terms of his workers' compensation settlement; and, had conspired with CBA to arbitrarily deny him continued long-term disability benefits. Jordan has now terminated his attorney and has filed a Motion to Vacate the Judgment. EKPC has filed a response, objecting to said motion. Motion is pending before Judge Coffman. Jordan has also filed an appeal with the Sixth Circuit Court of Appeals but the appeal may be dismissed as not being filed timely.
3. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the United States, on behalf of the Environmental Protection Agency ("EPA") sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration ("PSD") provision of the Clean Air Act; the New Source Performance Standards ("NSPS") of the Clean Air Act; and the State Implementation Plan ("SIP") for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief and civil penalties. The Cooperative answered the lawsuit on June 18, 2004. Since that date, the parties engaged in and have now completed discovery. On January 17, 2006, the Cooperative filed several motions with the Court asking that most, if not all of the claims, be dismissed. These Motions for Summary Judgment involved,
 - (a) statute of limitation issues;
 - (b) federal enforceability of Title V and state operating permits;
 - (c) applicability of the routine maintenance exclusion; and
 - (d) legal standards applicable to PSD and NSPS claims, generally, as decided by the Fourth Circuit in *United States v. Duke Energy*.

On August 18, 2006, the Court entered an Order Setting Aside the Pre-Trial Conference and Bench Trial (previously scheduled for October 2) pending further Orders of the Court and stating that, "It would make the most sense to wait to try this matter until after the Supreme Court has issued a decision in *Duke Energy*." The Order also directed the parties to file a short statement with the Court by early September, "setting forth which of the outstanding Motions for Summary Judgment clearly implicate the issues raised in the *Duke Energy* case, and thus should await a decision from the Supreme Court, and which of the outstanding Motions for Summary Judgment should go forward for decision." The parties filed the statements requested by the Court, and on September 26, the Court issued an Order dismissing most of the Government's motions without prejudice pending a final decision in *Duke Energy*.

At this time, the case is effectively stayed except that the Court may enter decisions on the remaining outstanding motions not implicated in *Duke Energy*. Oral arguments in *Duke Energy* are scheduled before the United States Supreme Court on November 1, 2006.

4. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The parties have filed prehearing statements with the Court of Appeals in this case. There will be no prehearing conference. The briefing schedule will begin upon the certification of the record by the Franklin Circuit Court.
5. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. Oral arguments in this case are scheduled for December 14 at the Court of Appeals.
6. *Robert Mulberry v. EKPC, et al* – Scott Circuit Court. On May 2, 2006, the plaintiff sued EKPC and David Eames for personal injuries resulting from an automobile accident on July 29, 2004. Subsequent thereto, the Legal Department filed an Answer on behalf of both EKPC and David Eames; and also filed Complaints against two additional parties—St. Joseph Hospital and Dr. Joseph Westerfield—alleging their primary responsibility for the events giving rise to the automobile accident. Discovery has been initiated by EKPC.
7. *Nathan Writesel v. Goodyear Tire & Rubber & EKPC, et al – (Asbestos Personal Injury)* – Court of Common Pleas, Cuyahoga County, Ohio. On June 21, 2006, Plaintiff filed this case seeking recovery for personal injuries associated with asbestos exposure while working for various contractors throughout the years. EKPC has retained an Ohio law firm to represent it for purposes of filing a Motion to Dismiss. Limited discovery undertaken reveals that EKPC's exposure in this case is not likely and we intend to file a Motion to Dismiss at the conclusion of discovery.
8. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On June 30, 2006, the United States, acting at the request of the Environmental Protection Agency ("EPA") sued EKPC charging operation of Dale Station Units 1 and 2 with technical violations of the Clean Air Act ("CAA") acid rain program, and provisions of the NOx State Implementation Plan or NOx SIP Call. The issue for both units involves whether these units were subject to regulations as generators having a "nameplate" capacity greater than 25 megawatts and/or were generators used to generate 25 megawatts or more of electricity. EKPC filed its Answer on August 8, 2006. Discovery is ongoing, and is to be completed by May 9, 2007. The Court has assigned the action for trial by jury on September 25, 2007.

On July 14, 2006, the Commonwealth of Kentucky's Motion to Intervene was granted on the basis of common questions of law and fact.

Pending Litigation for EKPC

1. Substation Vandalism (EKPC v. Caudill, Middleton & McElroy) – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$78,821.72 on the Judgment has been collected from the defendants.
2. EKPC v. Greenwich Insurance Company – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim. Lexington Coal has attempted to transfer this action to Bankruptcy Court but the U.S. District Court, in an order entered on January 24, 2006, denied the motion to transfer the case. The case has been remanded back to Clark Circuit Court.

Claim and Topics

1. KU and LG&E v. EKPC (FERC Proceeding) – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreement with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected anytime.

2. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.

3. FERC Case No. TX05-1 – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission (“FERC”) seeking an order compelling the Tennessee Valley Authority (“TVA”) to physically interconnect with EKPC’s transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On June 20, 2006, FERC denied TVA’s request to rehear the case, and for clarification of earlier orders, and reaffirmed its decision requiring the interconnection agreement. Both EKPC and TVA are working through details necessary to implement the interconnection.
4. Commonwealth of Kentucky Sales and Use Tax Audit – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. The Revenue Cabinet has advised that the matter is in abeyance pending resolution of certain related issues in the Board of Tax Appeals.
5. PSC Case No. 2006-00017 – Integrated Resource Plan – EKPC’s 2006 IRP was filed with the Commission on October 20.
6. PSC Case No. 2006-00236 - EKPC Depreciation Study – EKPC responded to a second set of data requests from the Commission staff in this case on October 3.
7. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – The brief of EKPC and the member systems in this case was filed with the Public Service Commission on August 29. A decision by the Commission is expected before the end of the year.
8. PSC Case No. 2006-00131 – Six-Month Review of Environmental Surcharge – The Commission has requested all parties in this case to indicate if they believe there are any issues which require a hearing. The only intervenors, the AG and Gallatin Steel Co., indicated at an informal conference on May 24 that they did not foresee a need for a hearing. EKPC has responded that it and the member systems do not feel a hearing is needed.
9. PSC Case No. 2006-00455 – Following an informal conference requested by EKPC to discuss its current financial condition, the PSC has initiated a proceeding to investigate EKPC’s finances. Responses to the Commission’s data requests are due on November 6. No other procedural schedule has been established in the case.
9. Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc. – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAQ-27974-037. On July 18, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock #4 air permit. The petition filed by the Sierra Club seeks to have the

air permit revoked; or, in the alternative, to have the permit re-issued with corrections to what petitioner believes to be errors and mistakes in the permit conditions. A preliminary hearing was held on Friday, July 21, 2006, in Frankfort at the office of Administrative Hearings for the Environmental and Public Protection Cabinet.

This matter is in discovery, with a hearing date set for early December 2006. The hearing is expected to last approximately three weeks

Dale W. Henley
General Counsel

c: Dave Eames (for distribution)
(H:\legal\MR-oct-06)

Member Services

OCTOBER 2006

Economic Development Process

- Coordinated and developed informational response with various process units and a member distribution cooperative for potential large commercial load. EKPC's team met with potential client and Kentucky Economic Development staff on October 5. Proposal was delivered to client on October 30. Substantial work was done by Pricing, Planning, and Power Delivery groups to develop the proposal document.
- Attended Henry County Industrial Development Board meeting.
- Attended KAED Infrastructure Development Seminar in Carrollton.
- Met with J.R. Wilhite of the Kentucky Economic Development Cabinet on Oct. 4.
- Met with Mercer County IDA Executive Director in conjunction with Blue Grass Energy staff on October 9.
- Attended Scott County Chamber meeting on October 9.
- Met with Berea IDA Executive Director in conjunction with Blue Grass Energy staff on October 10.
- Attended MMRC Board Meeting on October 11 in Morehead.
- Met with Adair County IDA Executive Director on October 12.
- Attended the Pendleton County IDA Business After Hours meeting on October 12.
- Attended Carroll County Community Development Board meeting on October 13. Hosted a joint meeting with Henry County's Board to investigate a regional working partnership between the two counties.
- Met with Bluegrass Station management concerning possible business partnership on October 16. Followed up with a meeting of Clark staff and Bluegrass Station staff concerning possible maintenance agreement for facility on October 17.
- Worked with Pricing Group to assist Warren RECC in responding to a large commercial load proposal for the 2009 timeframe.
- Met with Taylor County IDA Executive Director on October 23.

Member Services

- Attended Jackson, Shelby, and Clark Propane Plus meetings.
- Met with Morehead/Rowan County IDA and Gateway Area Development staffs to assist in developing marketing materials for their area.
- Met with Anderson and Franklin County IDAs in conjunction with Blue Grass Energy staff on October 31.
- Following receipt of Board approval, coordinated the transfer of property to Jackson Energy member, Knotwood Craftsmen, to allow development of a wood processing operation in Jackson County.
- Met with CDS Associates to develop construction specifications and obtain market strategies for Licking Valley RECC member involved in start-up of new insulated wall-paneling operation in Wolfe County.
- Continued development of regional economic analysis for a 17 county area in the central region of Kentucky.
- Attended Key Accounts seminar sponsored by Envision Energy Services.
- Met with Bluegrass Energy on a new program geared towards entrepreneurial training for high school students.
- Made site visit to Clark Energy key account, Boneal Incorporated, to learn more about their operations and future plans.
- Coordinated economic impact study on behalf of Farmer's RECC for Hart and Barren Counties as it regards the expansion of three major industries in their region.
- Participated, as member of the Kentucky Chamber of Commerce Board of Directors, on a taskforce to determine the Kentucky Chamber's development of a long-term vision for the Commonwealth.

Non-Traditional Power Production Process

- All major equipment components were delivered to the Pendleton Co. LFGTE project during the month. The project is on schedule for a mid January 2007 plant start-up.
- EKPC received its' initial REPI payment totaling over \$300,000 for the first three Landfill Gas Plants. Including the initial REPI payment, DOE has an unpaid balance of over \$3,000,000 to date. Secondly, any LFG generation added to our portfolio after October 1, 2003, and before September 30, 2016, will now be eligible for REPI payments.

Member Services

- Submitted REPI prequalification packages to DOE for Laurel Ridge LFGTE Unit # 5, Hardin County LFGTE Units # 1-3, and Pendleton County LFGTE Units #1-4.
- Received a CFC update that an announcement will be made in November for the allocations of Clean Renewable Energy Bonds at 0% interest. EKPC has made requests for six different LFGTE projects totaling more than \$20,000,000.
- Provided LFGTE consulting services to Buckeye Power. Made a site visit with Buckeye Power to the Beech Hollow Landfill in Wellston, Ohio.
- Met with representatives of Wind Capital Group to discuss potential development of a future wind farm.
- Conducted a tour at the Bavarian LFGTE for representatives of Williamstown and the Kentucky Division of Solid Waste.

Marketing & Natural Resources Process

- Conducted a Marketing Retreat for the members from Oct 4-6 at Dale Hollow State Park. This was the first time we had combined a Marketing Retreat with a Touchstone Brand Workshop and a KMSA Meeting.
- Attended a Green Building (LEEDs) Seminar in Louisville.
- Worked the Natural Resources booth for the Garrard County Substation/Tap Open House.
- Presented the Reptiles and Amphibians of Kentucky at the Kentucky Garden Club Fall Festival in Paris.
- Presented the Wildflowers of Kentucky to the Dogwood District Garden Club at Franklin Country Club in Franklin, Ky, on behalf of Warren, Nolin, and Farmers RECC.
- Worked the Natural Resources booth for the Fannie Bush Book Fair on behalf of Clark Energy.

Listed below are the Environmental activities for this month:

- Presented forty-four Environmental Education Programs in twelve member service territories.
- Construction Projects Involving Environmental Activities for October: Smith-Sideview 345/69 kV Substation and Transmission Project, Wilson-Aberdeen,

Member Services

Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Inez Sub and Tap, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Webb's Cross Roads, Fayette-Davis Junction-Nicholasville, Big Creek Sub and Tap, Laurel – Keavy Transmission Line, Garrard Co. – KU Lancaster Transmission Line, Burlington Sub and Tap, Garlin Sub and Tap

- Hosted a meeting at EKPC for Mark Plank (RUS) and Matt Thomas (Advisory Council on Historic Preservation). The ACHP has become formally involved in the Section 106 process on the Warren Transmission Line project, and RUS requested a meeting to identify the Section 106 activities that have occurred on the project to date. Engineering staff, a Warren RECC representative, and other consultants participated in the meeting. We also discussed items needed for the draft environmental assessment.
- Met with the consultants conducting the cultural resource work on the Smith – West Garrard Transmission Line project. The consultants provided the engineers with field data gathered regarding historic properties near the project.
- Gave RUS a tour of the Smith – West Garrard Transmission Line project. We visited the proposed substation site and various sections of the proposed transmission line routes.
- Attended the Scoping Meeting at Trapp Elementary School for the CFB unit proposed for construction at the J.K. Smith site.
- Natural Resources submitted the following environmental reports to RUS for adoption and approval: Inez Sub and Tap, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line, Laurel – Keavy Transmission Line.
- Gave a venomous snake safety program at a lineman skills workshop in Nicholasville, Kentucky.
- Gave a presentation at a legislative committee luncheon on the environmental activities at EKPC.
- Southpoint Substation project was approved. Construction began on the Cranston – Rowan Transmission Line.

Member and Corporate Communications Process

- Finalized and posted at all EKPC locations the Cost Containment Scorecard showing more than \$11 million in cost reductions achieved in four key areas during 2006.

Member Services

- Photographed EKPC board members for the 2006 Annual Report.
- Provided charts, graphics, articles and other materials for an open house sponsored by the Rural Utilities Service at Trapp Elementary Oct. 18. The open house was for RUS to gather comments and for EKPC to share information with the public about Smith Unit #1.
- Photographed all employees at the Harrison District office of Blue Grass Energy.
- Developed materials showing the dramatic decline in emissions from 1995 going forward, compared with the dramatic increase in power production.
- Photographed progress on Spurlock Unit #4 and provided pictures to Warren RECC.
- Began efforts to upgrade and improve the Economic Development web site on behalf of member systems.
- Finalized design and initiated production of the 2007 Employee Calendar, featuring the history of EKPC.
- Developed new electric industry backgrounders about: the history of EKPC; power from coal being essential, affordable and increasingly clean; and the dramatic decline of nitrogen oxide in the air.
- Presented a new DVD about the history of EKPC to a meeting of the EKPC Retirees Association.
- Coordinated activities for United Way week at headquarters and Dale Station.
- Coordinated a meeting on behalf of Envision Energy Services to host member system key accounts and staff.
- Distributed brochure about weatherization and tax credits to member systems.
- Posted the InterChange list of stories for member systems optional use in their December Kentucky Living inserts.
- Conducted weekly conference call with Warren RECC and EKPC staff to coordinate the Warren transmission project.
- Distributed the next estimate from Pricing on the upcoming Environmental Surcharge factor.
- Distributed the September Fuel Adjustment Clause report.
- Printed bill inserts for Nolin, Farmers and Owen Electric

Member Services

- Distributed daily stories about the electric industry and Public Service Commission orders to EKPC and member system staff.

Touchstone Energy Brand Management

- Attended KMSA/EKPC conference at Dale Hollow, hosted branding workshop.
- Met with Cornett Group regarding 2007 advertising.
- Attended the fall meeting of Touchstone Energy Strategic Communications Committee.
- Visited South Kentucky RECC, Grayson RECC, and Blue Grass Energy regarding planning for our 2007 advertising.
- Renewed contract with Kentucky Living for advertising in 2007.
- Assisted Communications in several areas.

Power Delivery Unit

OCTOBER 2006

POWER DELIVERY-OPERATIONS – GEORGE CARRUBA, MANAGER

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

Outage Reports for September 2006 - EKPC Power Supply outages have accounted for .57 consumer hours out year-to-date. Of these .01 were scheduled and .56 were emergency outages. None were due to major storms. We experienced 14 emergency outages affecting 19 substations and nine member systems. Five scheduled outages occurred and 12 line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through September 2006, our reliability measure, ASUI is 28.7 minutes with no major storms occurring

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - THIS MONTH
September 2006**

Page 1 of 1

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	1-100%
INTER-COUNTY	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
JACKSON	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SALT RIVER	0-0%	0-0%	0-0%	2-50%	0-0%	0-0%	1-25%	1-25%	0-0%	0-0%	0-0%	4-100%
SHELBY	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
SOUTH KENTUCKY	4-80%	0-0%	0-0%	1-20%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	4-21%	0-0%	2-11%	7-37%	0-0%	3-16%	1-5%	2-11%	0-0%	0-0%	0-0%	19-100%

TLIN=Transmission Line Equipment Failure
TSUB=Transmission Sub Equipment Failure
DSUB=Distribution Sub Equipment Failure
WTHR=Storm/Weather Related

ROW=Right-Of-Way
ABO=Accident By Outsiders
PERR=Personnel Error
MOPS=Mis-operation of Protection Scheme

VAND=Vandalism
WILD=Wildlife
SIMP=System Improvements

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - YEAR TODATE
September 2006**

Page 1 of 1

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
BLUE GRASS	2-20%	0-0%	0-0%	7-70%	0-0%	0-0%	0-0%	0-0%	0-0%	1-10%	0-0%	10-100%
CLARK	0-0%	0-0%	0-0%	4-67%	0-0%	0-0%	0-0%	0-0%	2-33%	0-0%	0-0%	6-100%
CUMBERLAND VALLEY	0-0%	0-0%	2-33%	4-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	6-100%
FARMERS	0-0%	0-0%	1-8%	7-54%	0-0%	0-0%	2-15%	1-8%	0-0%	2-15%	0-0%	13-100%
FLEMING-MASON	0-0%	3-38%	2-25%	0-0%	0-0%	3-38%	0-0%	0-0%	0-0%	0-0%	0-0%	8-100%
GRAYSON	0-0%	1-33%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	0-0%	1-33%	0-0%	3-100%
INTER-COUNTY	3-38%	0-0%	2-25%	1-13%	0-0%	0-0%	0-0%	0-0%	0-0%	2-25%	0-0%	8-100%
JACKSON	0-0%	0-0%	1-9%	5-45%	0-0%	4-36%	0-0%	0-0%	0-0%	1-9%	0-0%	11-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	1-100%
NOLIN	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-25%	0-0%	0-0%	3-75%	0-0%	4-100%
SALT RIVER	3-9%	0-0%	0-0%	9-28%	0-0%	6-19%	1-3%	12-38%	0-0%	1-3%	0-0%	32-100%
SHELBY	0-0%	0-0%	0-0%	8-89%	0-0%	0-0%	0-0%	0-0%	1-11%	0-0%	0-0%	9-100%
SOUTH KENTUCKY	5-28%	0-0%	1-6%	12-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	18-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	7-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	7-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	13-9%	4-3%	10-7%	67-48%	0-0%	13-9%	4-3%	14-10%	4-3%	11-8%	0-0%	140-100%

TLIN=Transmission Line Equipment Failure
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VAND=Vandalism
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SIMP=System Improvements

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT SEPTEMBER 2006 for Entire System

Page 1 of 4

Date/Time	Time Off	Consumer	KWH	Substation	Type / Cause
Emer/Sched	Consumers Out	Hours Out	Unservd	Company	Description
09/01/06 14:01 Emergency	0 h 52 m 536	465	856	W9 Knob Creek 7 Salt River	Mis-operation of Protection Scheme : Mis-coordination Salt River reported possible high side fuse blown. EK & Salt River dispatched crews to station. Found 1 high side fuse blown and Co-op dist line down just outside sub. No other damage found.
09/02/06 6:17 Emergency	0 h 43 m 2,729	1,956	3,388	W0 East Bardstown 4 Salt River	Personnel Error : Improper Switching OCR #936 failed to clear a distribution fault, resulting in a substation outage. Salt River personnel reported two primary fuses blown and the bypass switch above OCR #936 was found closed.
09/05/06 9:36 Scheduled	54 h 9 m 3,627	0	0	N21 Munk Owen	System Improvements : Facility Upgrade A scheduled outage was required in order to upgrade and replace cap and pin insulators on tap switches N21-605, N21-615 and N21-705 high side switch.
09/11/06 17:04 Emergency	1 h 9 m 3,845	4,422	7,126	E06 Charters Fleming-Mason	Accident by Outsiders : Property Owner Goddard-Plumville 69KV line relayed out due to fault. Property owner cut an off right of way tree which fell onto the line section between Goddard and Oak Ridge at STR. BW-48, pinning one phase to the ground.
09/11/06 17:04 Emergency	1 h 9 m 795	914	1,069	E11 Oak Ridge 1 Fleming-Mason	Accident by Outsiders : Property Owner Goddard-Plumville 69KV line relayed out due to fault. Property owner cut an off right of way tree which fell onto the line section between Goddard and Oak Ridge at STR. BW-48, pinning one phase to the ground.
09/11/06 17:04 Emergency	1 h 9 m 2,744	3,156	5,535	N41 Rectorville Fleming-Mason	Accident by Outsiders : Property Owner Goddard-Plumville 69KV line relayed out due to fault. Property owner cut an off right of way tree which fell onto line section between Goddard and Oak Ridge at STR. BW-48, pinning one phase to ground.
09/12/06 17:47 Emergency	1 h 4 m 1,484	1,583	2,736	W6 Gospel Hill 5 Salt River	Storm / Weather Related : Other Salt River reports an off right of way tree fell onto the sub-transmission line breaking the conductor, 2 spans out from switch #55. Heavy rains caused the bank to give way and the tree made contact with the LG&E line.

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
SEPTEMBER 2006 for Entire System**

Page 2 of 4

Date/Time	Time Off	Consumer Hours Out	KWH Unservd	Substation Company	Type / Cause
Emer/Sched	Consumers Out	Hours Out			Description
09/14/06 8:51 Emergency	0 h 3 m 2,030	102	225	S84 Three Links Jackson	Distribution Sub. Equip. Failure : Other Regulator CO# 612 was arcing internally and would not operate. An outage was required to bypass regulator.
09/15/06 10:31 Emergency	0 h 46 m 2,334	1,789	1,175	S23 Peytons Store Inter-County	Distribution Sub. Equip. Failure : Recloser (OCR) OCR #281 failed to clear fault on distribution line before operating two substation primary fuses. A current transformer internal to OCR-#281 failed in process of clearing fault.
09/15/06 20:48 Emergency	1 h 2 m 1,434	1,482	925	E33 Argentum Grayson	Mis-operation of Protection Scheme : Mis-coordination Received alarm from Argentum "Low AC station service". An off right tree fell on a distribution double circuit eight structures out of substation. The combination of two high magnitude faults to bus, caused the OCR's to mis-coordinate and cause station primary fuses to operate.
09/16/06 5:38 Emergency	0 h 1 m 1,514	25	50	W9 South Elkhorn 2 Blue Grass	Storm / Weather Related : Other KU Higby Mill 66-624 opened and had to be reclosed by supervisory due to breaker being in one shot. KU breaker is an underrated breaker that had recloser turned to one shot position. KU reports this outage may have been weather related, they have been unable to find any other cause for this outage.
09/20/06 7:54 Scheduled	195 h 36 m 1	0	0	E94 Cranston Fleming-Mason	System Improvements : Maintenance A scheduled outage was required in order for EKPC personnel to facilitate annual maintenance-inspection of Cranston Substation. This is a customer scheduled facility outage.
09/22/06 15:05 Emergency	0 h 55 m 1,069	980	1,206	W3 Upton 9 Nolin	Storm / Weather Related : Lightning Stephensburg W6-624 and Bonnieville W8-604 operated to lockout. Nolin reported transmission line down at #STR-T63 on Stephensburg-Upton line section of Stephensburg-Bonnieville 69 KV transmission line.
09/22/06 22:33 Emergency	11 h 33 m 564	1,946	3,760	N27 Long Run Shelby	Storm / Weather Related : Lightning LGEE WHAS 6686-Centerfield 6686-99TIE- CF 6686-TR6TIE operated due to fault on line during storms. LGEE reports lightning hit relays and welded contacts together

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

SEPTEMBER 2006 for Entire System

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Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause	Description
Emer/Sched 09/22/06 22:38 Emergency	Consumers Out 4 h 55 m 999	2,315	3,926	W3 Nicholasville 0 Blue Grass	Storm / Weather Related : Lightning	Blue Grass Energy reports Nicholasville sub off line. Thunderstorms with heavy lightning damaged insulators and disconnect switches in secondary bus at Nicholasville Sub. Two primary fuses operated.
09/23/06 9:50 Emergency	0 h 22 m 2,729	1,001	1,000	W0 East Bardstown 4 Salt River	Storm / Weather Related : Lightning	Thunderstorms with heavy lightning passing through area, damaged insulators on secondary bus of the East Bardstown station. Two primary fuses operated.
09/23/06 14:32 Scheduled	0 h 15 m 2,729	0	0	W0 East Bardstown 4 Salt River	Storm / Weather Related : Lightning	A scheduled outage was required in order to replace damaged insulators on secondary bus.
09/23/06 16:19 Emergency	0 h 33 m 1,728	950	1,875	S09 Sewellton South Kentucky	Storm / Weather Related : Lightning	South KY reported a bus connection in secondary bay of sub arcing, due to possible lightning strike during a thunderstorm passing through area. Tony Tupman reported arcing turned into ball of fire as connector failed. Three primary fuses operated.
09/27/06 8:59 Scheduled	1 h 26 m 1,728	0	0	S09 Sewellton South Kentucky	System Improvements : Other	A scheduled outage was required in order to replace all switch and support insulators in substation secondary, as a result of lightning damage from 9-23-06 outage.
09/27/06 12:04 Emergency	0 h 37 m 3,323	2,049	1,675	S16 Nancy South Kentucky	Transmission Line Equip. Failure : Cross Arm	A crossarm brace failed allowing transmission conductor to make contact with STR. #G-105 in line section between Windsor-Nancy of Windsor-Somerset 69 KV transmission line.
09/27/06 12:04 Emergency	0 h 8 m 948	126	175	S54 Oak Hill South Kentucky	Transmission Line Equip. Failure : Cross Arm	A crossarm brace failed allowing transmission conductor to make contact with STR. #G-105 in line section between Windsor-Nancy of Windsor-Somerset 69 KV transmission line.

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT SEPTEMBER 2006 for Entire System

Page 4 of 4

Date/Time	Time Off	Consumer Hours Out	KWH Unservd	Substation Company	Type / Cause
Emer/Sched	Consumers Out	Hours Out			Description
09/27/06 12:04 Emergency	0 h 8 m 1,699	227	375	S65 West Somerset South Kentucky	Transmission Line Equip. Failure : Cross Arm A crossarm brace failed allowing transmission conductor to make contact with STR. #G-105 in line section between Windsor-Nancy of Windsor-Somerset 69 KV transmission line.
09/27/06 12:04	0 h 37 m	633	750	S10 Zollicofer 0	Transmission Line Equip. Failure : Cross Arm A crossarm brace failed allowing transmission conductor to make contact with STR. #G-105 in line section between Windsor-Nancy of Windsor-Somerset 69 KV transmission line.
Emergency	1,026			South Kentucky	
09/30/06 7:01 Scheduled	2 h 55 m 2,326	6	9	N38 Keith Owen	System Improvements : Maintenance Outage required to replace broken 705 switch.
TOTAL	43,941	26,125	37,837	Average Hours Outage Per	0.05
YEAR TO DATE	280,582	284,098	770,082	YTD Avg Hrs Outage Per	0.57
TOTAL CONSUMERS SERVED = 499,309					

**EAST KENTUCKY POWER COOPERATIVE
POWER SUPPLIER OUTAGE REPORT
September 2006**

Page 1 of 1

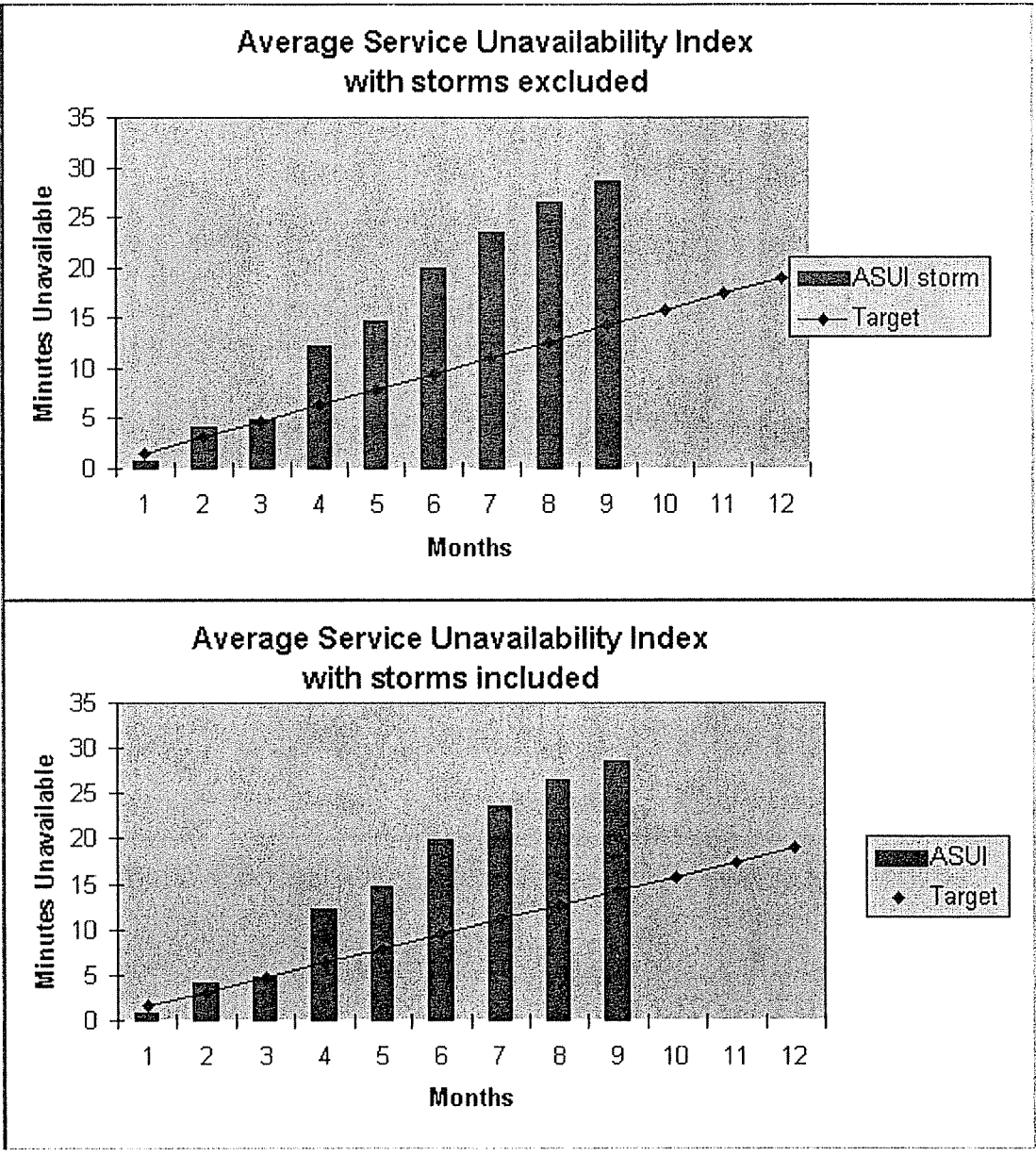
Average Hours Outage Per Consumer

	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.03	0.05	0.08
BLUE GRASS	0.04	0.00	0.04	0.09	0.00	0.09
CLARK	0.00	0.00	0.00	0.05	0.00	0.05
CUMBERLAND VALLEY	0.00	0.00	0.00	2.24	0.00	2.24
FARMERS	0.00	0.00	0.00	0.95	0.00	0.95
FLEMING-MASON	0.37	0.00	0.37	0.37	0.00	0.37
GRAYSON	0.10	0.00	0.10	0.39	0.00	0.39
INTER-COUNTY	0.07	0.00	0.07	0.55	0.00	0.55
JACKSON	0.00	0.00	0.00	0.46	0.00	0.46
LICKING VALLEY	0.00	0.00	0.00	0.01	0.12	0.13
NOLIN	0.03	0.00	0.03	0.18	0.00	0.18
OWEN	0.00	0.00	0.00	0.05	0.00	0.05
SALT RIVER	0.11	0.00	0.11	0.84	0.00	0.84
SHELBY	0.15	0.00	0.15	5.85	0.00	5.85
SOUTH KENTUCKY	0.06	0.00	0.06	0.31	0.00	0.31
TAYLOR COUNTY	0.00	0.00	0.00	0.33	0.00	0.33
EKPC	0.00	0.00	0.00	0.17	0.00	0.17
SYSTEM AVERAGE	0.05	0.00	0.05	0.56	0.01	0.57

EKPC POWER SUPPLIER OUTAGES have accounted for .57 consumer hours out year to date. Of these .01 were scheduled, .00 were due to major storms, and .56 were other emergency outages.

Average Service
Unavailability Index Report
(ASUI)

<u>Month</u>	<u>Year</u>	<u>Without Major Storms (Min.)</u>	<u>With Major Storms (Min.)</u>	<u>Threshold</u>	<u>Target</u>	<u>Stretch</u>
1	2006	0.7914	0.7914	2.08	1.58	1.08
2	2006	4.0745	4.0745	4.17	3.17	2.17
3	2006	4.8597	4.8597	6.25	4.75	3.25
4	2006	12.1789	12.1789	8.33	6.33	4.33
5	2006	14.7422	14.7422	10.42	7.92	5.42
6	2006	19.9461	19.9461	12.50	9.50	6.50
7	2006	23.5257	23.5257	14.58	11.08	7.58
8	2006	26.5085	26.5085	16.67	12.67	8.67
9	2006	28.6703	28.6703	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	25.00	19.00	13.00



POWER DELIVERY-MAINTENANCE -- RICK DRURY, MANAGER

The main purpose of Power Delivery maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	¹ Year-To-Date Results	¹ Year-To-Date Goal	Yearly Goal
Safety				
Accidents	Lost Time Accident Rate	1.68	2.5	3.3
Inspections	Avg. Inspection Rating	100%	98%	98%
Electric Service				
Duration	ASUI (without major storms)	28.67	14.25	19 min.
Cost Effective				
Cost	Operating Cost	\$4,401,476 ²	\$5,687,253 ²	\$8,619,073
	Capital Project Cost	\$ 578,616 ²	\$2,583,553 ²	\$3,498,836
Member’s Expectations				
Member System Satisfaction	Member System Survey	N/A	88%	88%

Notes:

1. Year to date results and goals through September 30, 2006
2. Year to date results and goals through August 31, 2006.

POWER DELIVERY – EXPANSION – MARY JANE WARNER, MANAGER

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

(h:Octoberrpt.doc)



Power Delivery Expansion **OCTOBER PROJECT SUMMARY** **2006**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	●	●	○				08/01/08		
Alex Creek 5.6/6.44 MVA Substation	S	●	○	●	●	❖				12/01/07		
Alex Creek Tap 69 kV, 1.4 mi.	L	●	❖	●						12/01/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●	N/A	N/A	N/A	□	N/A			05/01/08		
Barren County - Magna 24 mi.	L	●	❖	○	□	□				12/26/08		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville Rebuild, 15/20/25 mVA	S	●		○	●	❖				05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖	N/A	N/A	❖	N/A			12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	□	□	□	○				12/01/06		
Tap, 10 mi.	L	●	□	□	□	❖				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	●	●	●	●	●	●	●	11/30/06		09/27/06
Tap 0.04 mi.	L	●	●	●	●	●	●	●	●	11/30/06		09/27/06
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	01/16/06	05/04/06
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	●	N/A	●		12/01/06		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●	❖	□	□	●				12/31/06		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●	○	○						05/01/07		
Tap .19 mile	L	●	❖							05/01/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A	○	N/A			05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	●	●	□	12/15/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		○	□	○				03/07/07		
Conway Tap 0.2 mi.	L	●		○	❖	❖				03/07/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	□	○	●	●	❖	❖		05/01/07		
Cynthiana Dist Sub Rebuild		○	❖	❖						05/01/08		
Cynthiana Normally Open 69 kV Tap and Switch	L	●	❖	□	□	□				12/01/06		
Deatsville 11.2/14 MVA, 69-12.5 kV Distr. Sub	S	●		❖						05/01/07		
Tap, 0.2 mi	L	●	❖	❖	□	□				05/01/07		
Downing # 2 Sub 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	●	●	●	●	●	●	05/01/06	02/28/06	07/21/06
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●	●	N/A	●	○				01/01/08		
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	●	□	●	●				06/01/06	On Hold	
Tap 4.0 mile	S	●	○	□						06/01/06	On Hold	
Fall Rock 161/69 kV 100 MVA Sub.& Install 3-69 kV Brks	S	●	N/A	N/A	N/A	❖				04/30/08		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●	❖	❖						05/01/07		
Tap, 0.5 mi	L	●		❖						05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	●	●	❖		12/01/06		
Tap	L	●	●	□	□	●	❖	❖		12/01/06		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team



Power Delivery Expansion **OCTOBER PROJECT SUMMARY** **2006**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	○	N/A			12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV,.10 mi	L	●	❖	❖	□	□				12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●	●	●						05/01/07		
Tap, 3.5 mi	L	●		❖						05/01/07		
GM 161 kV Trans Sub (4 Breakers)	S	●	●	●	●	●	N/A	●	●	10/15/05	01/15/06	
GM-Memphis Jct. - 161 kV 14.5 miles	L	●	□	□	●	●				12/31/07		
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●	●	12/01/05		03/09/06
Tap, 69 kV, 3 mi.	L	●	●	●	●	●	●	●	●	02/23/06		02/23/06
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06	05/19/06	05/19/06
Tap, 69 kV, .02 mi.	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Headquarters Tap (Assoc w/Transmission Stat. Portion)	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Inez Sub (Site Acquisition Only)	S	●	❖	●	○	N/A	N/A	N/A	N/A	12/01/06		
Tap 69 kV - 6.0 mi.	L	●	❖	❖	□	❖				12/01/06		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	●	●	●	□	○	○	06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●								06/01/07		
J. K. Smith CT Substation 345 kV	S	●	N/A	N/A	●	●	N/A	❖		06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications	S	●	N/A	N/A	●	●	N/A	❖		12/29/06		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	06/01/06	07/07/06	09/26/06
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	□	○	○	○				06/01/06		
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Laurel Co. Ind'l Park #2 Sub 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	05/05/06	05/18/06	09/26/06
Liberty Church 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖						05/01/07		
Tap, 1.8 mi	L	●		❖						05/01/07		
Little Mount 161-12.5 kV Distr. Substation	S	●	●	●	●	●	●	●	●	12/01/05		06/20/06
Tap, 6 mi.	L	●	●	●	●	●	●	●	●	12/01/05		06/15/06
Memphis Jct. 161 kV Trans Sub (2 Breakers)	S	●	●	N/A	●	□				08/01/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	□	□	●	●	❖	❖		03/28/08		
North Clark (Sideview) 345 kV Transmission Station	S	●	●	●	●	□	❖			06/01/07		
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06		03/13/06
Oak Ridge Tap	L	●	●	●	●	●	N/A	●	●	05/01/06		03/10/06
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.	S	●								11/01/07		
Pine Grove # 2 Tap 69 kV, 0.1 mi.	L	●								11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	●	●	●	●	□	□	□	06/01/06		

❖ - Project Started
○ - 25% - 49% Complete
□ - 50% - 89% Complete
● - 90%- 100% Complete

S Substation Team
L Line Team



Power Delivery Expansion OCTOBER PROJECT SUMMARY

2006

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\R/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●		N/A	●	❖				12/01/08		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	●	●	●	○				06/01/07		
Tap .20 mi	L	●	●	□	□	□				06/01/07		
South Point 69-12.47kV, 11.2 Sub	S	●	●	●	●	●	○			06/01/06		
Tap	L	●	□	□	□	○				06/01/06		
Spurlock #4	S	●	●	N/A	N/A	□	N/A			02/15/08		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	●	●	05/02/06		06/22/06
Tap	L	●	●	●	●	●	●	●	●	05/02/06		06/22/06
W. Bardstown Jct. 69 kV BKR Station	S	●	○	●	●	●				05/20/06		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	N/A	N/A	N/A	□	N/A	○		05/01/07		
W. Nicholasville Tap 69 kV, .04 mi	L	●	●							05/01/07		
Web's Cross Roads 69-12.5 11.2/14 MVA Sub	S	●	●	●	●	○				11/01/06		
Web's Cross Roads Tap .30 mi.	L	●	□	●	□	○				11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●	○	○	□	□				01/02/09		
Woodstock 11.2/14 MVA Substation	S	●		○						12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●		❖						12/01/07		
STATION UPGRADES												
Avon 138 kV Line Tap (Dale Line)	S	●	N/A	N/A	N/A	●	●	●	●	Complete		
Boone Dist Sub Upgrade 15/20/25 MVA Complete	S	●	●	N/A	●	●	N/A	●	●	05/01/06	05/01/06	05/01/06
Boone Co. Station Service Relocation	S	●	N/A	N/A	N/A	●	●	●	●	05/01/06	05/01/06	05/01/06
Boone Sub Tap Reconf 69kV, 0.1 m	L	●								05/01/06	05/01/06	05/01/06
Cooper Aux. Transformer Addition	S	●	N/A	N/A	●	●	N/A	●	●	09/01/03	02/01/04	
Cooper Dist Sub Rebuild	S	●	N/A	N/A	●	●	●	●	●	12/01/05		03/14/06
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05		
McKinney Corner Substation Upgrade	S	●								05/01/06		
CAPACITOR BANKS												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●	●	●	●	●	N/A	●	●	06/01/05	09/11/05	02/09/06
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06		04/20/06
Clay Village 12.25 MVAR Cap bank	S	●	N/A	N/A	N/A	●	N/A	●	□	05/01/06	08/01/06	
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	□		05/01/06	10/02/06	

- ❖ - Project Started
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- S Substation Team
- L Line Team

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Power Delivery Expansion OCTOBER PROJECT SUMMARY

2006

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
CAPACITOR BANKS CONT'D												
Hickory Plains 25.52 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A			05/01/06		
Lees Lick 10.715 MVAR Cap Bank	S	●	N/A	●	N/A	●	N/A	●	●	01/31/02	06/21/02	
Loretto 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	12/01/04	07/31/04	
Martin County 12.25 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●		05/01/06	08/01/06	
Maytown 10.2 MVAR Cap Bank	S			N/A	N/A	●	N/A	●		12/01/06	10/02/06	
Pulaski Co.(Norwood) 18.0 MVAR Cap Bank&Tap	S&L	●	N/A	N/A	N/A	●	N/A	○		12/01/06		
Shelby County 25.51 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	●	N/A	●	●	12/01/03	12/01/03	
Sideview 7.14 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	●	●	●	05/01/06		06/07/06
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/05	07/16/05	
Tyner 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	●	N/A	❖		12/01/06		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	05/01/06		06/08/06
RECONDUCTORS												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	●	●	06/01/06		08/11/06
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●								12/01/07		
Davis Jct. - Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●								05/01/12		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/09		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	❖	❖	09/01/06		
Headquartaers - Millersburg Reconductor .09		●	N/A	N/A	●	●	N/A	●	●	05/01/06		05/24/06
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L	●								12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●								12/01/10		
LGE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReBLD.954MCM 69kV,16.71mi	L	●								01/02/09		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/09		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/07		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●	05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●								05/01/12		

- ❖ - Project Started
- - 25% - 49% Complete
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- S Substation Team
- L Line Team

Power Production

OCTOBER 2006

Engineering

Engineering is supporting the Smith Unit No. 1, combustion turbines, and Spurlock Unit No. 4.

Engineering is also supporting the scrubbers at Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

The Division for Air Quality has begun review of the Smith CT's application. Information has been requested on the cost of NOx control equipment.

Information is being provided to support the Division for Air Quality in the defense of the Spurlock Power Station Unit No. 4 Air Permit. The Sierra Club has requested a review of the permit.

A Scoping Meeting was held at Trapp, Kentucky, on the supplemental EIS for Smith Power Station. The meeting was held by RUS to receive comments from the public. Upon receipt of the comments, RUS will prepare their final environmental approval documents on the CFB units proposed for the Smith Power Station Site.

Revisions to the Division of Air Quality Regulations on air toxic emissions are being proposed. Review and comments are being provided.

The Division of Water has issued a Notice of Violation to the Yeiser Industrial Site for a water discharge. This discharge occurred as a result of the severe rains that occurred during the previous month. A response is being prepared for the violation.

A test burn has been preformed to the use of wood as a co-fire material at Dale Power Station. A similar test was performed at Cooper Power Station with good results. The burn at Dale Power Station was witnessed by the Division for Air Quality personnel.

The Environmental Report on the Smith Power Station CTs has been prepared and forwarded to RUS for comments. Following consideration of their comments, RUS can publish approval of the project.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

Power Production

Production Monthly Report

Page 2

October 2006

Fuel

EKPC's coal inventory at the end of October 2006 will be approximately 40 days. The inventory is projected to increase slightly in the future in preparation for the winter months.

A recommendation for a barge transportation supply contract amendment with Crounse Corporation will be presented at the November 2006 Board and Committee meetings.

Work continues on future coal and limestone sources for the new scrubbers.

Approximately 15,000 gallons of No. 2 fuel oil were purchased for Dale Power Station, approximately 7,500 gallons for Cooper Power Station, and approximately 60,000 gallons for Spurlock Power Station.

EKPC personnel began meetings with a short list of potential coal suppliers to aid in EKPC's future solicitation process for high sulfur coal to be used when the new scrubbers are operational and in the new fluidized bed unit.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Production

Dale Power Station

Dale Power Station has generated a total of 784,276 net MWh through September 30, 2006. Unit No. 1 was back on-line on October 9th from an outage that occurred on September 27th. Unit No. 1 was fully available the remainder of the month. Unit No. 2 was also back on-line October 6th from an outage that occurred September 27th. Unit No. 3 was on-line and fully available until October 31st when the unit tripped due to a generating tube leak. Unit No. 4 was on-line and fully available for the month of October.

Allen Company is on-site cleaning the No. 2 ash pond. ABM Technical was on-site performing monthly vibration analysis on critical equipment plant-wide.

Power Production

Production Monthly Report

Page 3

October 2006

Dale Power Station (Continues)

Dale personnel assisted the CT Site with water treatment needs. They also repaired the tube leak on Dale Power Station Unit No. 2 boiler. The No. 4C boiler feed pump motor was sent to Lebanon Power for a complete rewind and repair. Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

Routine safety meetings were held at Dale Power Station. The October safety meetings were conducted on P.S.C. Reporting and OSHA requirements.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

J.K. Smith Power Station

The combustion turbines have generated a total of 161,122 net MWh through September 30, 2006.

All units were available the entire month of October.

Preparation and planning is ongoing for Smith Unit No. 1 CFB and combustion turbines eight through twelve.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is ongoing at J.K. Smith.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Cooper Power Station

Cooper Power Station has generated 1,516,787 net MWh through September 30, 2006. Unit No. 1 was on-line and fully available for the month until October 27th. The unit was taken off-line for the fall maintenance outage. Unit No. 2 as on-line and fully available for the month of October.

Power Production

Production Monthly Report

Page 4

October 2006

Cooper Power Station (Continues)

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of October. Some of the tasks that were completed were collecting monthly oil samples, servicing all conveyors bearings, checked Unit No. 1 and Unit No. 2 submerged chains, coal feeders, coal sample building equipment, winterized mobile equipment and company vehicles, and also took engine oil samples from the auxiliary diesel generator and both of Cagle's generator engines. These, as well as other projects, were completed during this time.

Mann Painting Contractor completed work on the 2-A conveyor. Hinkle Contractors made repairs to Cooper Power Station's roadway.

Other routine preventive maintenance was performed plant-wide by Cooper Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 5,814,949 MWh through September 30, 2006. Unit No. 1 was on-line and fully available until October 6th. The unit was taken off-line for the annual maintenance outage. The unit was back on-line October 20th and fully available the remainder of the month. Unit No. 2 was on-line and fully available for the month of October. Unit No. 3 was on-line and fully available until October 28th. The unit derated to 230 MW net due to pluggage by wet limestone in the feed chutes into the pulverizers. The derate was increased to 135 MW on October 29th, due to pluggage problem worsening. The unit continues to be on-line but derated to 135 MW through the month.

Maintenance work for October included the outage work, which has the highest priority. Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.



RECYCLED PAPER MADE FROM 20% POST CONSUMER CONTENT

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06
REQUEST 30**

RESPONSIBLE PERSON: Gary Crawford

COMPANY: East Kentucky Power Cooperative, Inc.

Request 30. Refer to page 72 of 159 in your response to the Commission's October 27, 2006 Order, Item 13. Provide copies of the Business Management Plan as referenced in the May 2006 minutes and provide all subsequent updates, revisions, or modifications provided to the Board since May 2006.

Response 30. Copies of EKPC's Business Management Plan are included on pages 2 through 132.



EAST KENTUCKY POWER COOPERATIVE

EKPC Business Management Plan

EKPC Board of Directors
Status Report for May

May 9, 2006



EAST KENTUCKY POWER COOPERATIVE

May Status Report

EKPC Business Management Plan

Contents

□ Targets Review

- Fuel
- Purchased Power
- Environmental Surcharge
- Operational Costs
- Cost Saving Initiatives

□ Summary

5/9/06

5/9/06

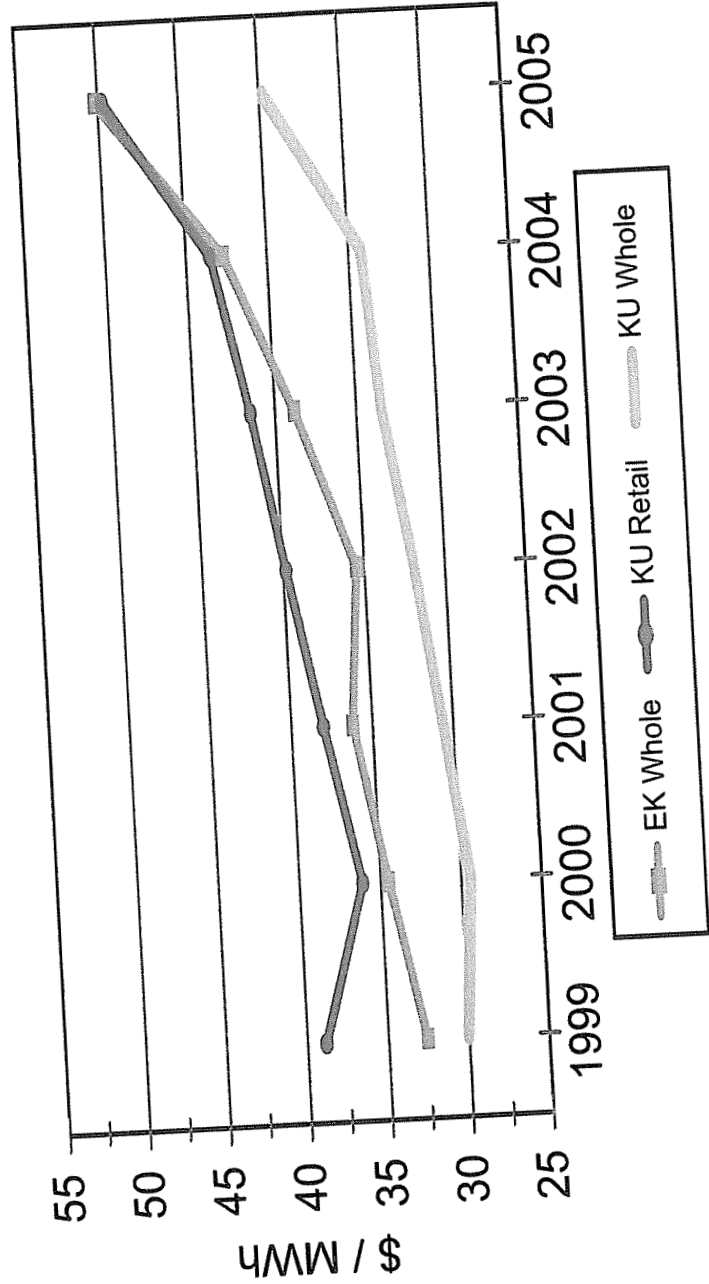


May Status Report

EKPC Business Management Plan

Historical EKPC / KU

Comparison of Avg Cost



EAST KENTUCKY POWER COOPERATIVE



EAST KENTUCKY POWER COOPERATIVE

Targets Review

EKPC Business Management Plan

To be accomplished by 12/31/07

☐ Fuel Adjustment Clause (FAC)

- Fuel (\$5 Million Target)
- Purchased Power (\$4 Million Target)

☐ Environmental Surcharge (\$3 Million Target)

- Allowances

☐ Operational Costs (\$8 Million Target)

5/9/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

☐ Fuel - \$5 Million: Randy Dials

- Reported April 2006 \$3,144,000
- Coal Blending – Cooper Station 157,700
- (through July 2006)
- Total Savings to Date \$3,301,700

☐ Independent Consultant Reviewing Fuel Contracts, Staffing, Purchase Orders & Strategy – Complete Mid-May

5/9/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

☐ Purchased Power - \$4 Million: Randy Dials, Jim Lamb

• Outage Management	
• Reported April 2006	\$3,727,000
• Dale 2 Three Days	<u>51,840</u>
• Total Savings To Date	\$3,778,840

5/9/06



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million
 - ☐ Reduce the costs of current compliance strategies - Dale 1 & 2 NOV's (\$2.4 M increase)
 - ☐ Reduce the operation and maintenance costs of pollution control equipment - Randy Dials

5/9/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

☐ Reduce operational budget – \$1,633,000

☐ Cost containment –

- Advertising - \$1,368,412
- Partners Plus - \$1,108,214
- Fuel Inventory - \$628,000

Total Savings to Date – \$4,737,626



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews (continued)

☐ Budget Analysis as of March 31, 2006

- Fuel (\$ 6,476,000)
- Operations Expense (\$12,751,000)
- Maintenance (\$ 2,127,792)
- Fixed Costs (\$ 1,163,236)



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings = \$9,418,166

EAST KENTUCKY POWER COOPERATIVE

5/9/06



EAST KENTUCKY POWER COOPERATIVE

PLAN SAVINGS INITIATIVES

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- Fuel Savings Initiatives
 - Staffing Review
 - As Burned Evaluation
 - Coal Blending
 - Inventory and Fuel Contract Mix
 - Fuel Switch @ Off Peak
 - QA/QC Procedures
 - Non-Coal Fuels

4/11/06



PLAN SAVINGS INITIATIVES

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Purchased Power Initiatives

- Generation Dispatch Staffing
- Benchmark Power Purchases
- Long-term Power Purchases
- ATF Purchase Analysis
- Unit Commitment and Minimum Loading
- Operational Planning

EAST KENTUCKY POWER COOPERATIVE

4/11/06



PLAN SAVINGS INITIATIVES

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Operational Savings

- Labor Targets
- Plant KPI's and Benchmark's
- Outage Management
- Cooper/Dale Studies
- Plant Performance Optimization (PPO) Implementation
- Risk-based Capital and Maintenance Justification
- Peer Group Communications

4/11/06



EAST KENTUCKY POWER COOPERATIVE

Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Quarterly Reports (Staggered Beginning May 2006)

	<u>Report Date</u>
Financial Forecast Review	June
Project Reviews	July
Budget to Actual Variance Analysis	May

5/9/06



Reporting Metrics Discussion

GOST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Monthly Reports (Trends, Forecasts, and Variances)

Coal

Purchased Power

Gas

FAC Forecast

Allowances

Environmental Surcharge Forecast



EAST KENTUCKY POWER COOPERATIVE

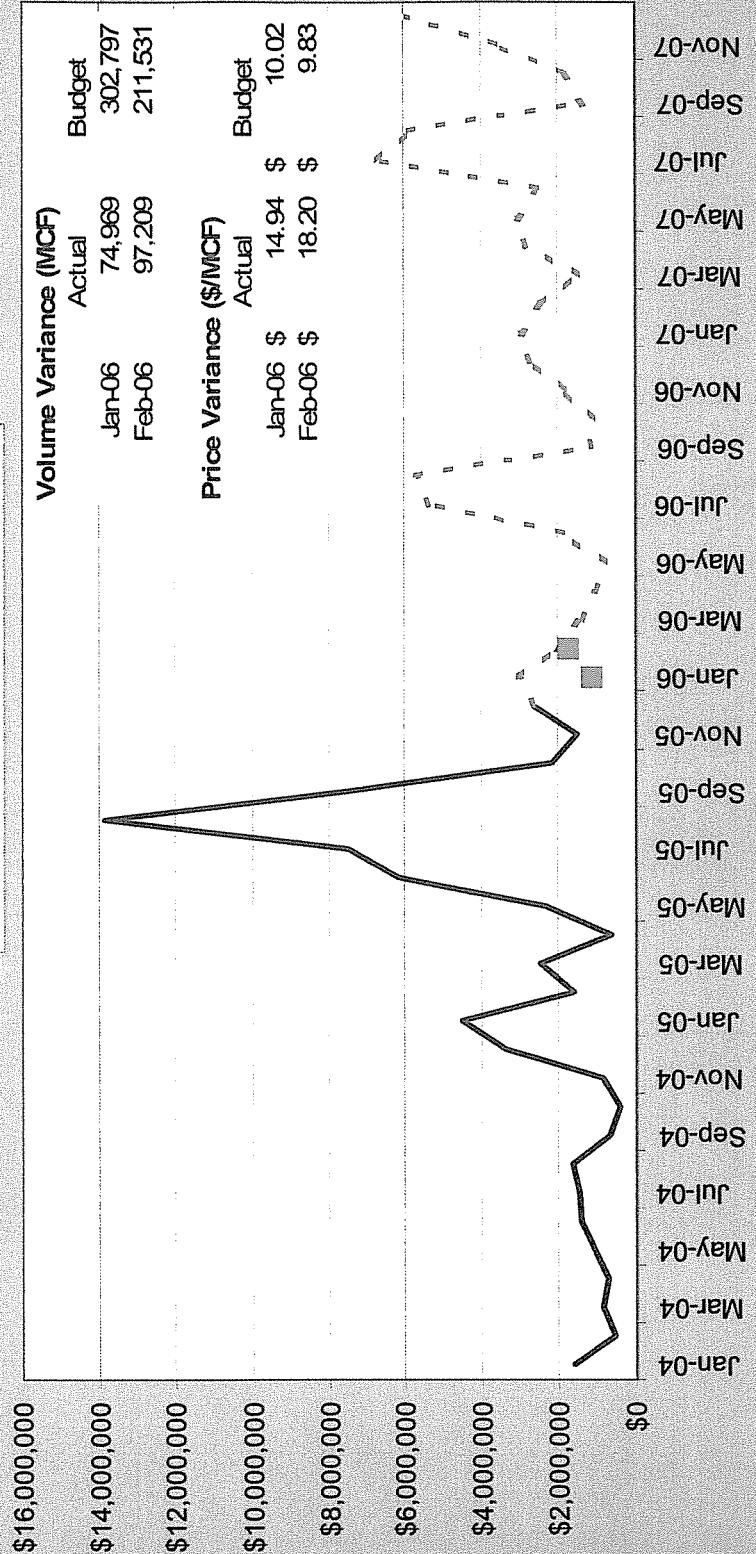
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - Budget





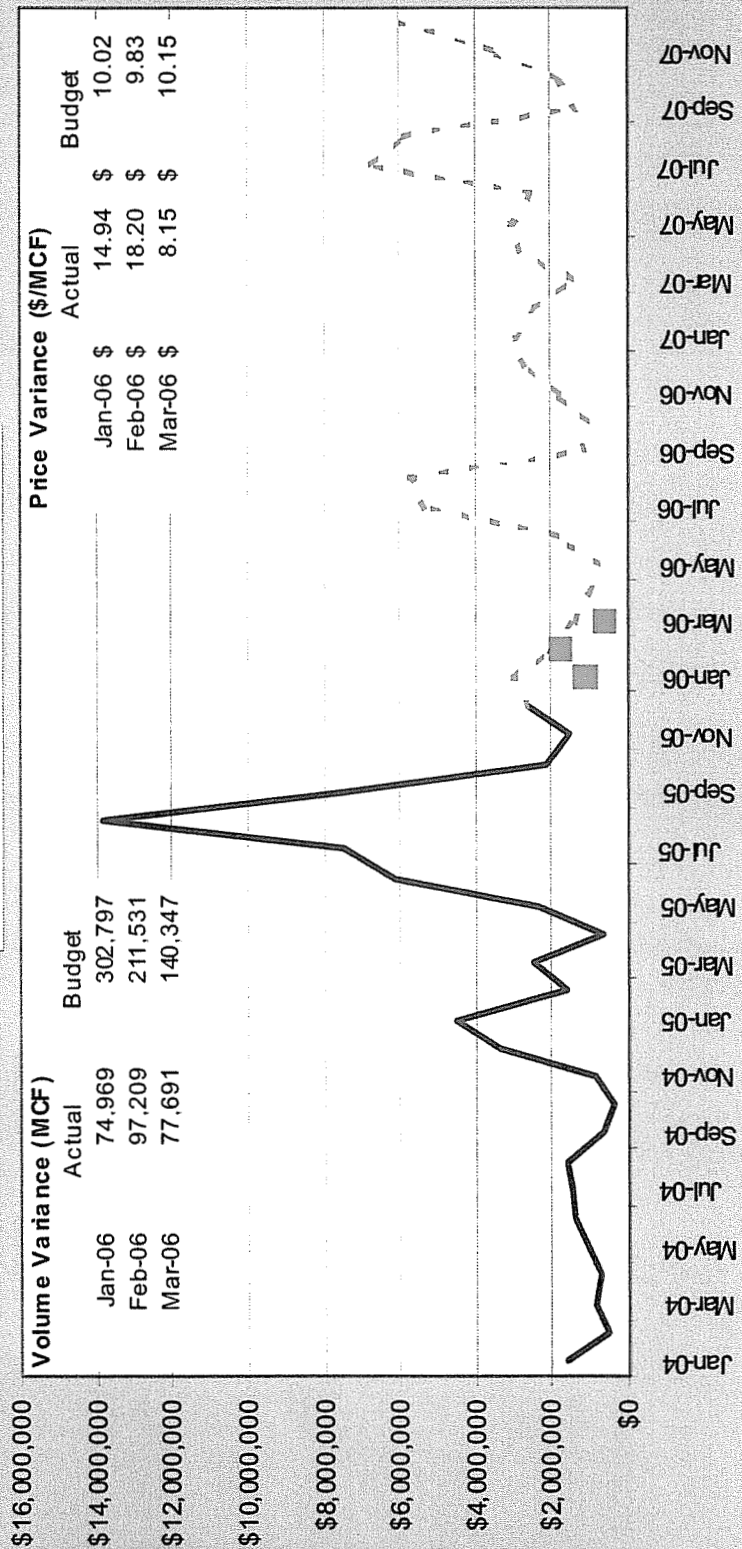
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - - Budget



5/9/06



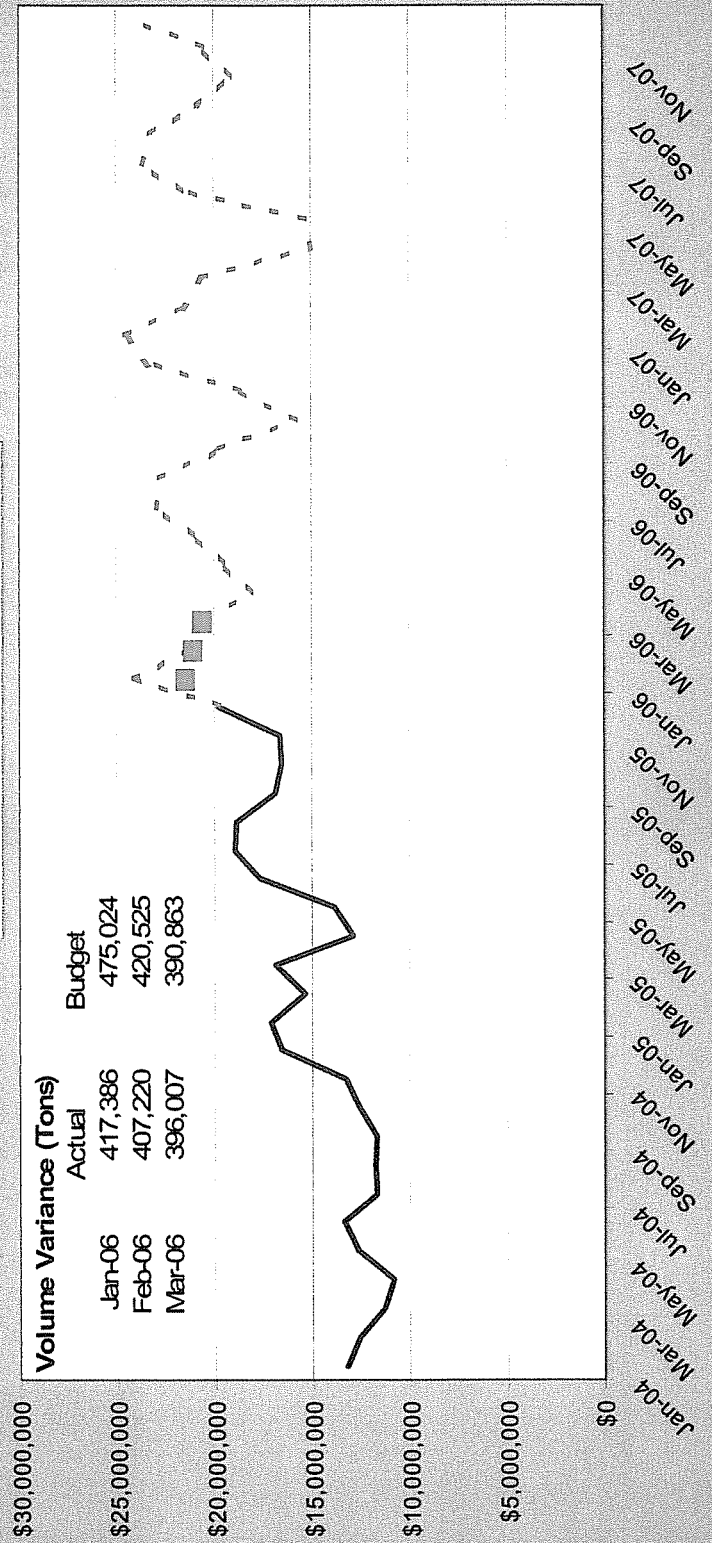
Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

Historical Actual Budget



EAST KENTUCKY POWER COOPERATIVE



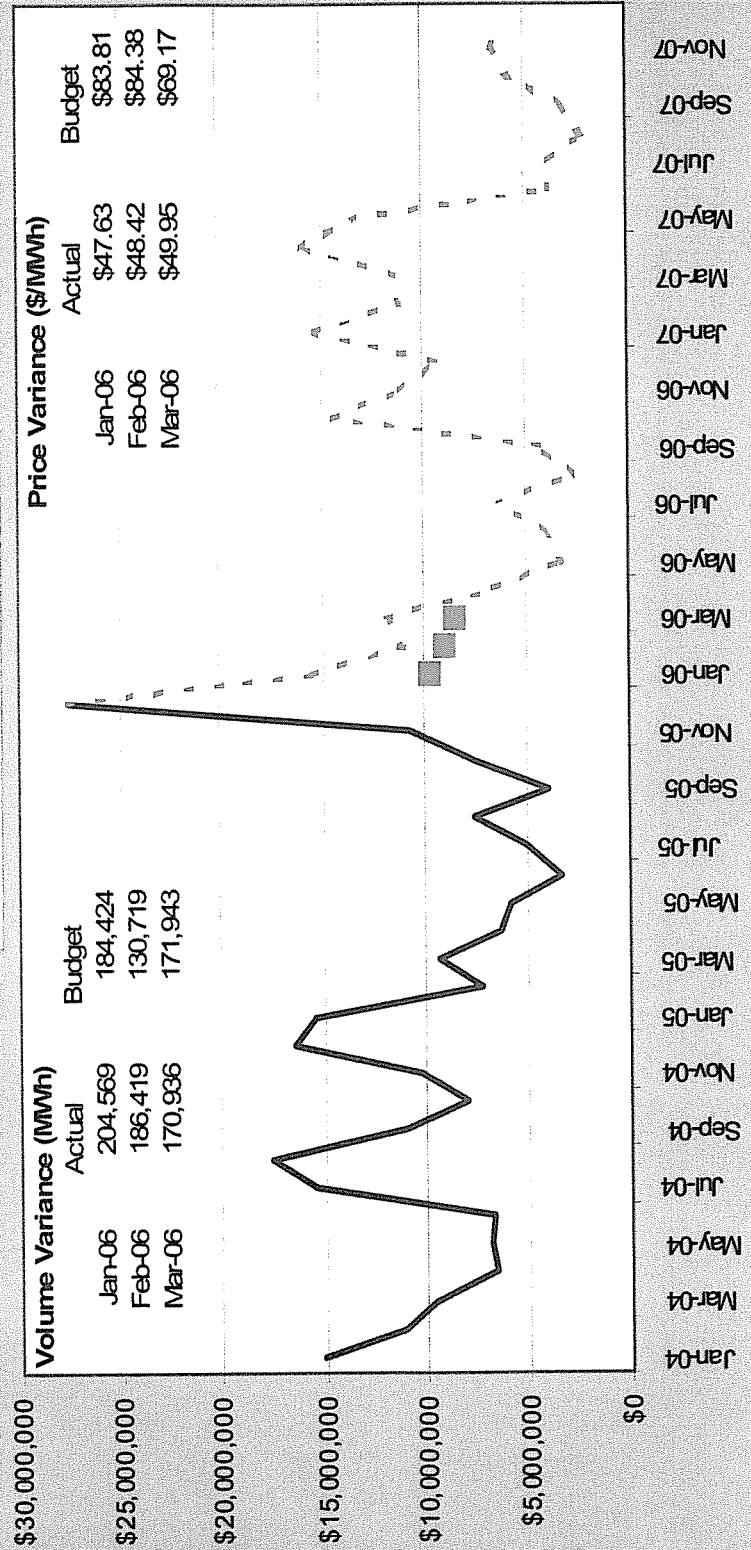
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Purchased Power Dollars

— Historical ■ Actual - - Budget



EAST KENTUCKY POWER COOPERATIVE

5/6/06



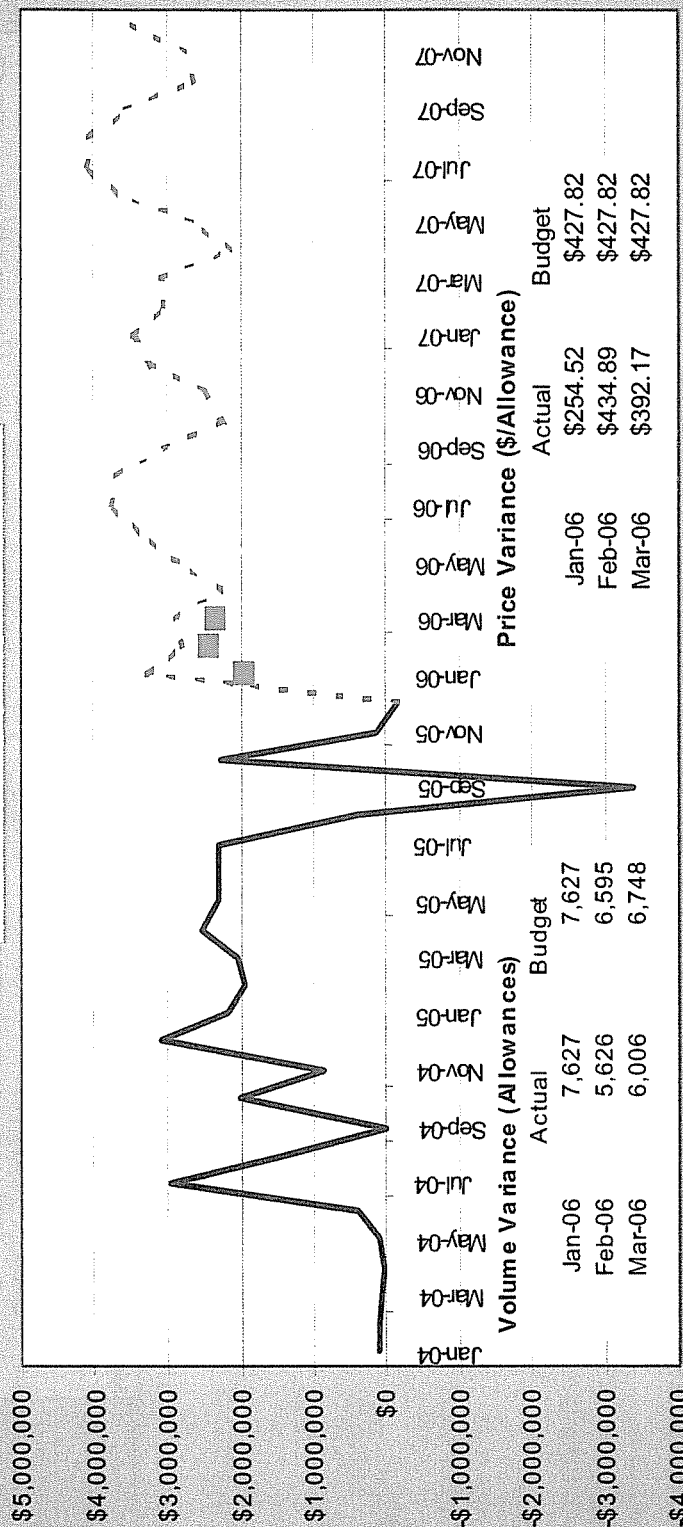
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - Budget





Plan Action Items

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Cost Containment

HR and Support Services

Power Delivery

Finance and Accounting

Coordinated Planning

Government and Public Affairs

Legal

Doug Oliver

John Twitchell

Dave Eames

Jim Lamb

Barry Mayfield

Dale Henley

July '06

☐ Budget Reviews

Roy Palk

Oct '06

☐ Cost Containment Status Reports VP's

Monthly

4/11/06



Plan Action Items (cont'd)

COST CONSCIOUS CULTURE –ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

<input type="checkbox"/> Board of Directors Meeting Impacts		
Board Book Modification	Shiela Medina	July '06
Board Agenda Process	Shiela Medina	July '06
Board Meeting Changes	Roy Palk	
<input type="checkbox"/> COO Decision	Roy Palk	May '06
<input type="checkbox"/> Policy Reviews	Dale Henley	July '06
<input type="checkbox"/> Employee Communication Plan	Gary Crawford	May '06
<input type="checkbox"/> Key Contributor Redesign	Doug Oliver	May '06

4/11/06



EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Cost Reduction Plan
\$20.0 Million Target
\$ 9.4 Million (Net) Realized

5/9/06



EKPC Business Management Plan

EKPC Board of Directors

Status Report for June

June 12, 2006

EAST KENTUCKY POWER COOPERATIVE

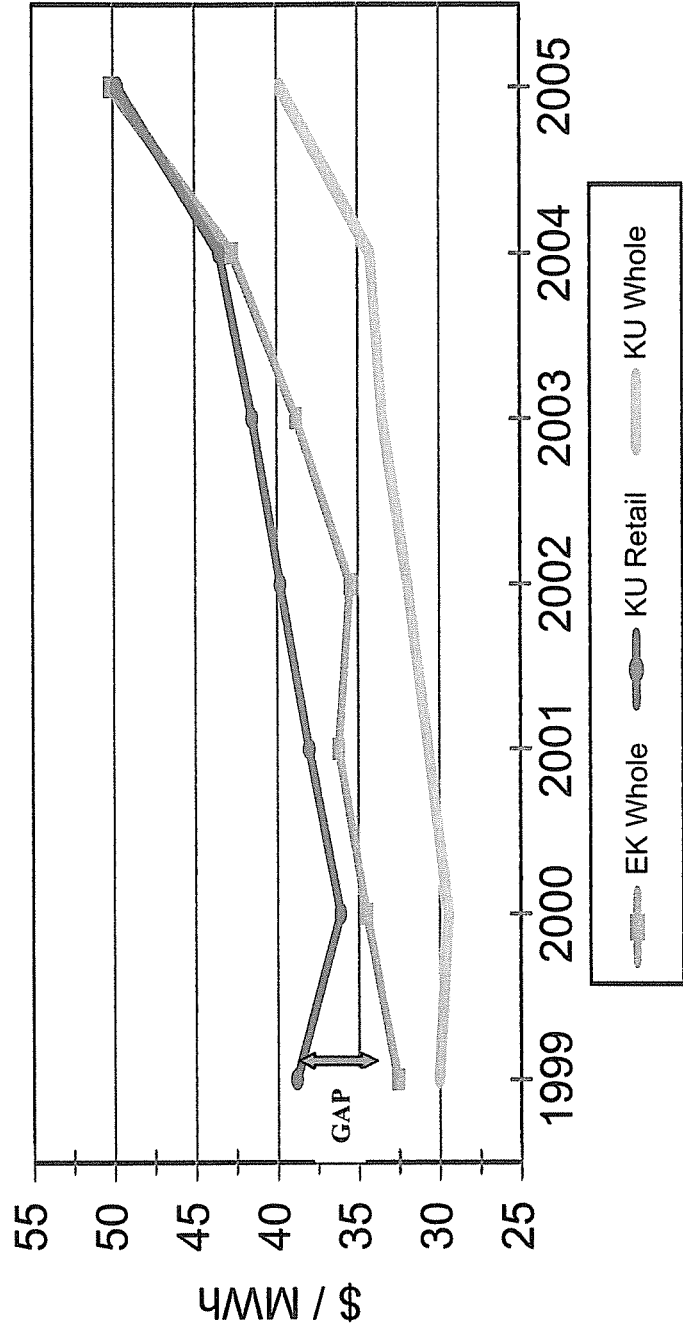
6/12/06

June Status Report

EKPC Business Management Plan

Historical EKPC / KU

Comparison of Avg Cost



EAST KENTUCKY POWER COOPERATIVE





EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Fuel - \$5 Million: Randy Dials
 - Reported May 2006 \$3,301,700
 - Spurlock Units 1 & 2 – Test Burn
 - Total Savings to Date \$3,301,700

- ☐ Independent Fuel Consultant – Final Report Expected in June

6/12/06



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Purchased Power - \$4 Million: Randy Dials, Jim Lamb
 - Outage Management
 - Reported May 2006 \$3,778,840
 - Cooper Unit 2 – 30 Hrs 337,500
 - Total Savings To Date \$4,116,340

6/12/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million
 - ☐ Reduce the costs of current compliance strategies- Dale 1 & 2 NOV's (\$2.4 M increase)
 - ☐ Reduce the operation and maintenance costs of pollution control equipment - Randy Dials
 - ☐ Volatility of Surcharge has decreased
7.93% Low – February
9.08% High - April

6/12/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

	<u>2006</u>	<u>2007</u>
<input type="checkbox"/> Reduce operational budget —	\$1,543,000	\$1,543,000
<input type="checkbox"/> Cost containment —		
• Advertising -	\$665,656	\$1,450,084
Partners Plus -	\$110,675	\$1,137,839
• Fuel Inventory -	\$314,000	\$ 628,000
Total Savings to Date —	\$2,633,331	\$4,758,923

6/12/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings:

<u>2006</u>	<u>2007</u>
\$7,977,711	\$12,176,963

6/12/06

6/12/06

Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Quarterly Reports (Staggered Beginning May 2006)

Report Date

June

June

July

Budget to Actual Variance Analysis

Financial Forecast Review

Project Reviews





EAST KENTUCKY POWER COOPERATIVE

Budget to Actual Variance Analysis

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan



Variance Analysis as of April 30, 2006

- Revenue (\$34,354,113)
- Fuel (\$ 6,937,142)
- Operations Expense (\$15,643,266)
- Maintenance (\$ 6,584,197)
- Fixed Costs (\$ 1,773,231)
- Margins (\$ 3.1 Million)

6/12/06

POWER DELIVERY – MAINTENANCE, RICK DRURY, MANAGER

The main purpose of Power Delivery maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	¹ Year-To-Date Results	¹ Year-To-Date Goal	Yearly Goal
---------	--------------	-----------------------------------	--------------------------------	-------------

Safety

Accidents	Lost Time Accident Rate	0.00	2.2	3.3
Inspections	Avg. Inspection Rating	100%	98%	98%
Electric Service	ASUI (without major storms)	26.50	12.67	19 min.
Cost Effective	Operating Cost	\$3,697,902 ²	\$4,997,194 ²	\$8,619,073
	Capital Project Cost	\$ 496,194 ²	\$2,386,283 ²	\$3,498,836

Member’s Expectations

Member System Satisfaction	Member System Survey	N/A	88%	88%
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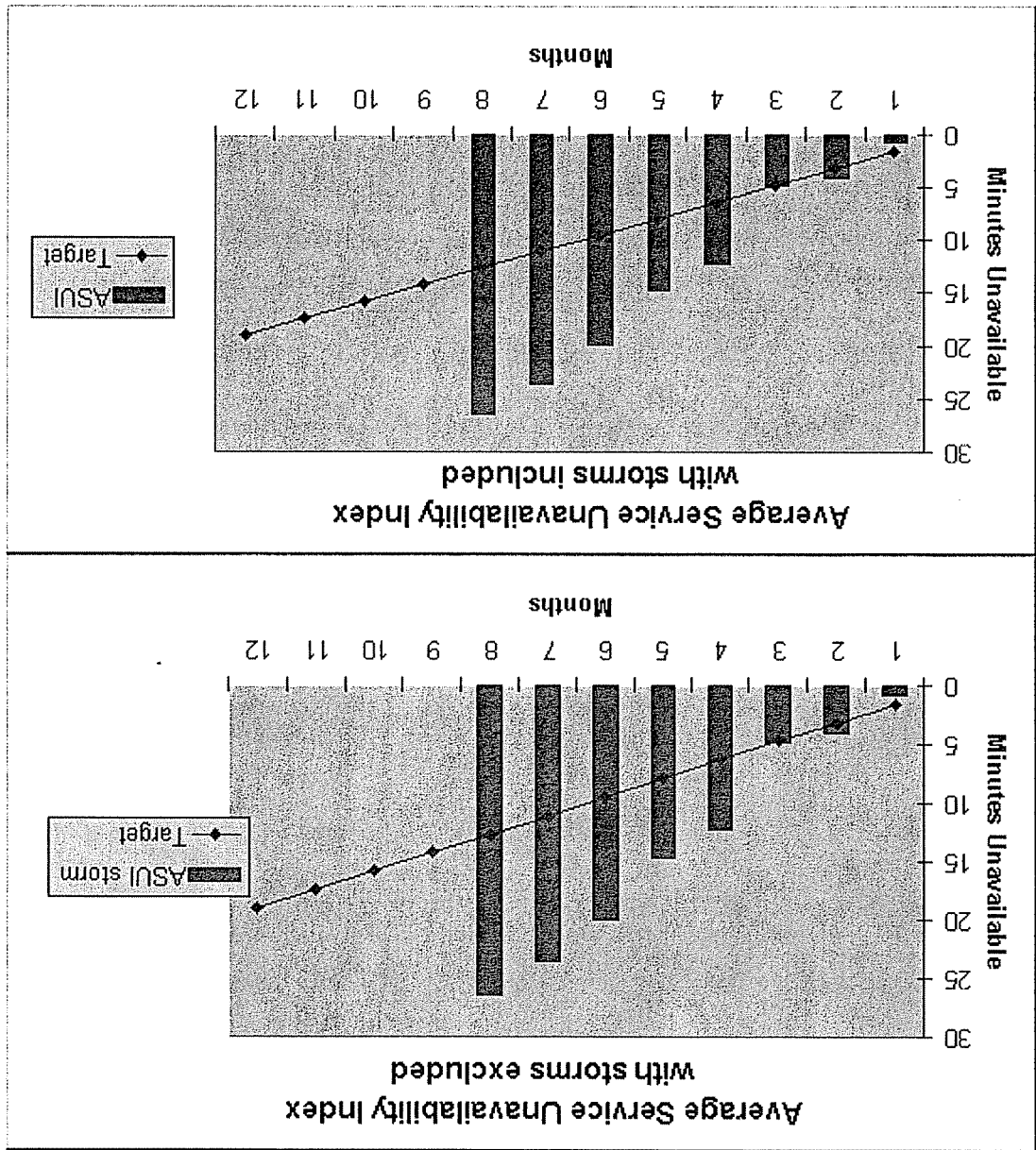
Notes:

1. Year to date results and goals through August 31, 2006
2. Year to date results and goals through July 31, 2006.

POWER DELIVERY – EXPANSION – MARY JANE WARNER, MANAGER

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

(h:Sept06rpt.doc)



AVERAGE SERVICE UNAVAILABILITY INDEX REPORT (ASUI)

Month	Year	Without Major Storms (Min.)	With Major Storms (Min.)	Threshold	Target	Stretch
1	2006	0.7914	0.7914	2.08	1.58	1.08
2	2006	4.0745	4.0745	4.17	3.17	2.17
3	2006	4.8597	4.8597	6.25	4.75	3.25
4	2006	12.1789	12.1789	8.33	6.33	4.33
5	2006	14.7422	14.7422	10.42	7.92	5.42
6	2006	19.9461	19.9461	12.50	9.50	6.50
7	2006	23.5257	23.5257	14.58	11.08	7.58
8	2006	26.4977	26.4977	16.67	12.67	8.67
9	2006	0.0000	0.0000	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	25.00	19.00	13.00

MSI

EAST KENTUCKY POWER COOPERATIVE POWER SUPPLIER OUTAGE REPORT August 2006

Average Hours Outage Per Consumer

THIS MONTH			YEAR-TO-DATE		
EMERGENCY	SCHEDULE	TOTAL	EMERGENCY	SCHEDULE	TOTAL
0.00	0.00	0.00	0.03	0.05	0.08
BIG SANDY					
0.00	0.00	0.00	0.05	0.00	0.05
BLUE GRASS					
0.00	0.00	0.00	0.05	0.00	0.05
CLARK					
0.48	0.00	0.48	2.24	0.00	2.24
CUMBERLAND VALLEY					
0.11	0.00	0.11	0.95	0.00	0.95
FARMERS					
0.00	0.00	0.00	0.00	0.00	0.00
FLEMING-MASON					
0.30	0.00	0.30	0.30	0.00	0.30
GRAYSON					
0.00	0.00	0.00	0.48	0.00	0.48
INTER-COUNTY					
0.00	0.00	0.00	0.46	0.00	0.46
JACKSON					
0.00	0.00	0.00	0.01	0.12	0.13
LICKING VALLEY					
0.00	0.00	0.00	0.14	0.00	0.14
NOLIN					
0.01	0.00	0.01	0.05	0.00	0.05
OWEN					
0.25	0.00	0.25	0.73	0.00	0.73
SALT RIVER					
0.00	0.00	0.00	5.70	0.00	5.70
SHELBY					
0.10	0.00	0.10	0.25	0.00	0.25
SOUTH KENTUCKY					
0.00	0.00	0.00	0.33	0.00	0.33
TAYLOR COUNTY					
0.00	0.00	0.00	0.17	0.00	0.17
EKPC					
0.08	0.00	0.08	0.51	0.01	0.52
SYSTEM AVERAGE					

EKPC POWER SUPPLIER OUTAGES have accounted for .52 consumer hours out year to date. Of these .01 were scheduled, .00 were due to major storms and .51 were other emergency outages.

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT AUGUST 2006 for Entire System

Page 5 of 5

Date/Time	Time Off	Consumer Hours Out	KWH Unserviced	Substation Company	Type / Cause Description
Emer/Sched	Consumers Out				
08/28/06 14:01	0 h 24 m	1,240	2,975	S40 South Albany	Storm / Weather Related : Lightning Lightning damaged insulators at STR. #AR-17 allowing conductor to float freely & make contact with another phase in line section between Upchurch-Albany on Summershade-Wayne County transmission line.
Emergency	3,099			South Kentucky	
08/28/06 14:01	1 h 58 m	4,053	9,594	S10 Upchurch	Storm / Weather Related : Lightning Lightning damaged insulators at STR. #AR-17 allowing conductor to float freely & make contact with another phase in line section between Upchurch-Albany on Summershade-Wayne County transmission line.
Emergency	2,061			2 South Kentucky	
08/28/06 16:06	0 h 3 m	72	250	S75 Bush	Storm / Weather Related : Lightning Received breaker indication that KU London 93-624 tripped. Bush Substation off. KU Dispatcher reclosed breaker by supervisory control.
Emergency	1,448			Jackson	
08/29/06 14:28	1 h 7 m	0	0	N18 New Castle	Vandalism : Vandalism An emergency outage was required in order to facilitate temporary repairs on substation grounds to allow non-qualified personnel to safely enter/investigate accident scene & remove body of individual that was found at station.
Emergency	1,141			Shelby	

TOTAL	53,779	37,474	75,985	Average Hours Outage Per	0.08
YEAR TO DATE	236,641	257,972	732,246	YTD Avg Hrs Outage Per	0.52
TOTAL CONSUMERS SERVED =	499,309				

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT AUGUST 2006 for Entire System

Page 4 of 5

Date/Time	Time Off	Consumer	KWH	Substation	Type / Cause
Emer/Sched	Consumers	OutHours	OutUnservd	Company	Description
08/20/06 6:21 Emergency	0 h 1 m 1,631	27	75	W6 Blue Lick 3 Salt River	Accident by Outsiders : Other XLGE ML-6676 relayed out due to closing in on fault while attempting to sectionalize BL-6676 faulted transmission line. LG&E opened 676-5 at Brooks & closed normally open switch 676-4 to try & pick up Brooks Substation from Mud Lane source. Tree branch was found on this section of line
08/22/06 13:03 Emergency	13 h 39 m 1,370	4,133	9,686	E10 Chad 3 Cumberland Valley	Distribution Sub. Equip. Failure : Transformer A tree fell onto a distribution line just outside Chad Substation. Heavy fault current from this event damaged substation main power transformer. Two primary fuses operated. Replaced transformer.
08/23/06 7:43 Scheduled	2 h 40 m 1	0	0	N56 Inland Container #1 Fleming-Mason	System Improvements : Maintenance A scheduled outage was required in order to replace lightning arrestors and station service transformer at Inland #1 Substation.
08/23/06 12:09 Emergency	0 h 36 m 4,328	2,597	1,362	W0 Munfordville 9 Farmers	Distribution Sub. Equip. Failure : Regulator Regulator #1461 failed, Cause of failure is still under investigation. No primary fuses operated according to reports from field.
08/28/06 14:01 Emergency	0 h 24 m 2,170	868	2,300	S12 Albany South Kentucky	Storm / Weather Related : Lightning Lightning damaged insulators at STR. #AR-17 allowing conductor to float freely & make contact with another phase in line section between Upchurch-Albany on Summershade-Wayne County transmission line.
08/28/06 14:01 Emergency	0 h 9 m 1,250	188	1,500	S71 Snow South Kentucky	Storm / Weather Related : Lightning Lightning damaged insulators at STR. #AR-17 allowing conductor to float freely & make contact with another phase in line section between Upchurch-Albany on Summershade-Wayne County transmission line.

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT AUGUST 2006 for Entire System

Page 3 of 5

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
08/19/06 10:58 Emergency	0 h 9 m 1,714	257	1,325	W4 Ninevah 4 Blue Grass	Storm / Weather Related : Lightning KU Tyrone breaker 65-614 relayed open due to thunderstorms with lightning passing through area. Breaker 65-614 was closed by plant personnel. This breaker has no auto-reclosing scheme.
08/19/06 13:41 Emergency	2 h 8 m 814	1,737	4,752	E43 Pelfrey Grayson	Transmission Sub. Equip. Failure : Breaker KYP Coalton-Leon-Morehead relayed out of service due to "A" breaker failure at KYP Leon Substation.
08/20/06 5:13 Emergency	0 h 50 m 2,165	1,804	5,800	W8 Beulah Beam 5 Salt River	Storm / Weather Related : Wind LG&E transmission line BL-6676 relayed out of service due to tree branch making contact with transmission line between switches 676-4 and 676-5.
08/20/06 5:13 Emergency	2 h 19 m 1,819	4,214	11,935	W6 Brooks 4 Salt River	Storm / Weather Related : Wind LG&E transmission line BL-6676 relayed out of service due to tree branch making contact with transmission line between switches 676-4 and 676-5.
08/20/06 5:13 Emergency	0 h 50 m 1,662	1,385	2,418	W6 Mt. Washington #1 7 Salt River	Storm / Weather Related : Wind LG&E transmission line BL-6676 relayed out of service due to tree branch making contact with transmission line between switches 676-4 and 676-5.
08/20/06 5:13 Emergency	0 h 50 m 1,983	1,653	2,306	W6 Mt. Washington #2 7 Salt River	Storm / Weather Related : Wind LG&E transmission line BL-6676 relayed out of service due to tree branch making contact with transmission line between switches 676-4 and 676-5.
08/20/06 5:13 Emergency	0 h 50 m 2,234	1,862	2,675	W7 West Mt. 4 Washington 4 Salt River	Storm / Weather Related : Wind LG&E transmission line BL-6676 relayed out of service due to tree branch making contact with transmission line between switches 676-4 and 676-5.

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT AUGUST 2006 for Entire System

Page 2 of 5

Date/Time	Time Off	Consumer	KWH	Substation	Type / Cause
Emer/Sched	Consumers Out	Hours Out	Unserv'd	Company	Description
08/08/06 1:14 Emergency	0 h 1 m 1,623	34	50	N81 Bedford	Storm / Weather Related : Lightning KU Carrollton breaker 676-604 opened & locked out during a thunderstorm with heavy lightning resulting in transmission line outage. Recloser switch at KU Carrollton substation was found in "off" position.
08/08/06 1:14 Emergency	0 h 1 m 914	19	225	N22 Milton	Storm / Weather Related : Lightning The KU Carrollton breaker 676-604 open & locked out during a thunderstorm with heavy lightning resulting in transmission line outage. Recloser switch at KU Carrollton substation was found in "off" position.
08/09/06 9:57 Emergency	0 h 13 m 3,627	786	1,330	N21 Munk	Personnel Error : Other Boom of EKP crane truck made contact with regulator bypass switch resulting in a bus fault, while changing out regulators at Munk Substation. Regulator pad broke while EKP personnel were in process of removing old pad from regulator bay, causing boom to make contact with energized bus. This fault internal to Munk Substation, caused breakers to operate at Owen Co. N44-644 & Boone Co. N15-604, 614, & 638, before two primary fuses at Munk Substation operated.
08/10/06 21:30 Emergency	0 h 30 m 3,510	1,755	3,062	S85 Carpenter	Storm / Weather Related : Lightning A lightning strike damaged OCR-#295, causing S65-608 to open at Carpenter Substation.
08/11/06 0:30 Emergency	1 h 30 m 3,510	5,265	7,750	S85 Carpenter	Distribution Sub. Equip. Failure : Primary Circuit Switcher An outage was required in order to remove defective CT's and install jumpers. Installed high side fuses to replace circuit switcher 608.
08/15/06 1:46 Emergency	2 h 20 m 1,208	2,819	1,250	E78 Sandy Hook	Wildlife : Wildlife A snake made contact with secondary bus of substation resulting in an outage. One primary fuse operated.
				Grayson	

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT AUGUST 2006 for Entire System

Page 1 of 5

Date/Time	Time Off	Consumer Hours Out	KWH Unserviced	Substation Company	Type / Cause Description
08/02/06 15:06 Emergency	0 h 5 m 2,165	38	0	W6 Beam Salt River	Mis-operation of Protection Scheme : Mis-Coordination LG&E transmission line BL-6676 relayed out of service. Transmission relays at LG&E Blue Lick Substation tripped for a fault on distribution system. After an investigation, LG&E personnel corrected this mis-coordination of protective relay schemes. This same type situation occurred during a 7-14-06 outage. No problems were found during aerial patrol of line.
08/02/06 15:06 Emergency	0 h 5 m 2,165	180	1,250	W8 Beulah Beam Salt River	Mis-operation of Protection Scheme : Mis-Coordination LG&E transmission line BL-6676 relayed out of service. Transmission relays at LG&E Blue Lick Substation tripped for a fault on distribution system. After an investigation, LG&E personnel corrected this mis-coordination of protective relay schemes. This same type situation occurred during a 7-14-06 outage. No problems were found during aerial patrol of line.
08/02/06 15:06 Emergency	0 h 5 m 1,662	139	665	W6 Mt. Washington #1 Salt River	Mis-operation of Protection Scheme : Mis-Coordination LG&E transmission line BL-6676 relayed out of service. Transmission relays at LG&E Blue Lick Substation tripped for a fault on distribution system. After an investigation, LG&E personnel corrected this mis-coordination of protective relay schemes. This same type situation occurred during a 7-14-06 outage. No problems were found during aerial patrol of line.
08/02/06 15:06 Emergency	0 h 5 m 1,983	165	650	W6 Mt. Washington #2 Salt River	Mis-operation of Protection Scheme : Mis-Coordination LG&E transmission line BL-6676 relayed out of service. Transmission relays at LG&E Blue Lick Substation tripped for a fault on distribution system. After an investigation, LG&E personnel corrected this mis-coordination of protective relay schemes. This same type situation occurred during a 7-14-06 outage. No problems were found during aerial patrol of line.
08/02/06 15:06 Emergency	0 h 5 m 2,234	186	800	W7 West Mt. 4 Washington Salt River	Mis-Operation of Protection Scheme : Mis-Coordination LG&E transmission line BL-6676 relayed out of service. The transmission relays at LG&E Blue Lick substation tripped for a fault on the distribution system. After an investigation, LG&E personnel corrected this mis-coordination

EAST KENTUCKY POWER COOPERATIVE EMERGENCY OUTAGES - YEAR TODATE

August 2006

Page 1 of 1

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
BLUE GRASS	2-25%	0-0%	0-0%	5-63%	0-0%	0-0%	0-0%	0-0%	0-0%	1-13%	0-0%	8-100%
CLARK	0-0%	0-0%	0-0%	4-67%	0-0%	0-0%	0-0%	0-0%	2-33%	0-0%	0-0%	6-100%
CUMBERLAND VALLEY	0-0%	0-0%	2-33%	4-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	6-100%
FARMERS	0-0%	0-0%	1-8%	7-54%	0-0%	0-0%	2-15%	1-8%	0-0%	2-15%	0-0%	13-100%
FLEMING-MASON	0-0%	3-60%	2-40%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
GRAYSON	0-0%	1-50%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-50%	0-0%	2-100%
INTER-COUNTY	3-43%	0-0%	1-14%	1-14%	0-0%	0-0%	0-0%	0-0%	0-0%	2-29%	0-0%	7-100%
JACKSON	0-0%	0-0%	0-0%	5-50%	0-0%	4-40%	0-0%	0-0%	0-0%	1-10%	0-0%	10-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	1-100%
NOLIN	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-25%	0-0%	0-0%	3-75%	0-0%	4-100%
SALT RIVER	3-11%	0-0%	0-0%	7-25%	0-0%	6-21%	0-0%	11-39%	0-0%	1-4%	0-0%	28-100%
SHELBY	0-0%	0-0%	0-0%	7-88%	0-0%	0-0%	0-0%	0-0%	1-13%	0-0%	0-0%	8-100%
SOUTH KENTUCKY	1-8%	0-0%	1-8%	11-85%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	13-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	7-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	7-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	9-7%	4-3%	8-7%	60-50%	0-0%	10-8%	3-2%	12-10%	4-3%	11-9%	0-0%	121-100%

TLIN=Transmission Line Equipment Failure
TSUB=Transmission Sub Equipment Failure
DSUB=Distribution Sub Equipment Failure
WTHR=Storm/Weather Related

ROW=Right-Of-Way
ABO=Accident By Outsiders
PERR=Personnel Error
MOPS=Mis-operation of Protection Scheme

VAND=Vandalism
WILD=Wildlife
SIMP=System Improvements

M44

MONTHLY REPORT

SEPTEMBER 2006

POWER DELIVERY-OPERATIONS – GEORGE CARRUBA, MANAGER

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

Outage Reports for August 2006 – EKPC Power Supply outages have accounted for

.52 consumer hours out year-to-date. Of these, .01 were scheduled and .51 were emergency outages, none due to major storms. For August, we experienced 15 emergency outages affecting 27 substations and eight member systems. One scheduled outage occurred and 10 line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through August 2006, our reliability measure, ASUI is 26.5 minutes with no major storms occurring.

MONTHLY REPORT

Member Services

- Met with Cooper Station to produce new tour tape.
- Participated in conference call regarding Co-op Connections Card Program.
- Completed Lineman's Rodeo video.
- Worked with Communications on Copper theft.

MONTHLY REPORT

Member Services

- Posted the InterChange list of stories for member systems optional use in their October Kentucky Living inserts.
- Completed new DVD presentation showcasing the history of EKPC, which is now on display in the HQ lobby and was sent to plants for use with tour groups.
- Completed a Connections Newsletter for co-op Member Services Departments with updates about EKPC Member Services Cost Containment efforts and more.
- Posted various Fact Sheets, including several about employee benefits changes, and PSC approval of the Smith Units.
- Wrote two letters to the editor responding to articles that were printed by the Associated Press and the Bowling Green Daily News about the Warren transmission project.
- Completed a Close the Gap newsletter about Member Services recommendations for Cost Containment.
- Scheduled a tour of Spurlock Station for the Lexington Herald-Leader.
- Distributed the next estimate from Pricing on the upcoming Environmental Surcharge factor.
- Distributed the August Fuel Adjustment Clause report.
- Printed bill inserts and forms for Big Sandy RECC and several member systems.
- Distributed daily stories about the electric industry and Public Service Commission orders to EKPC and member system staff.

Touchstone Energy Brand Management

- Attended Lineman's Rodeo meeting at KAEC.
- Visited Shelby Energy to promote Co-op Connections Program to employees.
- Made update on UK Network & advertising to EKPC's Board.
- Produced and delivered radio & print ads for final (3rd) ad flight of 2006.
- Visited Salt River & Jackson to talk about 2007 advertising.
- Videoted TSE balloon at Frankfort Aerial days and did Video news release.
- Completed video of Communications History tape.

MONTHLY REPORT

Member Services

Salt River RECC	Washington County Elementary
SKRECC	Burnside Elementary
SKRECC	Jamesstown Elementary
SKRECC	Oak Hill Elementary
SKRECC	Phelps Elementary
SKRECC	Science Hill Elementary
SKRECC	Shopville Elementary
SKRECC	Woodstock Elementary
Taylor RECC	Col. William Casey Elementary
Taylor RECC	Taylor County Elementary
Taylor RECC	Taylor County Elementary
Taylor RECC	Taylor County Middle School

- Construction Projects Involving Environmental Activities for August: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Inez Sub and Tap, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Webb's Cross Roads, Fayette-Davis Junction-Nicholasville, Big Creek Sub and Tap, Laurel – Keavy Transmission Line

- Met with Cultural Resource Analysts concerning the archaeological and cultural surveys on the Warren projects.

- Met with the Kentucky Heritage Council regarding cultural resource activities associated with the Smith – West Garrard Transmission Line.

- Met with Daniel Boone National Forest Service officials regarding the Big Creek – Oneida Transmission line project. EKPC received the Special Use Permit for this project. The project has been cleared for construction.

- Met with RUS officials regarding the projects surrounding J.K. Smith to discuss items related to the work plan and environmental classifications of proposals.

Southpoint Substation project was approved.

Member and Corporate Communications Process

- Printed brochure about weatherization and tax credits for member systems.
- Visited all district offices of South Kentucky RECC to meet with staff and discuss the Environmental Surcharge and the Fuel Adjustment Clause and answer questions.

MONTHLY REPORT

Member Services

- Attended the Toyota Green Building (LEEDs) meeting in Georgetown.
- Worked the EnviroWatts booth at the Bourbon Festival for Salt River RECC.
- Presented the Reptiles and Amphibians of Kentucky program at the Goldenrod Festival at Blue Licks State Park
- Attended the Energy Awareness Conference sponsored by the Kentucky Pollution Prevention Center. Chuck Caudill was one of the speakers and the event was held in Louisville.
- Attended an Owen EC Key Account event.
- Attended the Kentucky Heritage Council Conference in Covington.

Listed below are the Environmental activities for this month:
Environmental Education Programs:

Touchstone Cooperative	School
Bluegrass Energy	Active Day of Lexington
Bluegrass Energy	Booker T. Washington
Bluegrass Energy	Buckley Wildlife Sanctuary
Bluegrass Energy	Cane Ridge Elementary
Bluegrass Energy	Deming School
Bluegrass Energy	Eastern Elementary-Blue Grass
Bluegrass Energy	Golden Rod Festival
Bluegrass Energy	Kirksville Elementary
Clark Energy	First Christian Church Mt Sterling
Farmers RECC	Caverna Elementary
Farmers RECC	Eastern Elementary-Farmers
Farmers RECC	Edmonton Elementary
Farmers RECC	Etoile 4-H Club
Farmers RECC	North Metcalf Elementary
Grayson RECC	Elliott County High School Career Day
Grayson RECC	Isonville Elementary
Grayson RECC	Wurtland Middle School
Inter-Co Energy	Glasscock Elementary
Inter-Co Energy	Stanford Elementary
Jackson Energy	East Bernstadt
Owen Electric	Bowling Middle School
Owen Electric	Bowling Middle School
Salt River RECC	Cox's Creek Elementary
Salt River RECC	Old Kentucky Home Middle
Salt River RECC	Old Kentucky Home Middle

MONTHLY REPORT

- Participated in planning meetings for a new business initiative designed to create new ideas for business improvements in Kentucky through the Kentucky Chamber of Commerce.
- Continued work on a regional economic development collaboration effort for 17 counties in central and south central Kentucky.
- Attended a meeting of the UK Venture Club on improving the business climate for small business development.
- Met with the Kentucky Clean Fuels Coalition as Board member, exploring new ways to develop and promote the use of Kentucky agricultural products through the use of biofuels.

Non-Traditional Power Production Process

- Made a presentation to Buckeye on development of Landfill Gas to Electric Generating Projects. Continue to provide support to Buckeye for purchase of landfill gas energy & attributes as well as the development of a potential LFGE project in their service territory.

- Staffing continued to be at critical levels with the termination of one LFGE operator. The landfill gas supervisor filled in as the operator for the Laurel Ridge LFGE and the Non-Traditional Power Production Manager filled in as the operator for the Bavarian. Both provided backup support to the other LFGE plants as staffing levels reached as low as one LFGE operator on some days. Two new employees began work on September 20, 2006, which will greatly improve this situation.

- The Pendleton County LFGE is on schedule and approximately 50% complete.
- EKPC received notification from the Department of Energy that the first partial payment of over \$300,000 for Renewable Energy Production Incentives (RPI) will be paid. Total payments from RPI over a ten-year period are estimated at over \$12,000,000. It is unknown how much of this amount will actually be paid by DOE.
- AWS completed the quarterly site visit to the wind monitoring towers, providing an inspection of the guy wires, anchoring and monitoring equipment, collecting data cards, and replacing batteries in the data loggers.

Marketing & Natural Resources Process

- Presented the Touchstone Energy Environmental Education Program for the mid-west Partners in Reptile and Amphibian Conservation at SIU Carbondale.

MONTHLY REPORT

SEPTEMBER 2006

Economic Development Process

- Attended the week long Kentucky Economic Development Institute presented by the University of Kentucky and International Economic Development Council.
- Met with Inter-County Energy CEO and visited area industrial sites.
- Attended Carroll County Community Development Board Meeting.
- Met with Blue Grass Energy staff and Madison County IDA Executive Director to coordinate aerial photography of new industrial park on 9/05.
- Attended IEBC Business Retention training seminar in Louisville on 9/7 & 8
- Presented overview of new Internet marketing efforts on industrial sites and buildings to EKPC's Board on September 12.
- Attended MMRC Board meeting in Morehead on 9/13.
- Met with Blue Grass staff and Jessamine County IDA Executive Director on 9/19.
- Met with Cumberland Valley CEO and Corbin IDA Executive Director on 9/20.
- Met with Big Sandy Area Development District staff on 9/21.
- Met with Buffalo Trace Area Development District staff on 9/25.
- Attended Henry County IDA Board meeting on 9/26.
- Co-chaired economic development legislative policy agenda committee meeting of the Kentucky Chamber of Commerce.
- Participated on planning team for site consultant visits in Atlanta by members of the economic development group, the Bluegrass Alliance.
- Attended the Governor's Local Issues Conference.
- Began consultation with Licking Valley RECC member, Wolfe-Morgan Manufacturing, a start-up manufacturer of insulated wall panels for residential and commercial buildings. Will be providing assistance, developing market for this product, in order to create jobs for the region.

MONTHLY REPORT

notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock #4 air permit. The petition filed by the Sierra Club seeks to have the air permit revoked; or, in the alternative, to have the permit re-issued with corrections to what petitioner believes to be errors and mistakes in the permit conditions. A preliminary hearing was held on Friday, July 21, 2006, in Frankfort at the office of Administrative Hearings for the Environmental and Public Protection Cabinet.

This matter is in discovery, with a hearing date set for early December 2006. The hearing is expected to last approximately three weeks

Dale W. Henley
General Counsel

c: Dave Eames (for distribution)
(H:\legal\MR-sep-06)

decision was more favorable to EKPC than to LG&E/KU. A final decision is expected anytime.

2. *PSC Case No. 2004-00401* – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.

3. *FERC Case No. TX05-1* – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission (“FERC”) seeking an order compelling the Tennessee Valley Authority (“TVA”) to physically interconnect with EKPC’s transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On June 20, 2006, FERC denied TVA’s request to rehear the case, and for clarification of earlier orders, and reaffirmed its decision requiring the interconnection agreement. Both EKPC and TVA are working through details necessary to implement the interconnection.

4. *Commonwealth of Kentucky Sales and Use Tax Audit* – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. The Revenue Cabinet has advised that the matter is in abeyance pending resolution of certain related issues in the Board of Tax Appeals.

5. *PSC Case No. 2006-00017* – Integrated Resource Plan – The PSC granted EKPC’s motion for a six-month extension of its 2006 IRP filing deadline, by an order dated February 17. EKPC’s IRP will now be due on October 21, 2006.

6. *PSC Case No. 2006-00236* - EKPC Depreciation Study – EKPC has received a first data request from the Commission staff in this case. Responses are due August 16.

7. *PSC Admin. Case No. 2006-00045* – Consideration of Federal Energy Policy Act Standards – The brief of EKPC and the member systems in this case was filed with the Public Service Commission on August 29. A decision by the Commission is expected before the end of the year.

8. *PSC Case No. 2006-00131 – Six-Month Review of Environmental Surcharge* – The Commission has requested all parties in this case to indicate if they believe there are any issues which require a hearing. The only intervenors, the AG and Gallatin Steel Co., indicated at an informal conference on May 24 that they did not foresee a need for a hearing. EKPC has responded that it and the member systems do not feel a hearing is needed.

9. *Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc.* – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAQ-27974-037. On July 18, 2006, EKPC received

2006, with a decision anticipated early next summer. A description of the litigation is described below.

The lawsuit seeks injunctive relief, and civil penalties of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed its Answer denying all claims.

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. On January 17, 2006, EKPC filed four motions with the court asking that most, if not all, of the claims be dismissed. These motions for summary judgment involved,

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

5. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. Enviropower has filed a notice of appeal with the Franklin Circuit Court of its August 2 decision which dismissed Enviropower's Complaint against the public Service Commission regarding the issuance of the construction certificates for Spurlock Unit 4. EKPC has not yet been served with any notice of appeal from the Kentucky Court of Appeals, where Enviropower's earlier appeal of the Franklin Circuit Court's dismissal of its Complaint relating to the Commission's denial of intervention in the Spurlock 4 case is still pending.

6. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. All Briefs have been filed in this appeal, and the Franklin Circuit Court has supplemented the record on appeal to include EKPC's Motion to Dismiss, which had previously been omitted. The Court has made no determination about oral arguments, which all parties except Enviropower have stated are unnecessary.

7. *Robert Mulberry v. EKPC, et al* – Scott Circuit Court. On May 2, 2006, the plaintiff sued EKPC and David Eames for personal injuries resulting from an automobile accident on July 29, 2004. Subsequent thereto, the Legal Department filed an Answer on behalf of both EKPC and David Eames; and also filed Complaints against two additional parties—St. Joseph Hospital and Dr. Joseph Westerfield—alleging their primary responsibility for the events giving rise to the automobile accident. Discovery has been initiated by EKPC.

8. *Nathan Writsel v. Goodyear Tire & Rubber & EKPC, et al – (Asbestos Personal Injury)* – Court of Common Pleas, Cuyahoga County, Ohio. On June 21, 2006, Plaintiff filed this case seeking recovery for personal injuries associated with asbestos exposure while working for various contractors throughout the years. EKPC has retained an Ohio law firm to represent it for purposes of filing a Motion to Dismiss.

SEPTEMBER 2006

Pending Litigation against EKPC

1. *Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit)* – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. A mediation was unsuccessfully held on April 11, 2006. Additional depositions were scheduled for late June 2006 but canceled by plaintiff's attorney. A Motion for Summary Judgment will be argued to the Court on October 12, 2006.

2. *Dorsey McCarty, et al v. EKPC* – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.

3. *Mark Jordan v. EKPC and CBA* – U.S. District Court for the Eastern District of Kentucky. On August 14, 2006, the Federal District Court Judge granted EKPC's Motion for Summary Judgment and dismissed the lawsuit. This lawsuit had been filed by a former employee alleging that EKPC had breached one or more of the terms of his workers' compensation settlement; and, had conspired with CBA to arbitrarily deny him continued long-term disability benefits. Jordan has now terminated his attorney and has filed a Motion to Vacate the Judgment. EKPC has filed a response, objecting to said motion. Motion is pending before Judge Coffman.

4. *United States of America v. EKPC* (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal EPA sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration ("PSD") provision of the Clean Air Act; the New Source Performance Standards ("NSPS") of the Clean Air Act; and the State Implementation Plan ("SIP") for Kentucky, as approved by EPA.

On August 18, 2006, Federal District Court Judge Forrester entered an Order whereby he continued the trial set for October 2, 2006, pending resolution by the United States Supreme Court of related issues presented in the case of *United States v. Duke Energy Corporation*. Judge Forrester indicated that he would consider various and outstanding motions for summary judgment filed by both sides which he was willing to consider as issues separate and apart from those presented in the Duke case. The Court is expected to hear oral arguments on or about November 1,



2006 Margin Forecast Update

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2006 Statement of Operations – 5-Months Actual/7-Months Budget

• Total Revenue	\$679,924,599
• Fuel	\$282,399,906
• Operations Expense	\$223,447,361
• Maintenance	\$ 49,174,631
• Fixed Costs	\$145,125,744
• Operating Margins	(\$ 20,223,043)
• Non-Operating Items	\$ 18,387,529
• Net Margins	(\$1,835,514)

7/11/06



Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Monthly Reports (Trends, Forecasts, and Variances)

Coal

Purchased Power

Gas

FAC Forecast

Allowances

Environmental Surcharge Forecast

7/11/06

EAST KENTUCKY POWER COOPERATIVE



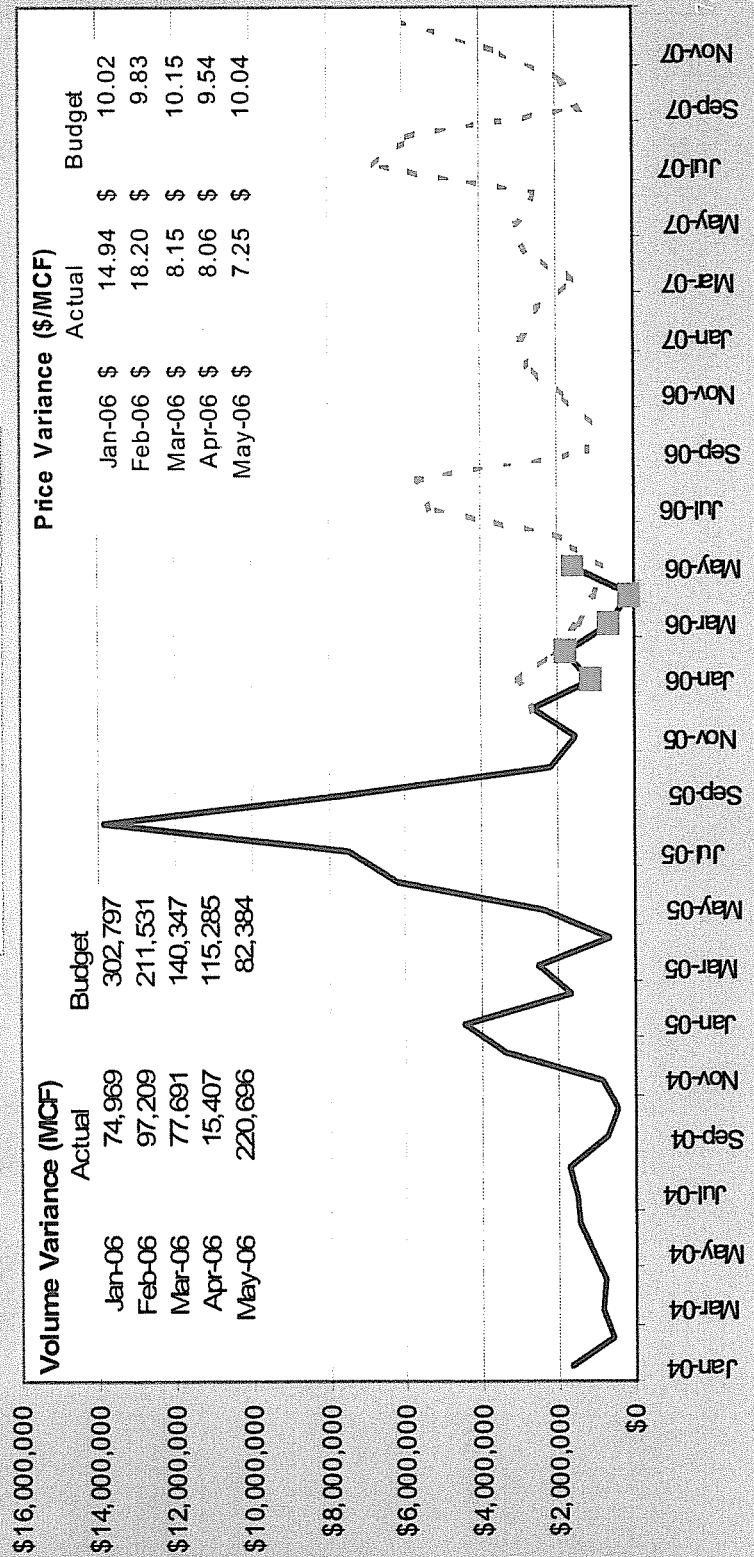
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COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - - Budget





EAST KENTUCKY POWER COOPERATIVE

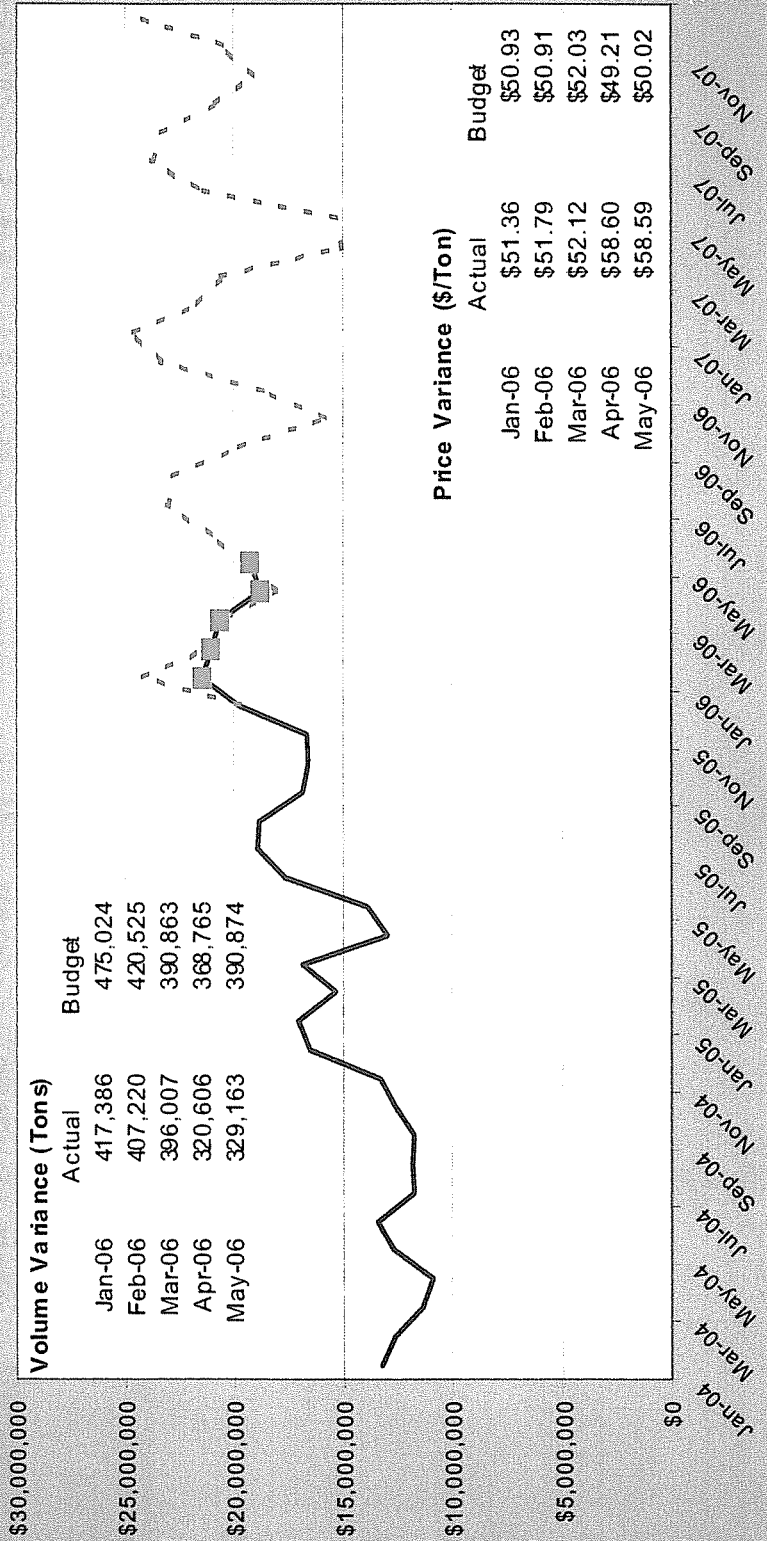
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COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

— Historical ■ Actual - - Budget





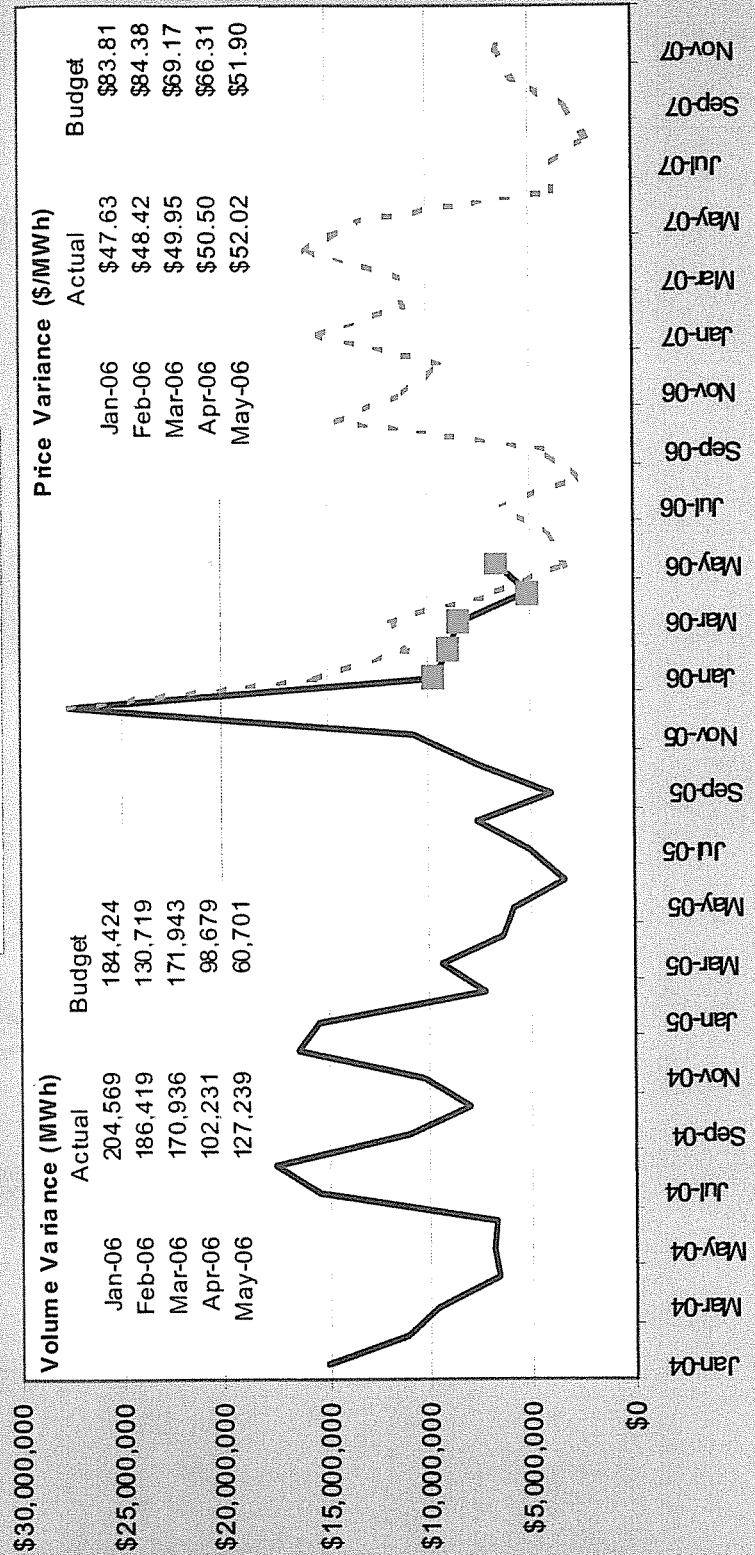
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Purchased Power Dollars

— Historical ■ Actual - - Budget



EAST KENTUCKY POWER COOPERATIVE

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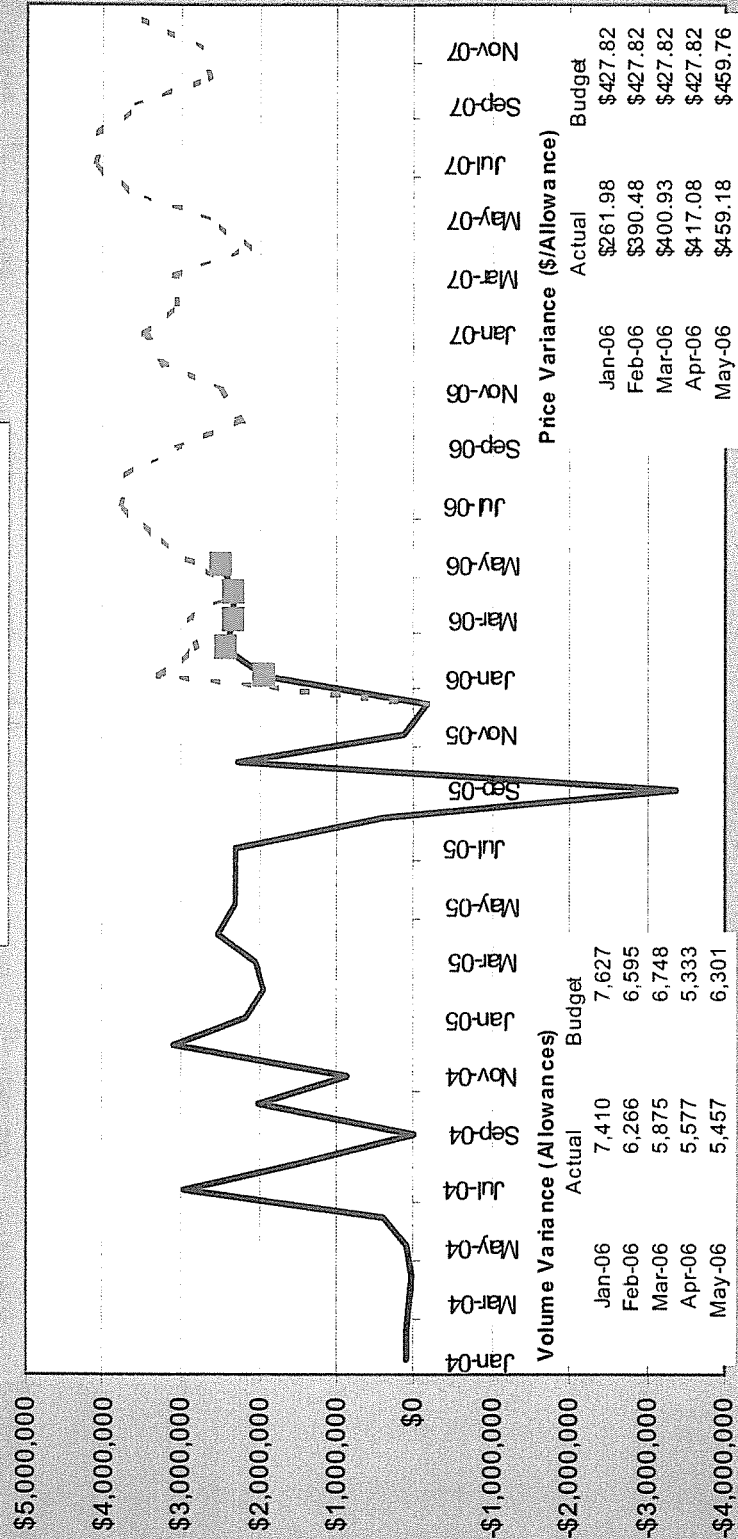
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Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - Budget



Note: Sep-05 negative adjustment to balance account for swap transactions.

7/11/06



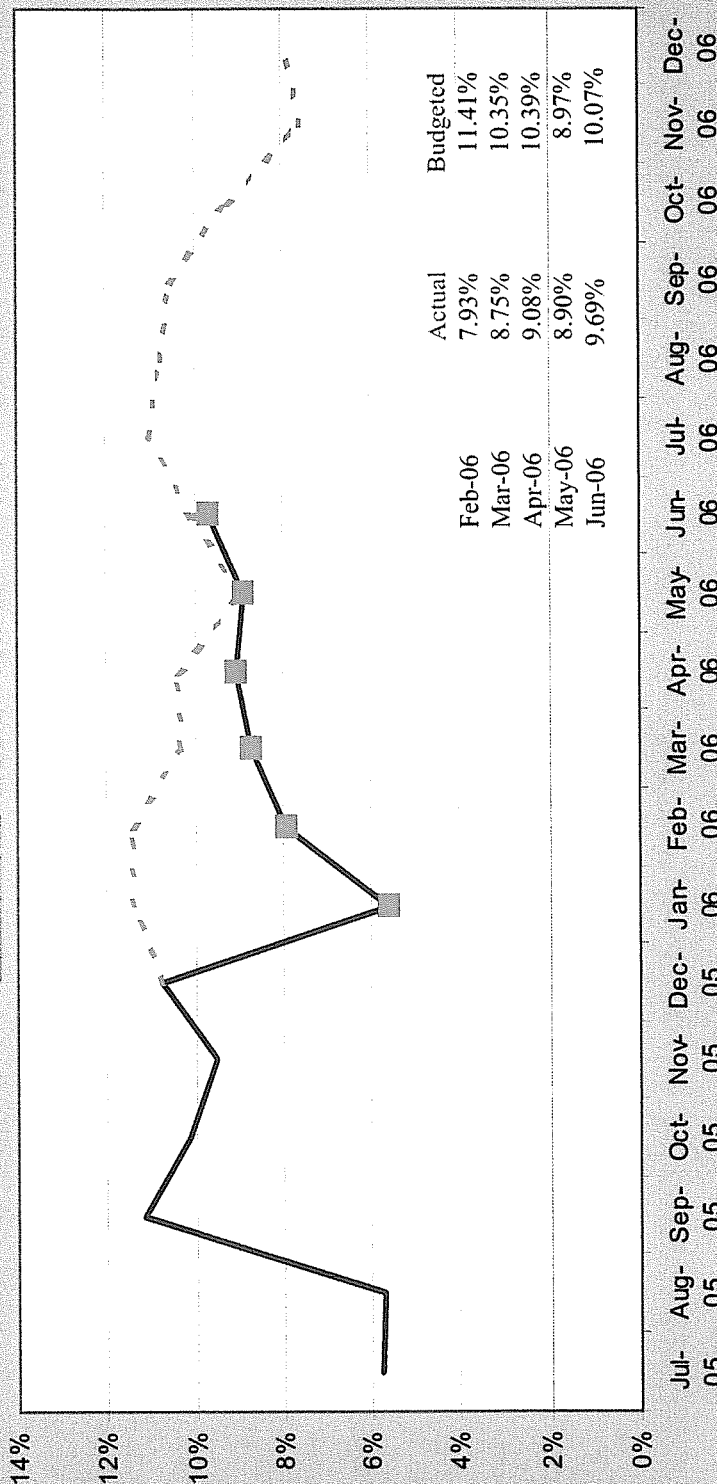
Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors

— Historical ■ Actual - - Budgeted



7/11/06



EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- Cost Reduction Plan
 - \$20.0 Million Target
 - \$12.2 Million Identified for 2007
 - \$ 8.0 Million Identified for 2006

7/11/06



EAST KENTUCKY POWER COOPERATIVE

EKPC Business Management Plan

EKPC Board of Directors
Status Report for August

August 8, 2006



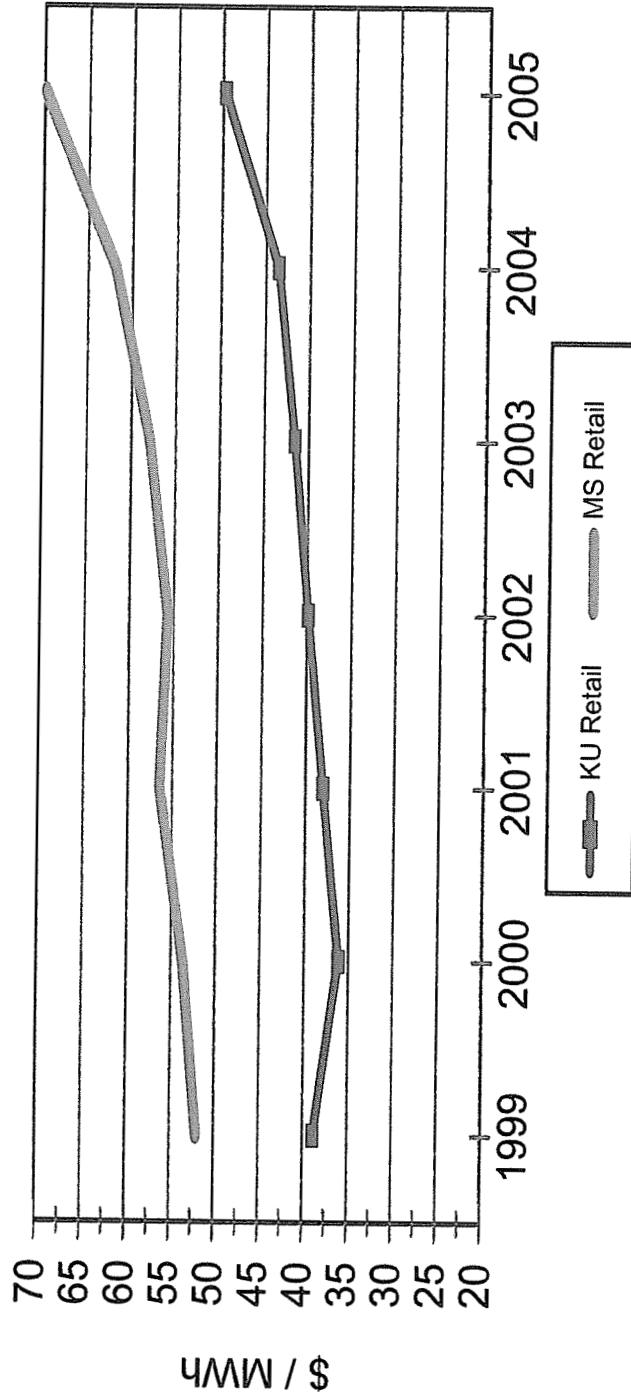
August Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU

Comparison of Avg Cost



8/8/06



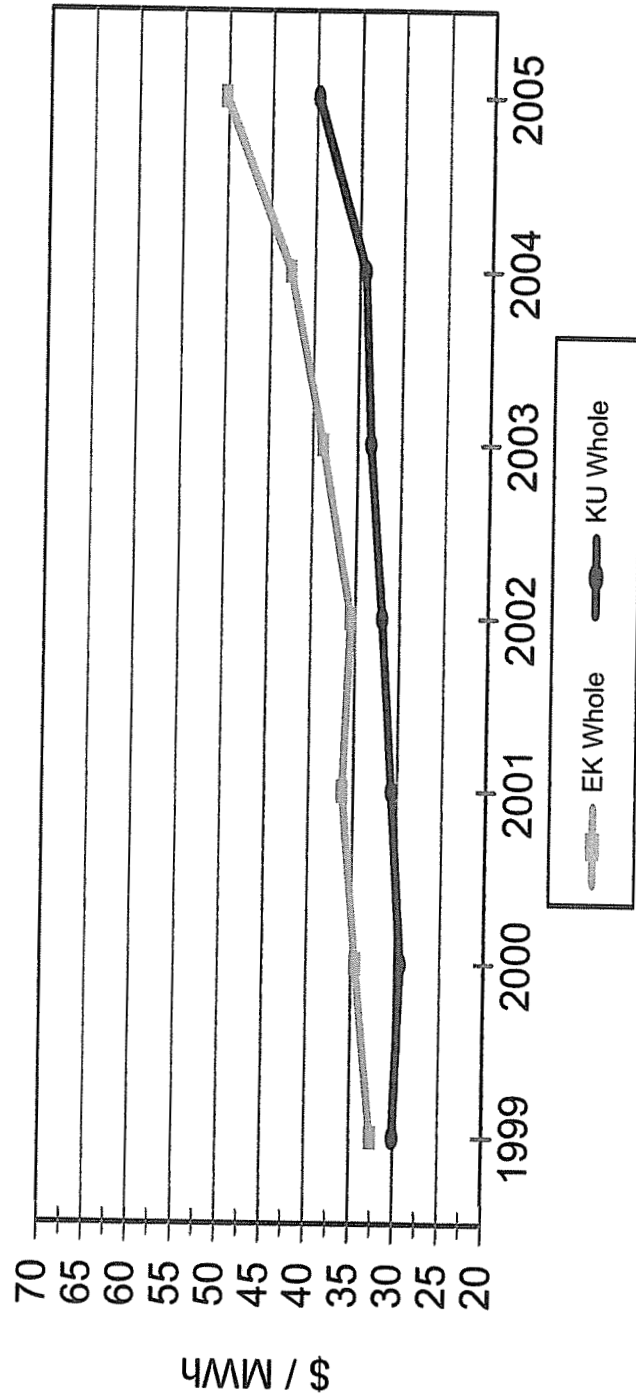
August Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU

Comparison of Avg Cost



8/8/06



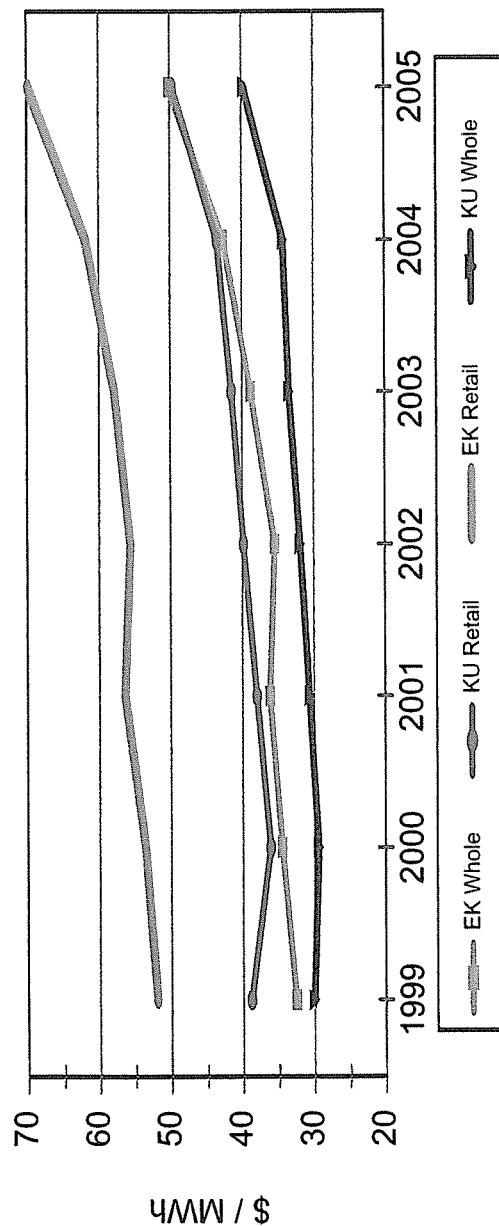
August Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU

Comparison of Avg Cost





EAST KENTUCKY POWER COOPERATIVE

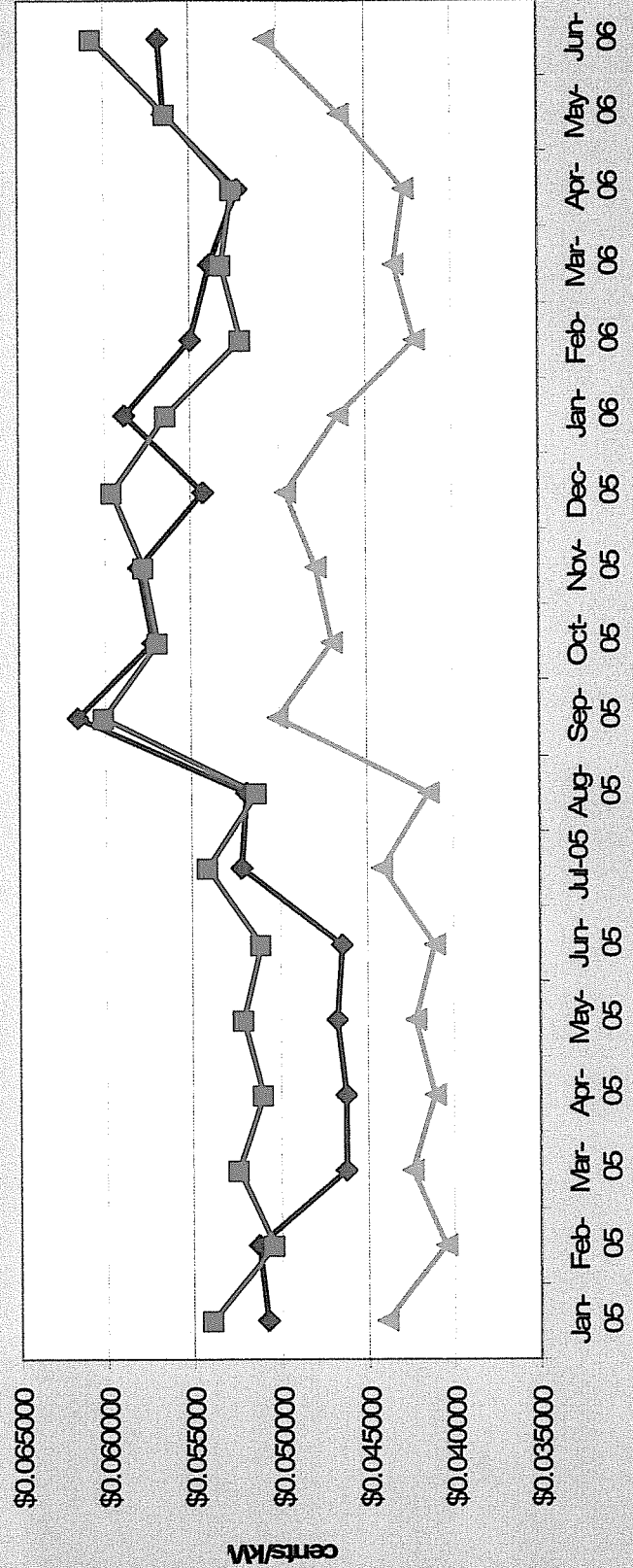
Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EK Rate E Compared to KU Residential

— EK — KU bill — Est KU Wholesale (1¢ adder)



Note: Analysis by Pricing resulted in a .992¢ distribution adder for KU.



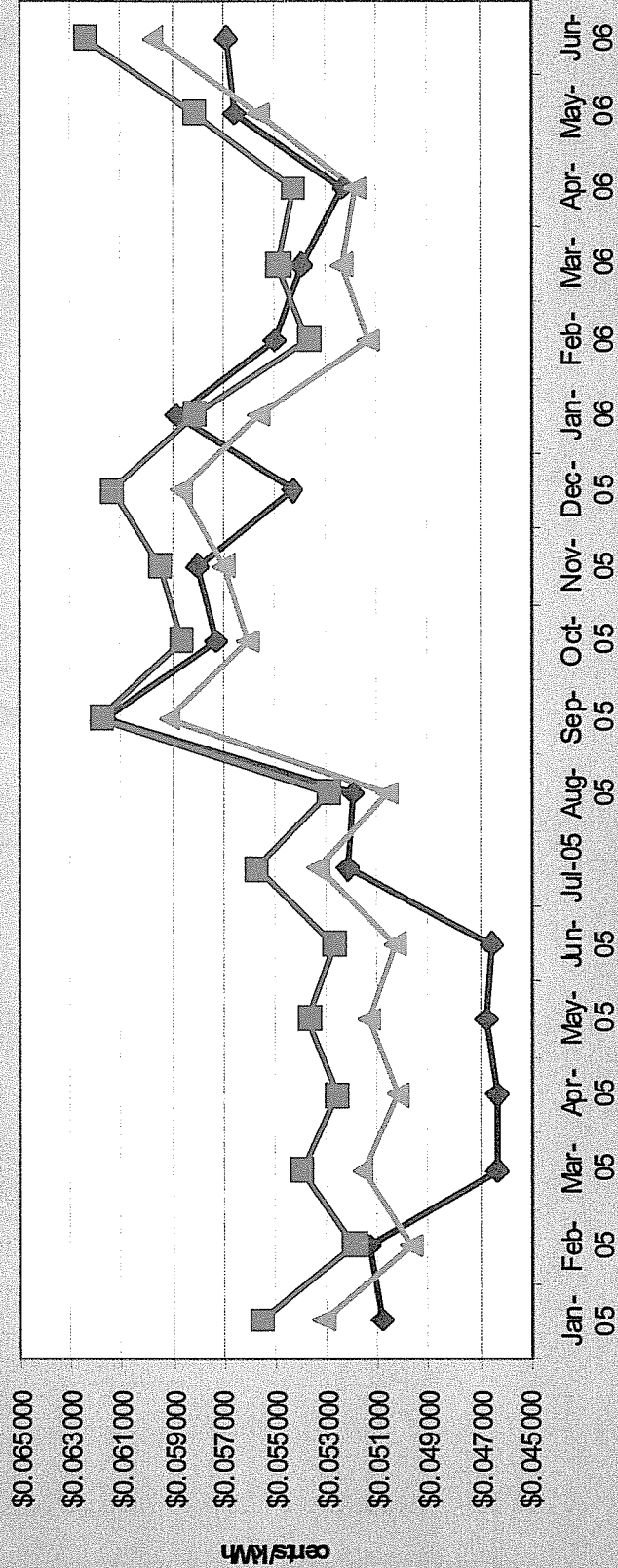
EAST KENTUCKY POWER COOPERATIVE

August Status Report

EKPC Business Management Plan

EK Rate E Compared to KU Residential

—◆— EK —■— KU bill —▲— Estimated KU Wholesale





EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

☐ Fuel - \$5 Million: Randy Dials

- Reported May 2006 \$3,301,700
- Spurlock Units 1 & 2 – Test Burn \$2,214,000
- Total Savings to Date \$5,515,700

8/8/06



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility



Purchased Power - \$4 Million: Randy Dials, Jim Lamb

• Outage Management	\$4,116,340
• Reported June 2006	\$4,116,340
• Total Savings To Date	

8/8/06



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million
 - ☐ Reduce the costs of current compliance strategies-
Dale 1 & 2 NOV's (\$2.4 M increase)
 - ☐ Reduce the operation and maintenance costs of pollution
control equipment - Randy Dials
 - ☐ Volatility of Surcharge has decreased
7.93% Low – February
10.28% High - July

8/8/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

	<u>2006</u>	<u>2007</u>
<input type="checkbox"/> Reduce operational budget -	\$1,543,000	\$1,543,000
<input type="checkbox"/> Cost containment -		
• Advertising -	\$665,656	\$1,450,084
• Partners Plus -	\$110,675	\$1,137,839
• EnviroWatts	\$ 83,702	\$ 177,000
• Other	\$ 24,610	\$ 370,135
• Fuel Inventory -	\$314,000	\$ 628,000
Total Savings to Date -	\$2,741,643	\$5,306,058



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings:

2006

\$11,125,683

2007

\$13,972,098



Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan



Quarterly Reports

Budget Variance Report

Report Date

August

EAST KENTUCKY POWER COOPERATIVE

8/8/06



Budget to Actual Variance Analysis

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

☐ Variance Analysis thru 6/30/06 (in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	\$323,381	\$385,482	(\$35,100)	(9.79)
• Fuel	\$132,933	\$140,450	(\$ 7,517)	(5.35)
• Operations Expense	\$107,575	\$119,249	(\$11,674)	(9.79)
• Maintenance	\$ 23,140	\$ 27,622	(\$ 4,482)	(16.23)
• Fixed Costs	\$ 66,450	\$68,698	(\$ 2,248)	(3.27)
• Margins	(\$365)	\$ 8,302	(\$ 8,666)	(104.39)

8/8/06



EAST KENTUCKY POWER COOPERATIVE

Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- ☐ Monthly Reports (Trends, Forecasts, and Variances)
 - Coal Purchased Power
 - Gas FAC Forecast
 - Allowances Environmental Surcharge Forecast

8/8/06



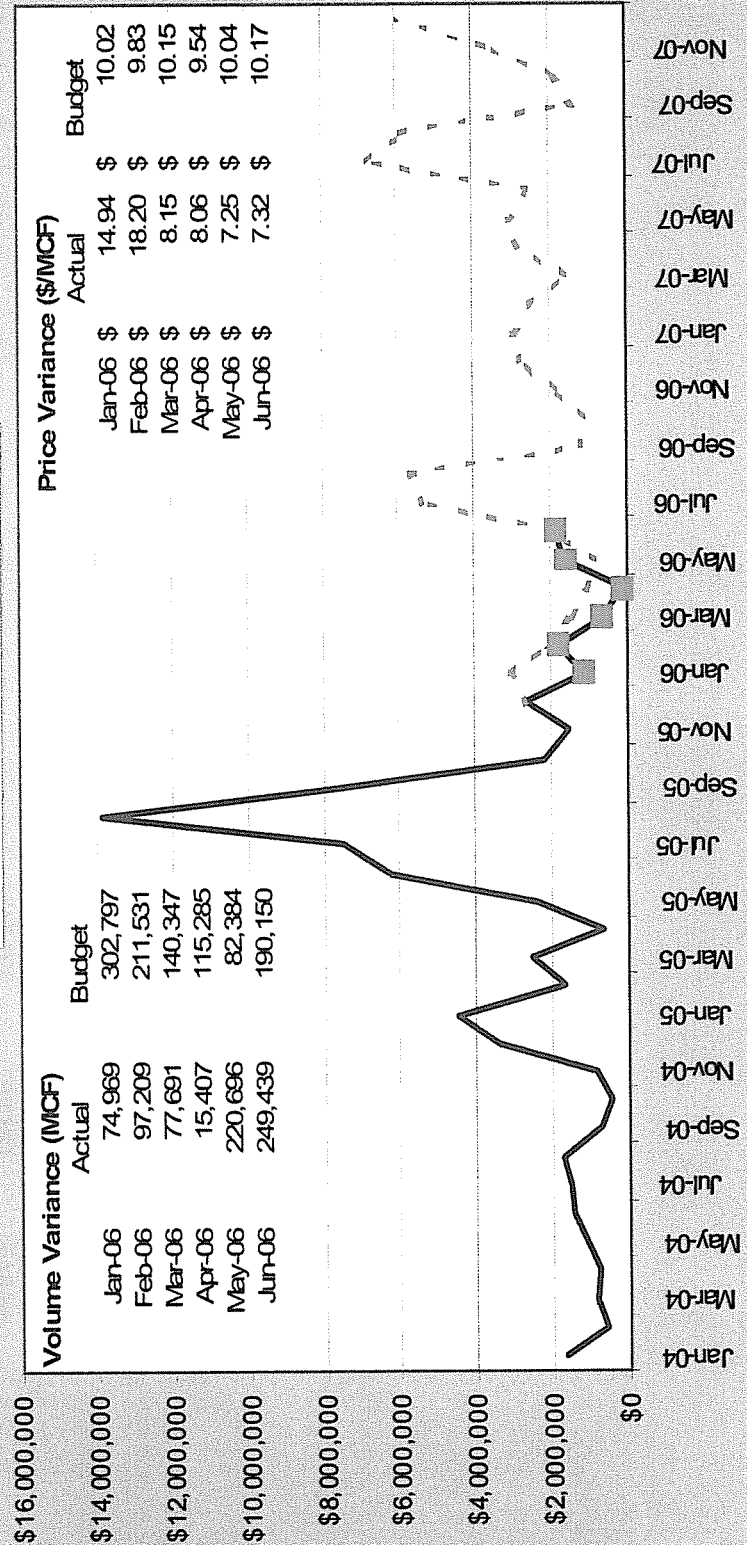
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - - Budget



8/8/06



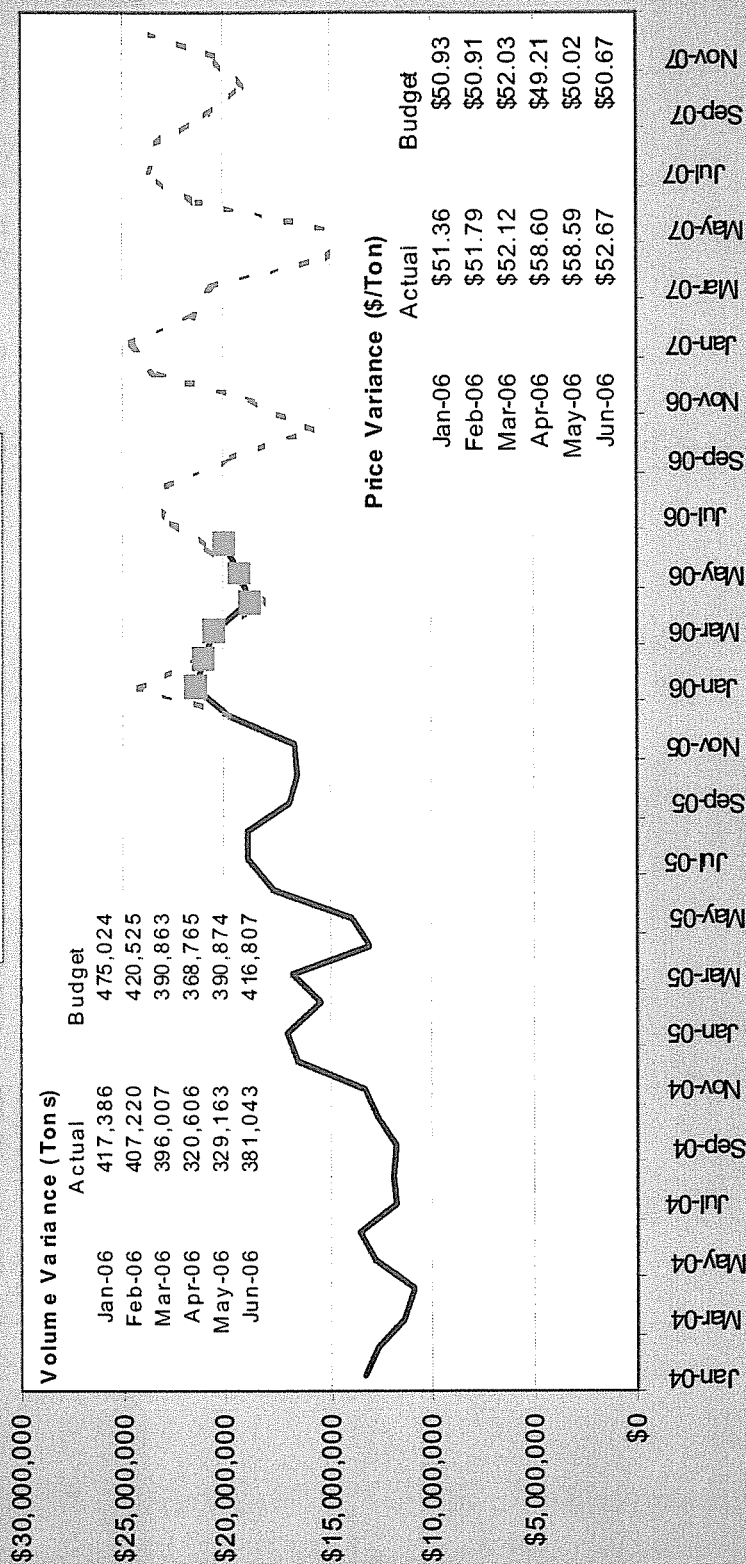
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

— Historical ■ Actual - - Budget





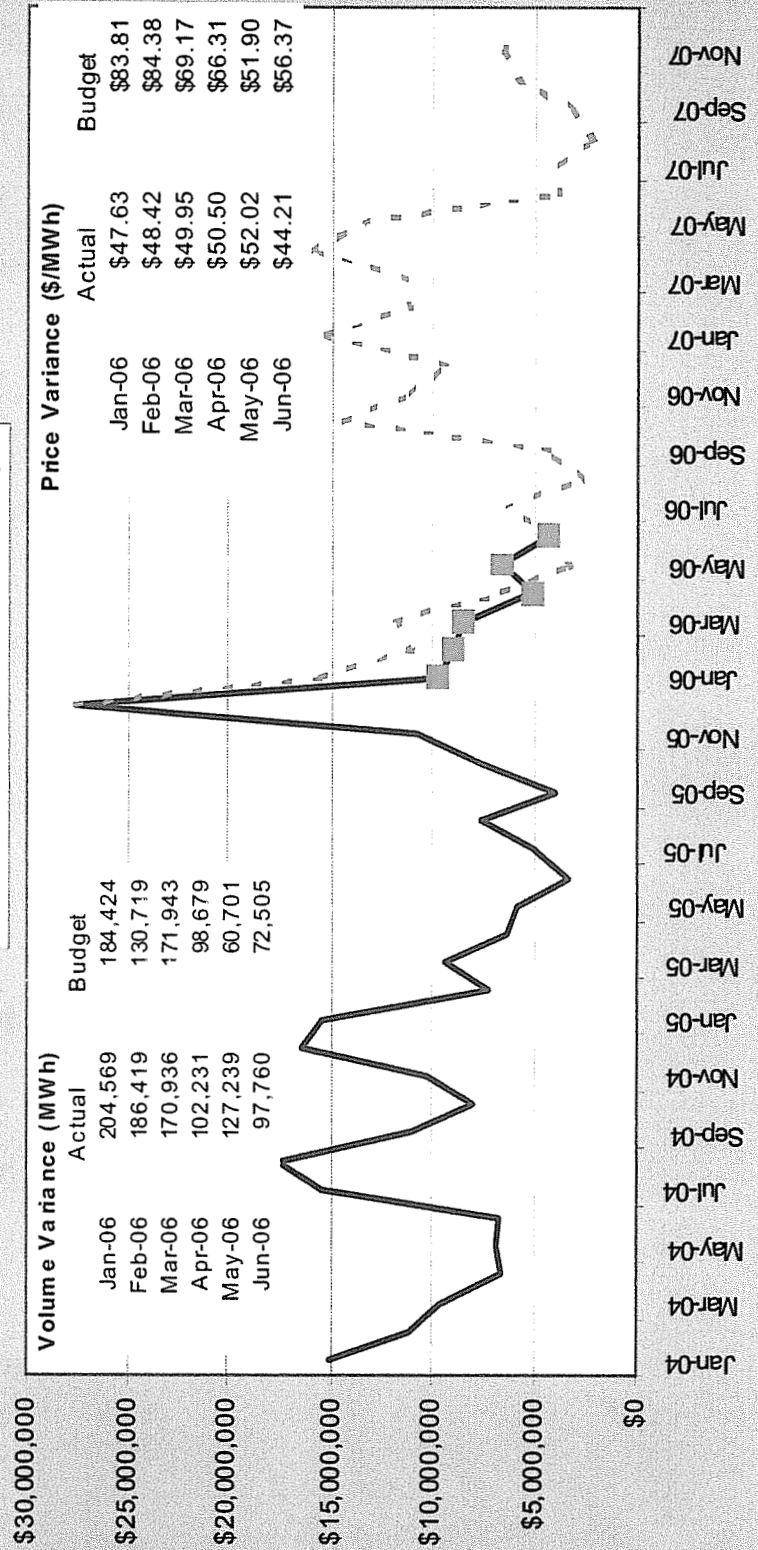
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Purchased Power Dollars

— Historical ■ Actual - - Budget





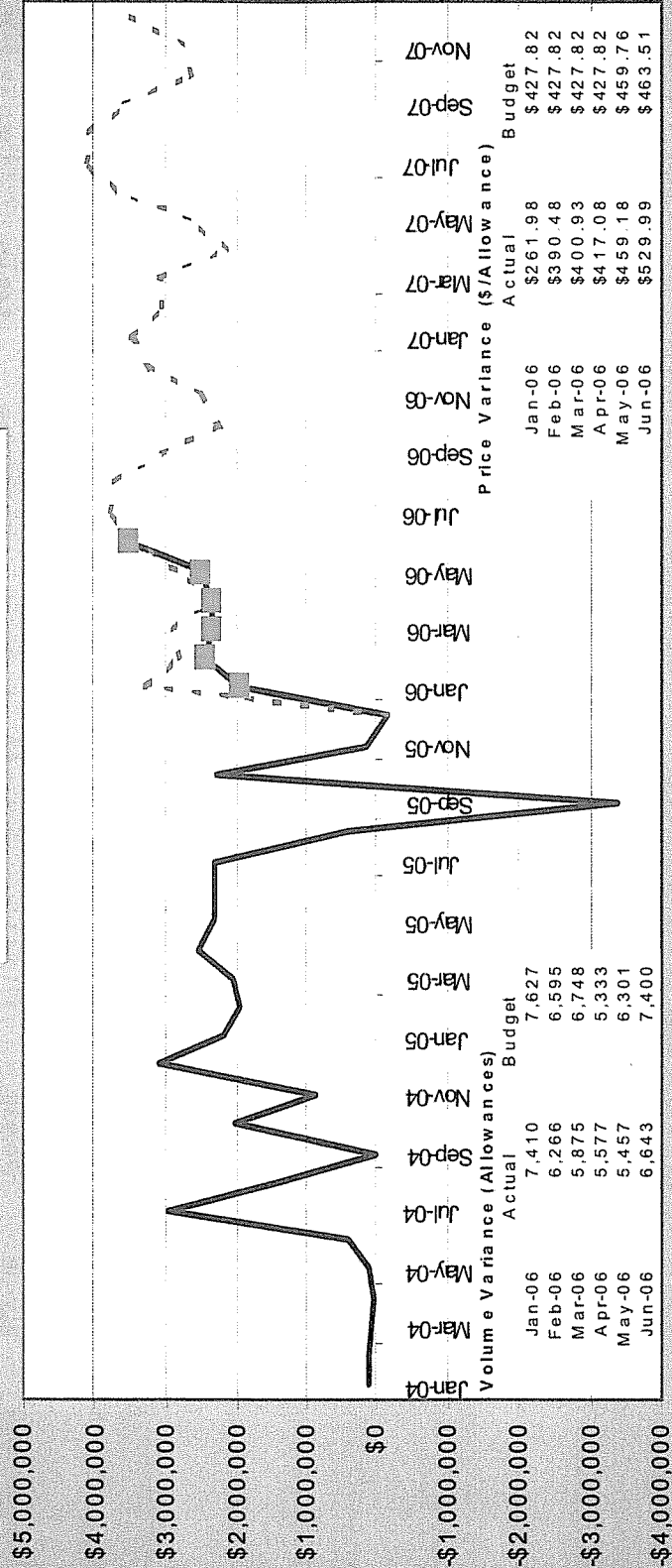
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - Budget



Note: Sept-06 negative adjustment to balance actuals for swap transactions.

8/8/06



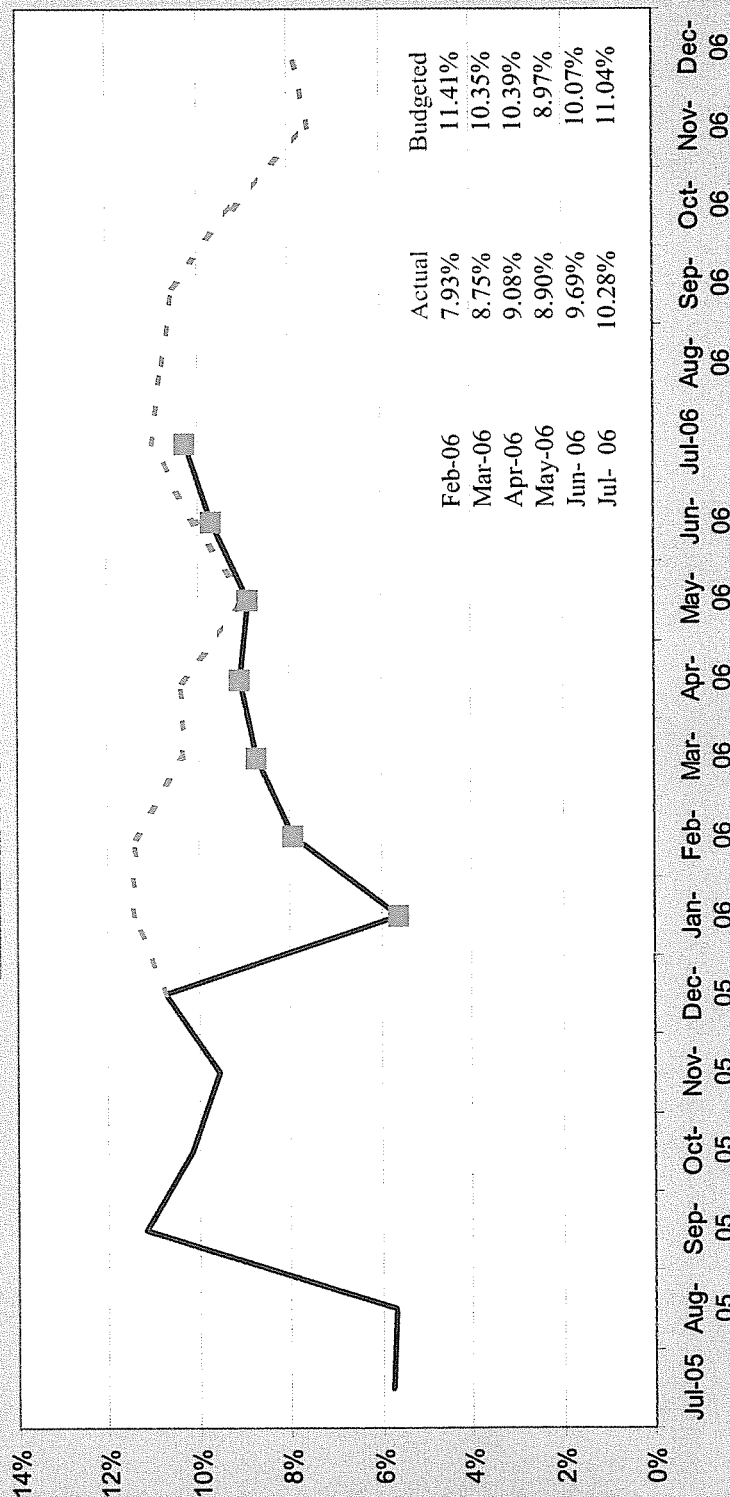
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors

— Historical ■ Actual - - - Budgeted



8/8/06



EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- Cost Reduction Plan
 - \$20.0 Million Target
 - \$14.0 Million Identified for 2007
 - \$ 11.1 Million Identified for 2006

8/8/06



EAST KENTUCKY POWER COOPERATIVE

EKPC Business Management Plan

EKPC Board of Directors
Status Report for September

September 12, 2006



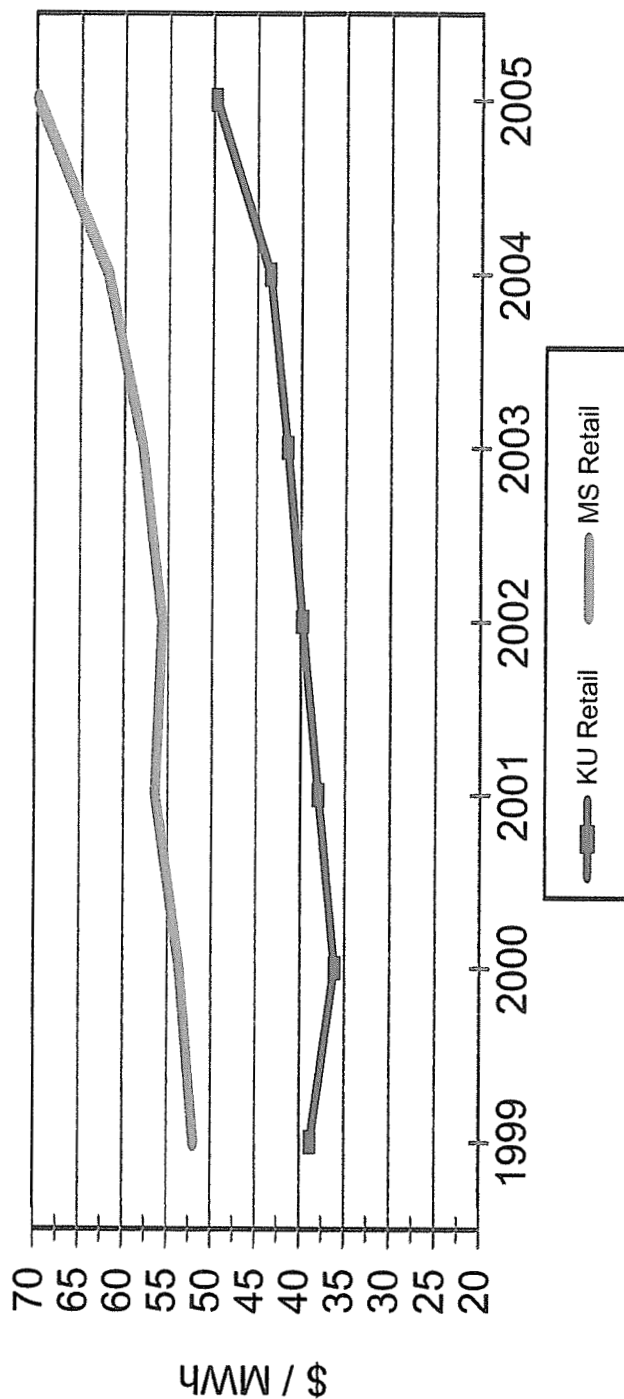
September Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU

Comparison of Avg Cost



9/12/06



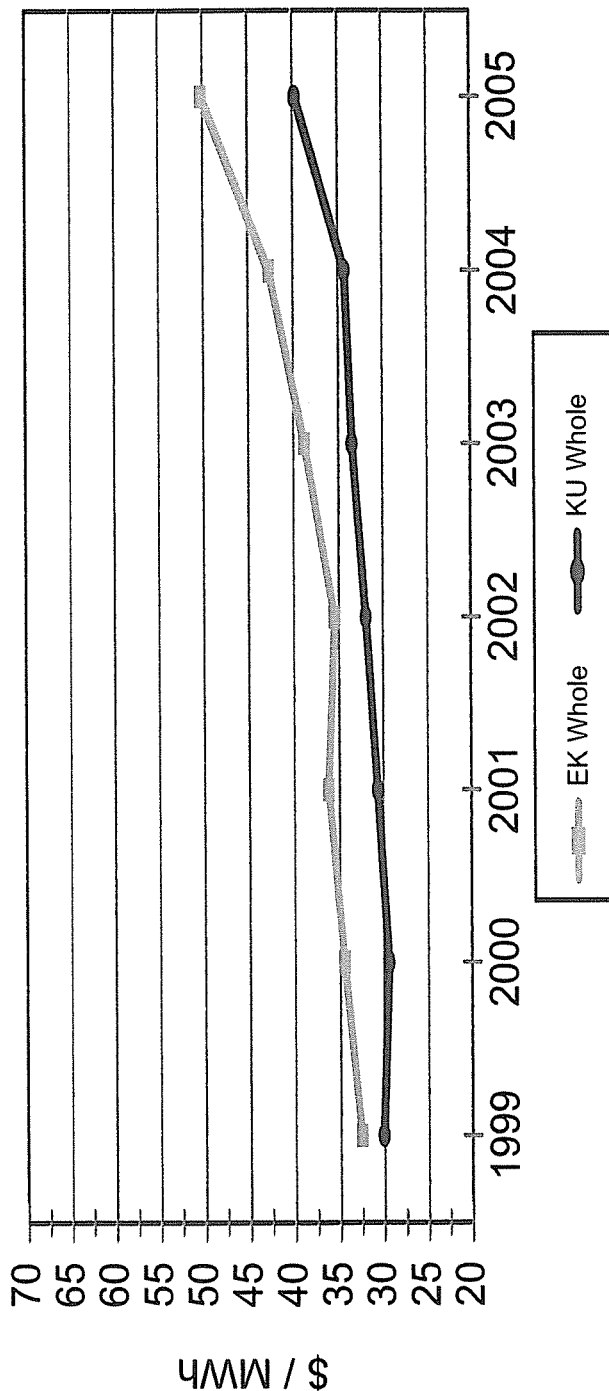
September Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

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Comparison of Avg Cost



9/12/06



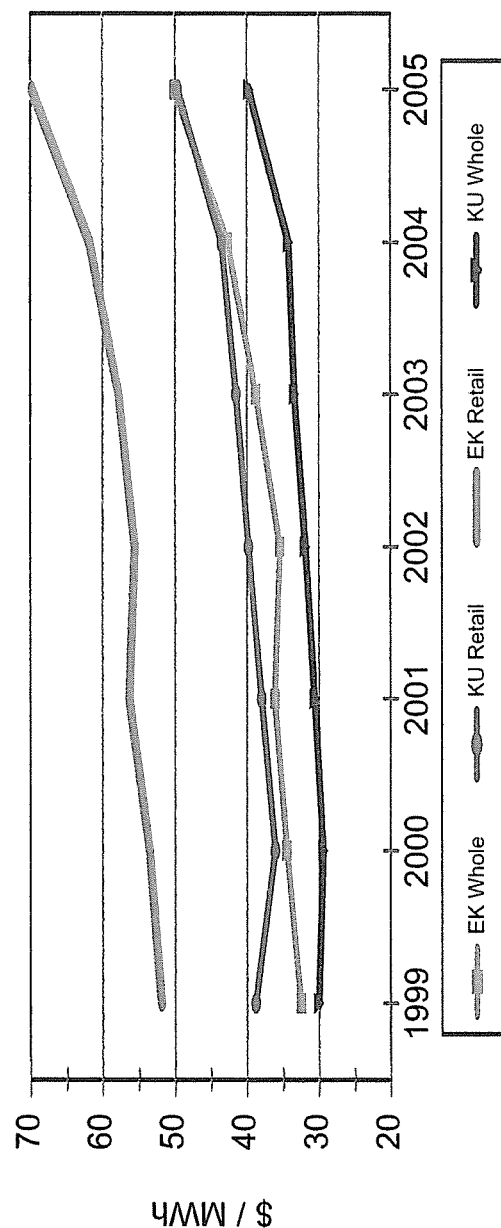
September Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU

Comparison of Avg Cost





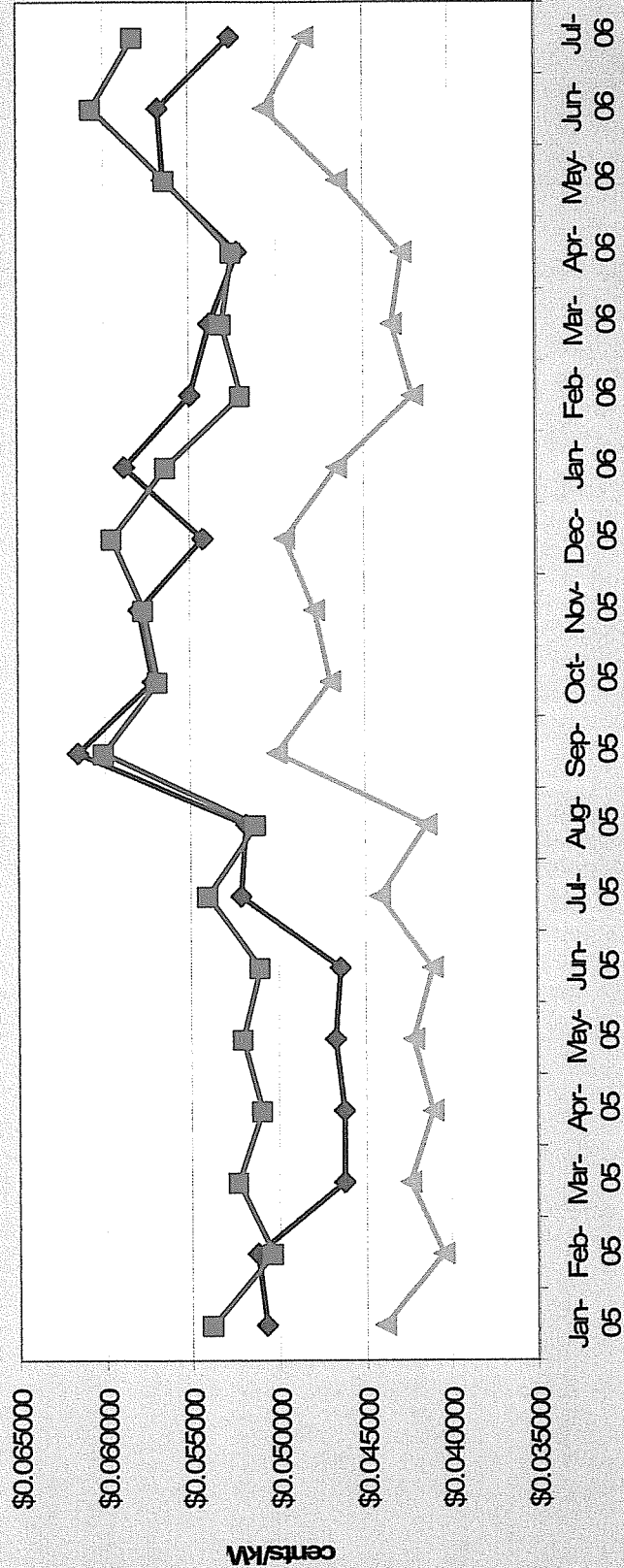
Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EK Rate E Compared to KU Residential

— EK — KU bill — Est KU Wholesale (1¢ adder)



Note: Analysis by Pricing resulted in a .992¢ distribution adder for KU.



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Fuel - \$5 Million: Randy Dials
 - Reported May 2006 \$3,301,700
 - Spurlock Units 1 & 2 – Test Burn \$2,214,000
 - Total Savings to Date \$5,515,700

9/12/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ❑ Purchased Power - \$4 Million: Randy Dials, Jim Lamb
 - Outage Management
 - Reported June 2006
 - Total Savings To Date

\$4,116,340

\$4,116,340

9/12/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million
 - ☐ Reduce the costs of current compliance strategies - Dale 1 & 2 NOV's (\$2.4 M increase)
 - ☐ Reduce the operation and maintenance costs of pollution control equipment - Randy Dials
 - ☐ Volatility of Surcharge has increased during the summer
7.93% Low – February
12.96% High - August

9/12/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

	<u>2006</u>	<u>2007</u>
<input type="checkbox"/> Reduce operational budget –	\$1,543,000	\$1,543,000
<input type="checkbox"/> Cost containment		
• Previous cost containment savings	\$1,198,643	\$3,763,058
• Administrative		
• Power Delivery		
• Total Savings to date	\$2,741,643	\$5,306,058

9/12/06



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings:

2006

\$11,125,683

2007

\$13,972,098

9/12/06



Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan



Quarterly Reports

Margin Forecast Update

Report Date

September

9/12/06



2006 Margin Forecast Update

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

2006 Statement of Operations – 7 Months Actual/ 5 Months Budget

• Revenue	\$679,544,886
• Fuel	\$279,511,689
• Operations Expense	\$222,016,441
• Maintenance	\$ 52,761,000
• Fixed Costs	\$144,126,147
• Operating Margins	(\$ 18,871,063)
• Non-Operating Items	(\$ 18,558,359)
• Net Margins	(\$ 312,704)

9/12/06



Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- ☐ Monthly Reports (Trends, Forecasts, and Variances)
 - Coal Purchased Power
 - Gas FAC Forecast
 - Allowances Environmental Surcharge Forecast

9/12/06



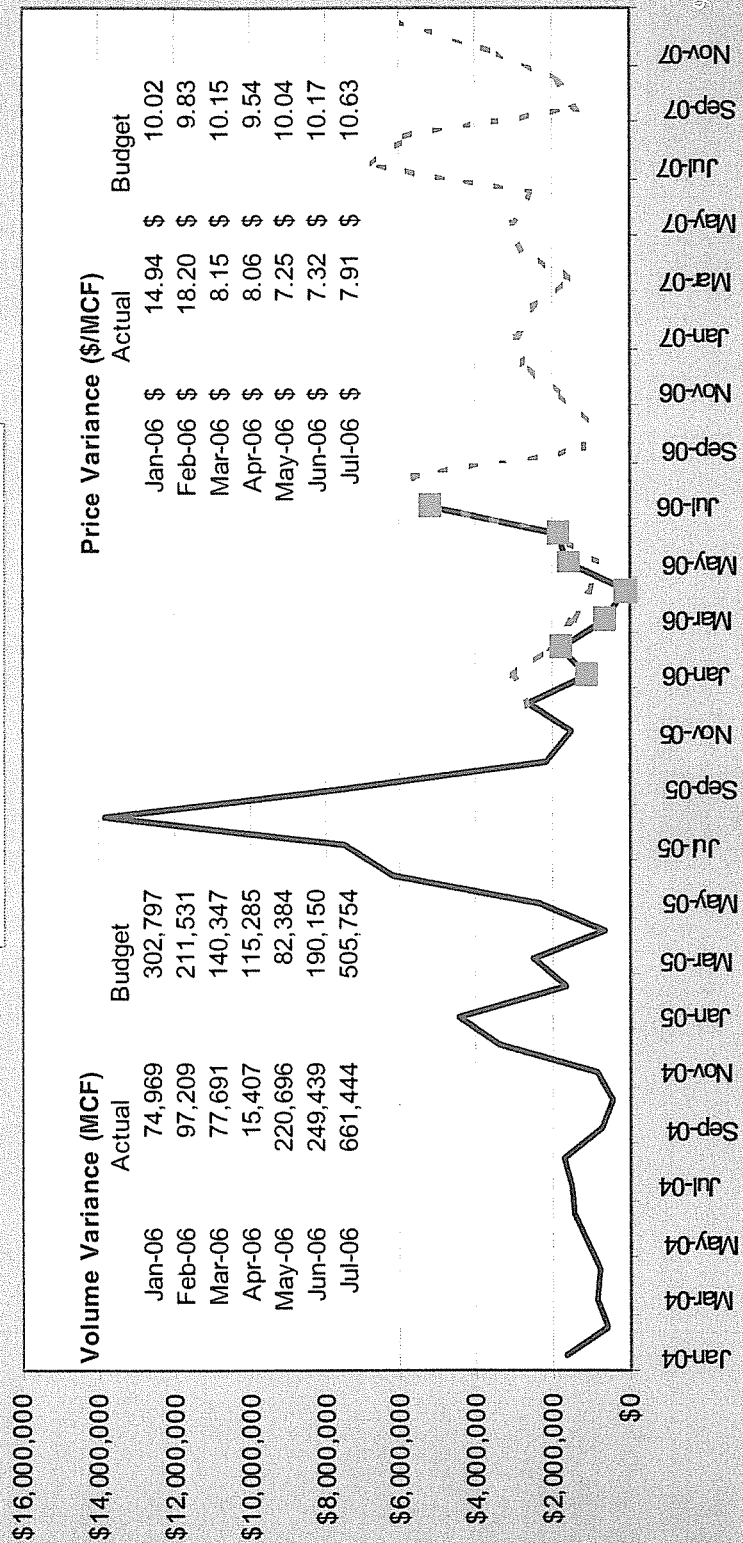
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - - Budget





Reporting Metrics Discussion

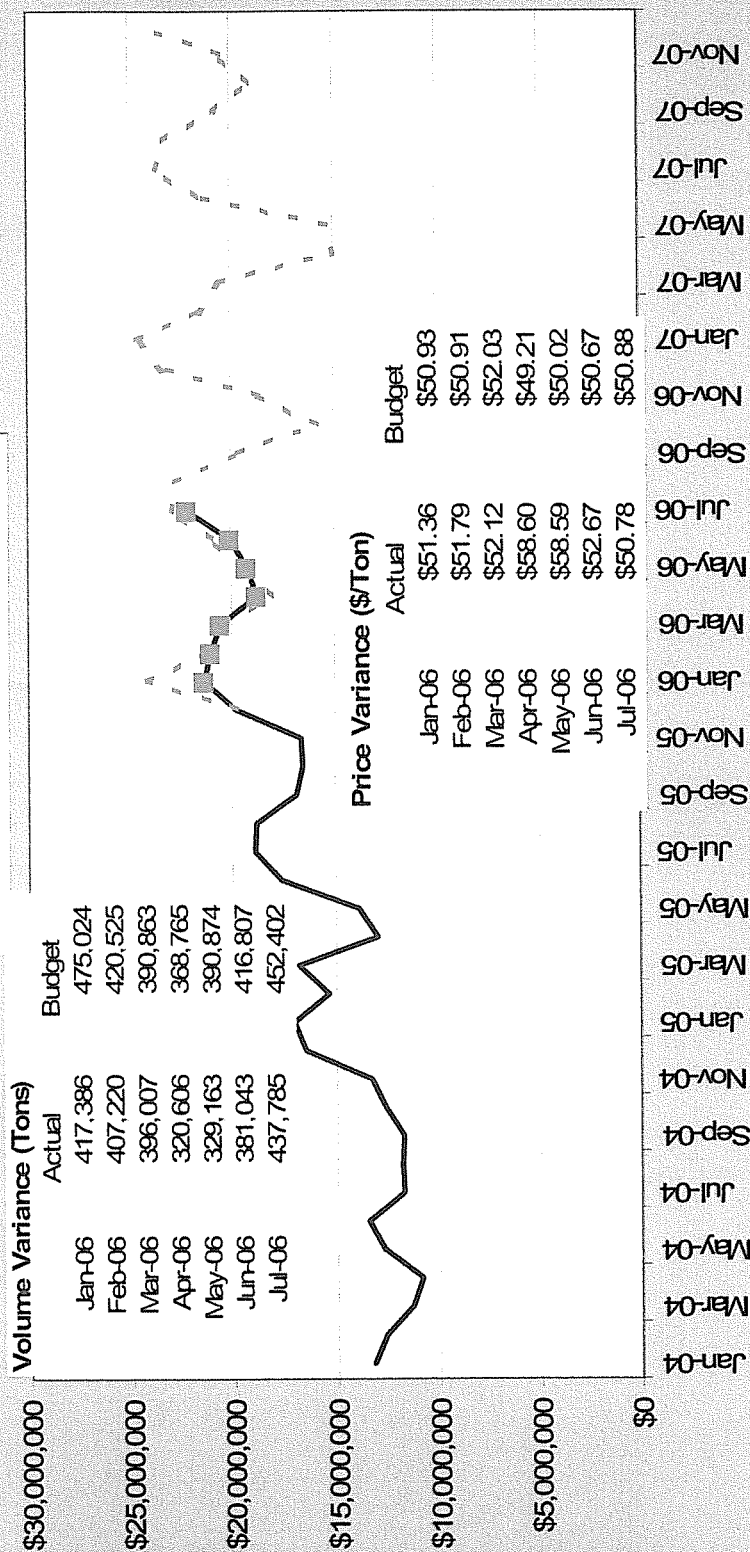
COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

EKPC Coal Dollars

— Historical ■ Actual - - Budget



9/12/06



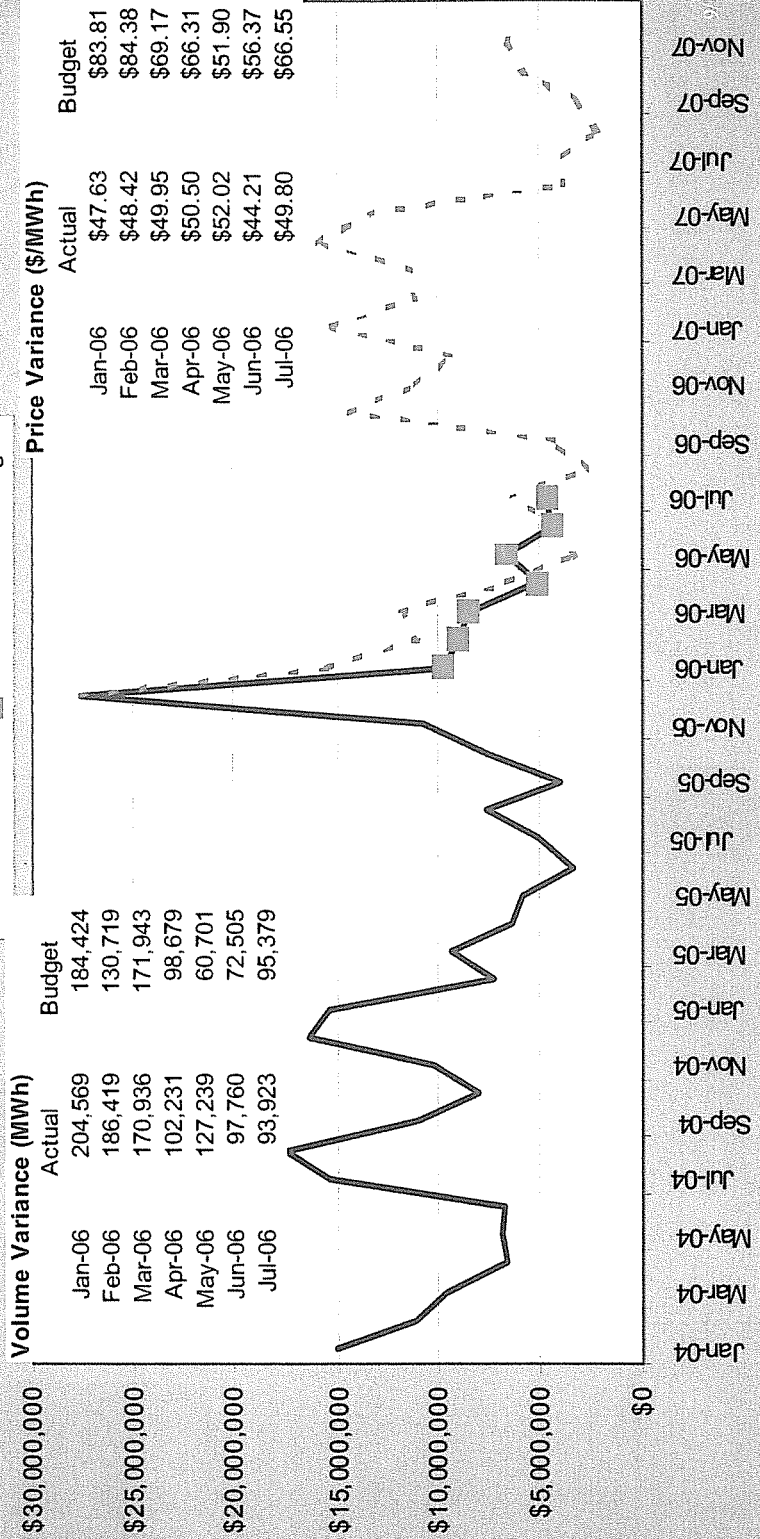
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Purchased Power Dollars

— Historical ■ Actual ▨ Budget



EAST KENTUCKY POWER COOPERATIVE



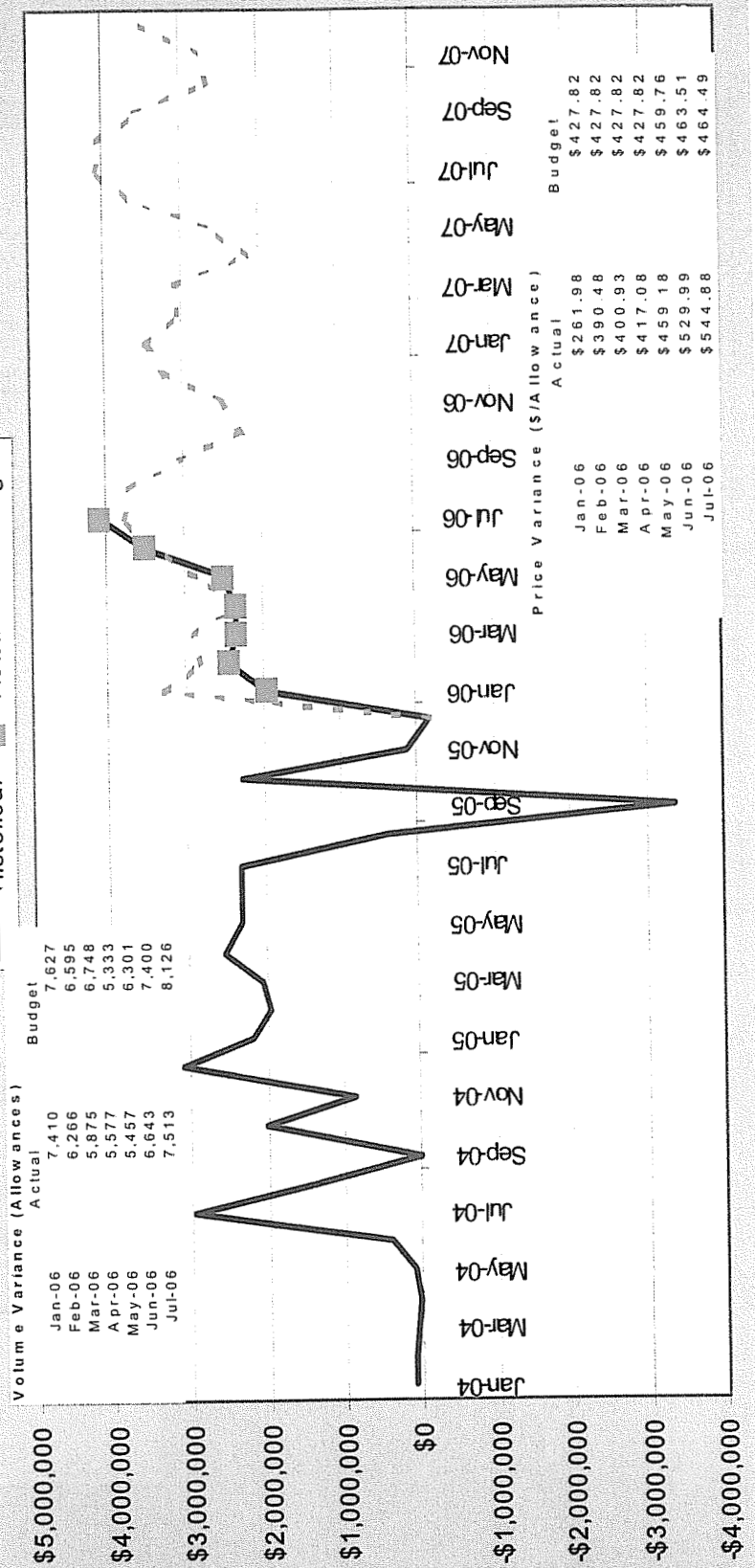
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO₂ & NO_x Emission Allowance Dollars

— Historical ■ Actual - - Budget





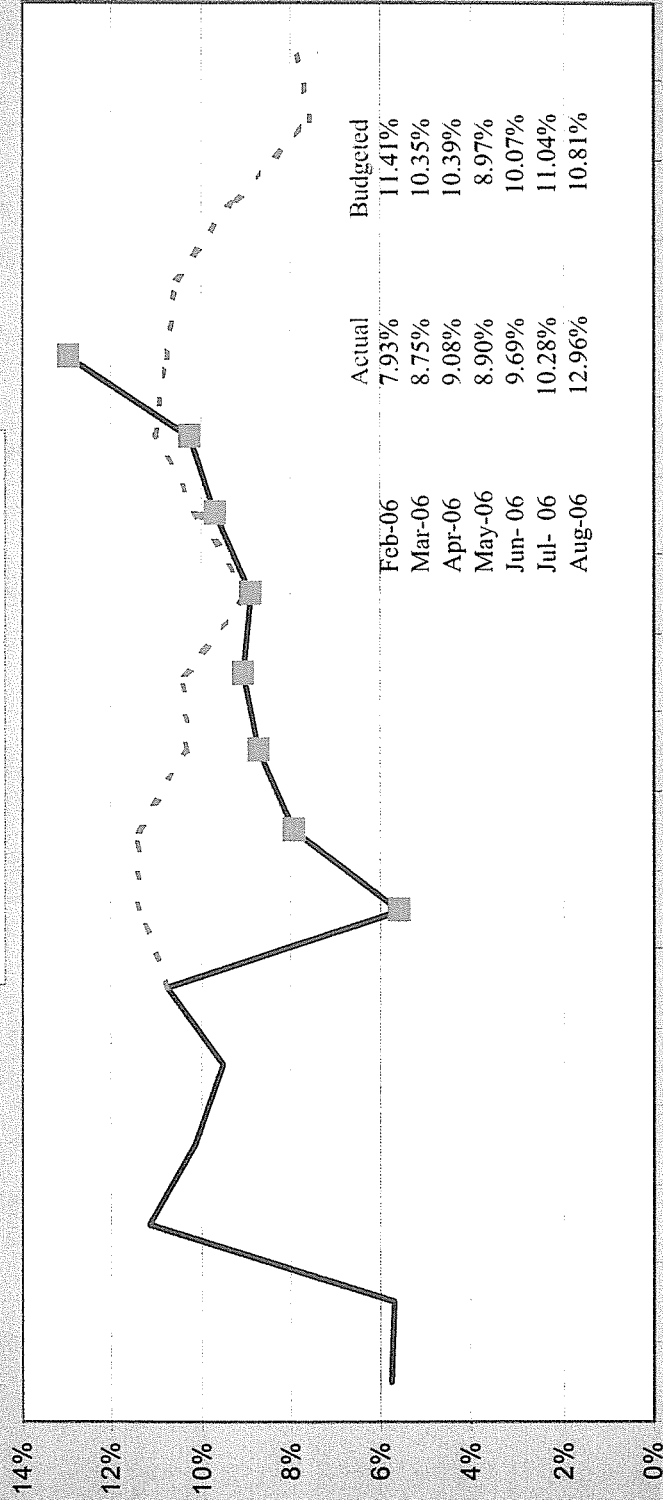
Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors

— Historical ■ Actual - - - Budgeted



Jul-05 Aug-05 Sep-05 Oct-05 Nov-05 Dec-05 Jan-06 Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06 Nov-06 Dec-06



EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- Cost Reduction Plan
 - \$20.0 Million Target
 - \$14.0 Million Identified for 2007
 - \$ 11.1 Million Identified for 2006

9/12/06



EAST KENTUCKY POWER COOPERATIVE

EKPC Business Management Plan

EKPC Board of Directors
Status Report for October

October 3, 2006

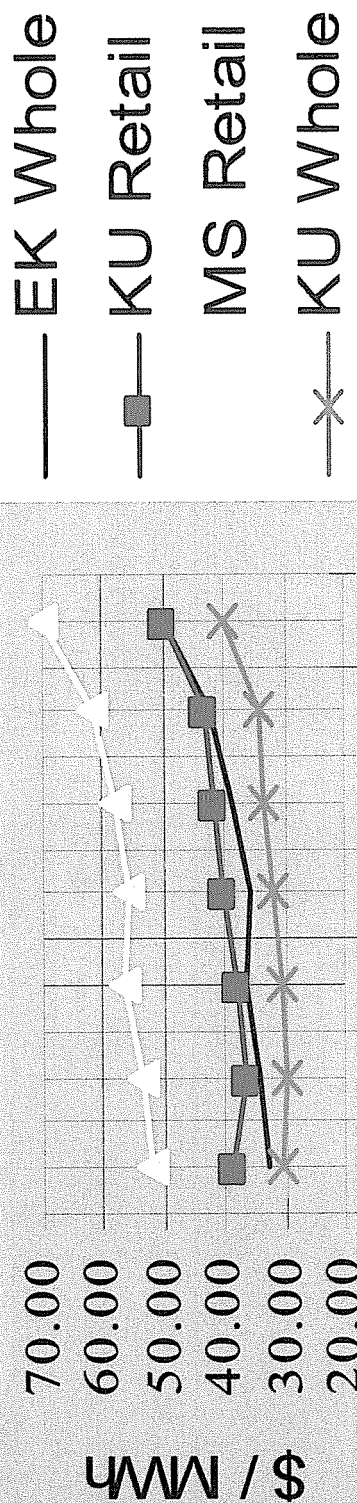


October Status Report

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Historical EKPC / KU Comparison of Avg Cost



10/03/06



EAST KENTUCKY POWER COOPERATIVE

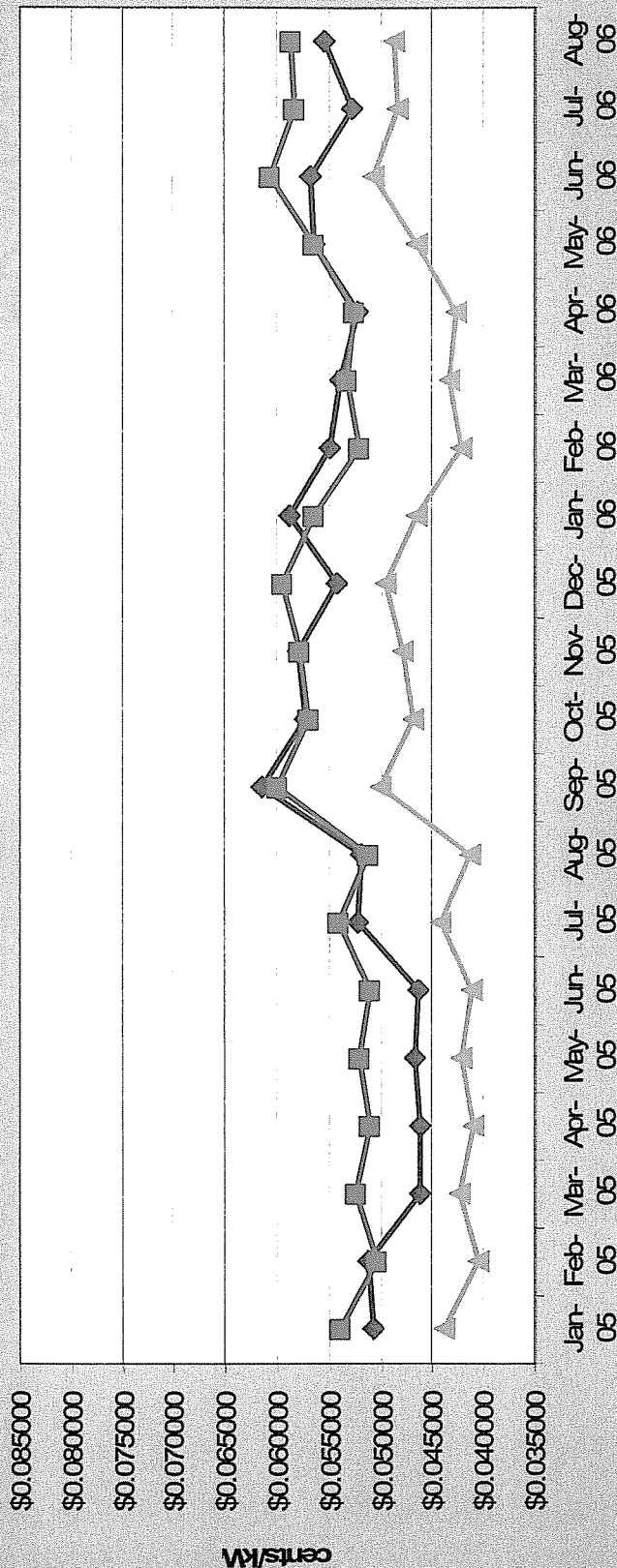
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EK Rate E Compared to KU Residential

— EK — KU bill — Est KU Wholesale (1¢ adder)



Note: Analysis by Pricing resulted in a .992¢ distribution adder for KU.



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Fuel - \$5 Million: Randy Dials
 - Reported May 2006 \$3,301,700
 - Spurlock Units 1 & 2 - Test Burn \$2,214,000
 - Total Savings to Date \$5,515,700



EAST KENTUCKY POWER COOPERATIVE

SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility
 - ☐ Purchased Power - \$4 Million: Randy Dials, Jim Lamb
 - Outage Management
 - Reported June 2006
 - Total Savings To Date

\$4,116,340
\$4,116,340

10/03/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million
 - ❑ Reduce the costs of current compliance strategies-
Dale 1 & 2 NOV's (\$2.4 M increase)
 - ❑ Reduce the operation and maintenance costs of pollution
control equipment - Randy Dials
 - ❑ Volatility of Surcharge has increased during the summer
7.93% Low – February
12.96% High -August

10/03/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

	<u>2006</u>	<u>2007</u>
<input type="checkbox"/> Reduce operational budget –	\$1,543,000	\$1,543,000
<input type="checkbox"/> Cost containment		
• Previous cost containment savings	\$1,198,643	\$3,763,058
• Administrative/Benefits		\$2,285,000
• Power Delivery		
• Total Savings to date	\$2,741,643	\$7,591,058

10/03/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings:

2006

\$11,125,683

2007

\$16,257,098



Reporting Metrics Discussion

COST CONSCIOUS CULTURE –ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan



Quarterly Reports

Project Reviews

Report Date

October

10/03/06



October 2006 Project Reviews

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

<u>Name</u>	<u>Status</u>	<u>Finish</u>	<u>Cost</u>
<u>Generation</u>			
Spurlock #4	Construction	4/09	\$494
Spurlock #2 Scrubber	Construction	9/08	\$163
Spurlock #1 Scrubber	Pending	1/09	\$142
Smith #1	Air	6/10	\$615
Smith CT #12	Air	2/09	\$60
Smith CT #11	Air	1/09	\$60
Smith CT #10	Air	12/08	\$60
Smith CT #9	Air	1/09	\$60
Smith CT #8	Air	2/09	\$60
<u>Transmission</u>			
Smith-North Clark 345Kv	Construction	11/07	\$22
Smith-West Garrard 345Kv	Permit	6/09	\$38



Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

<input type="checkbox"/> <u>Monthly Reports (Trends, Forecasts, and Variances)</u>		
Coal	Purchased Power	
Gas	FAC Forecast	
Allowances	Environmental Surcharge Forecast	

10/03/06



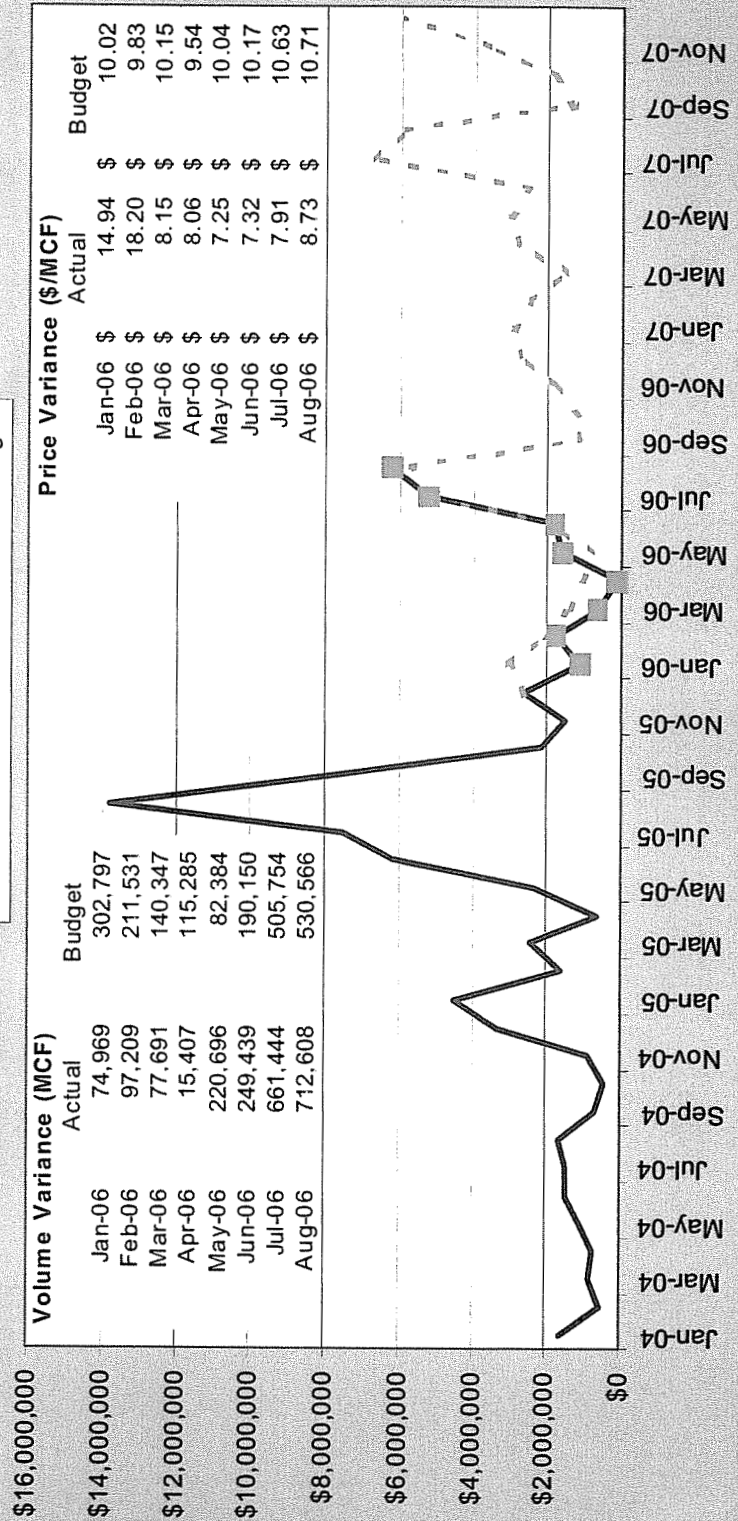
Reporting Metrics Discussion

COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - - Budget



10/03/06



EAST KENTUCKY POWER COOPERATIVE

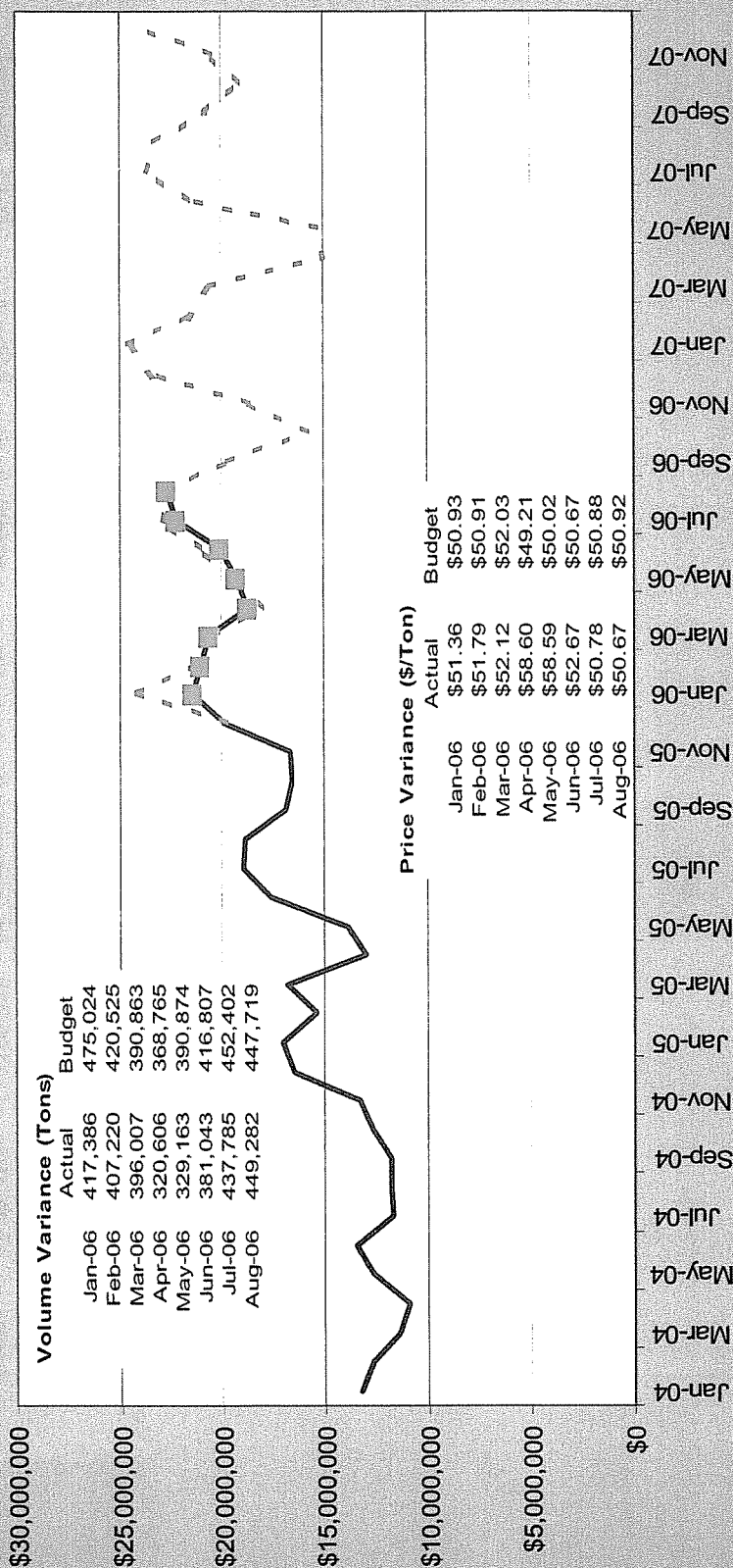
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

— Historical ■ Actual - - Budget





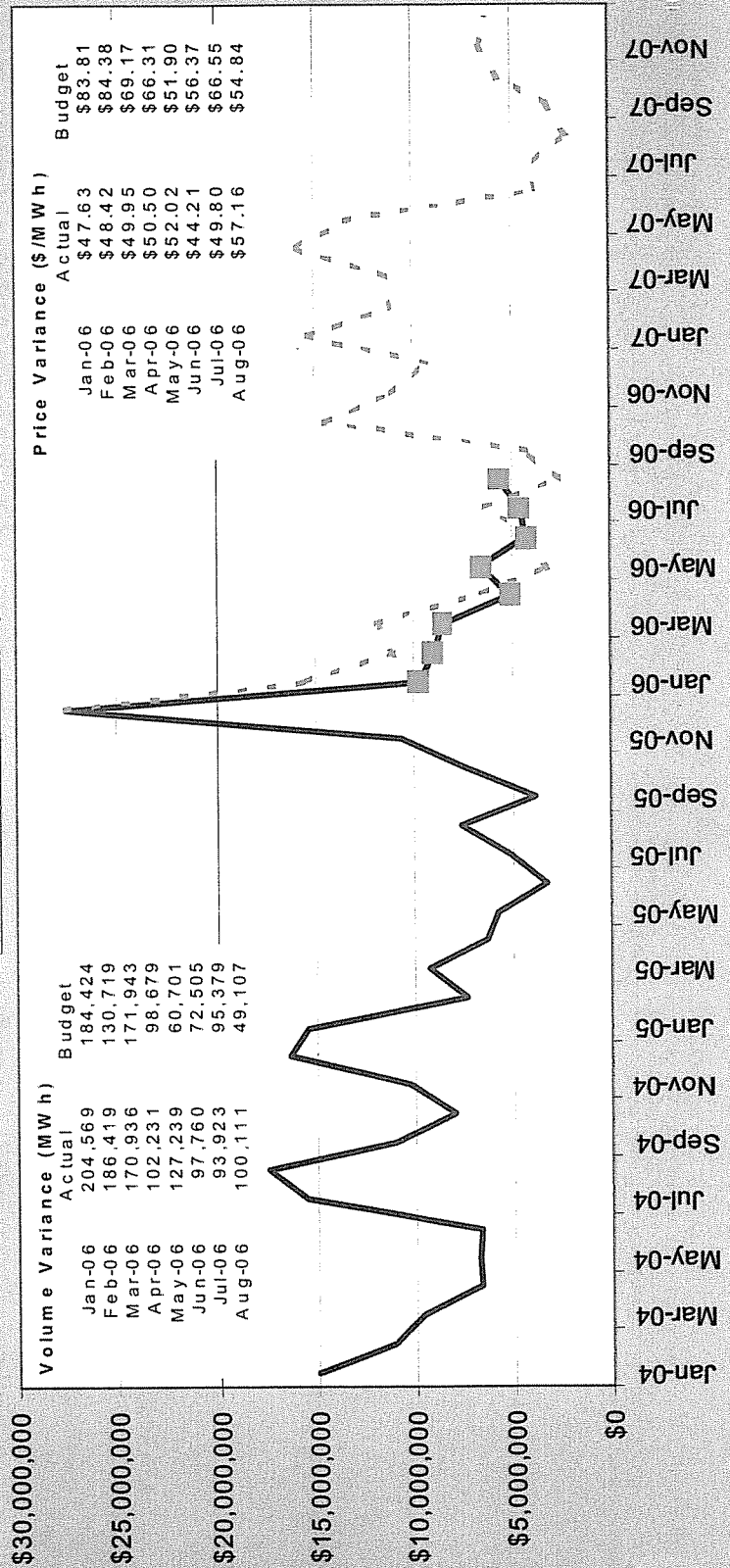
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Purchased Power Dollars

— Historical ■ Actual - - Budget





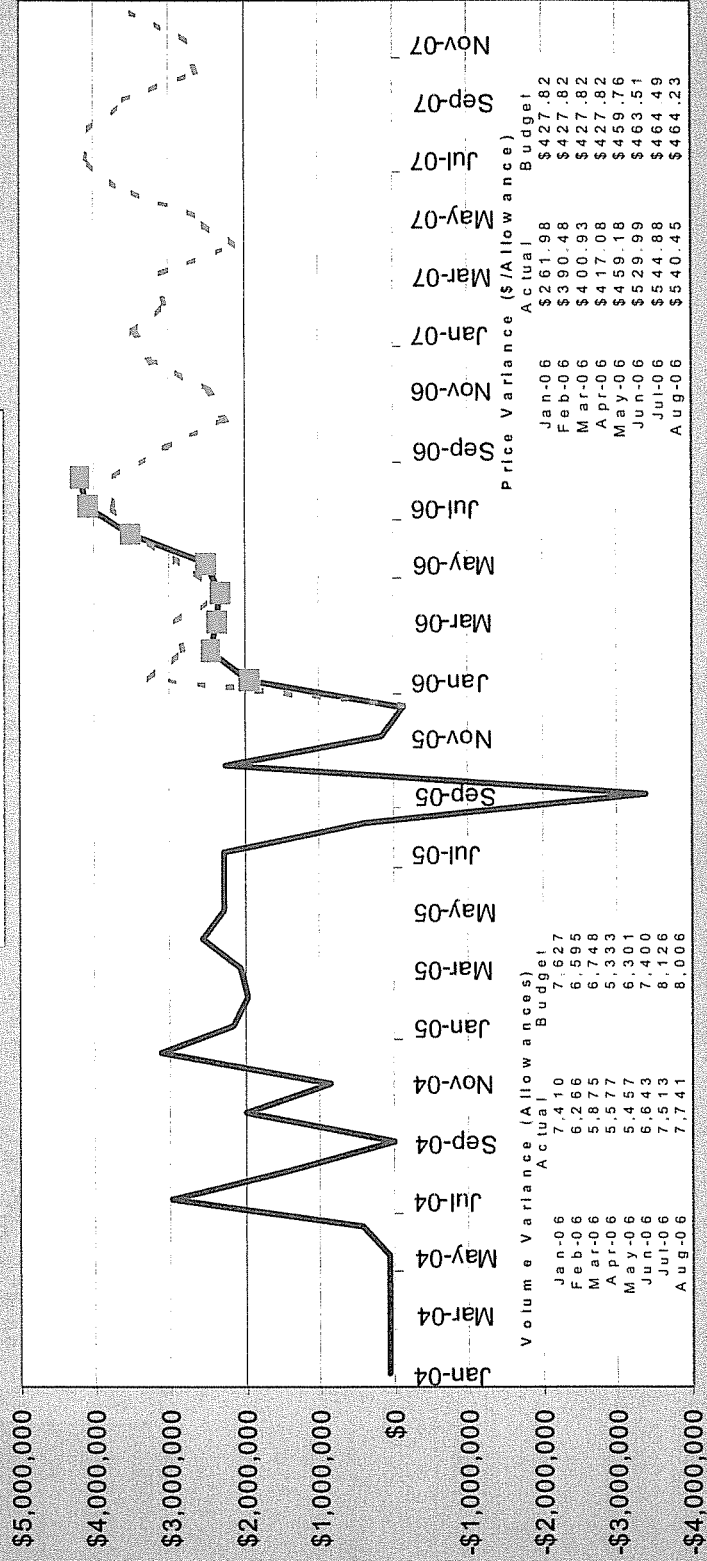
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - Budget



Note: Sept 05 negative adjustment to balance accruals for swap transactions.

9/12/06

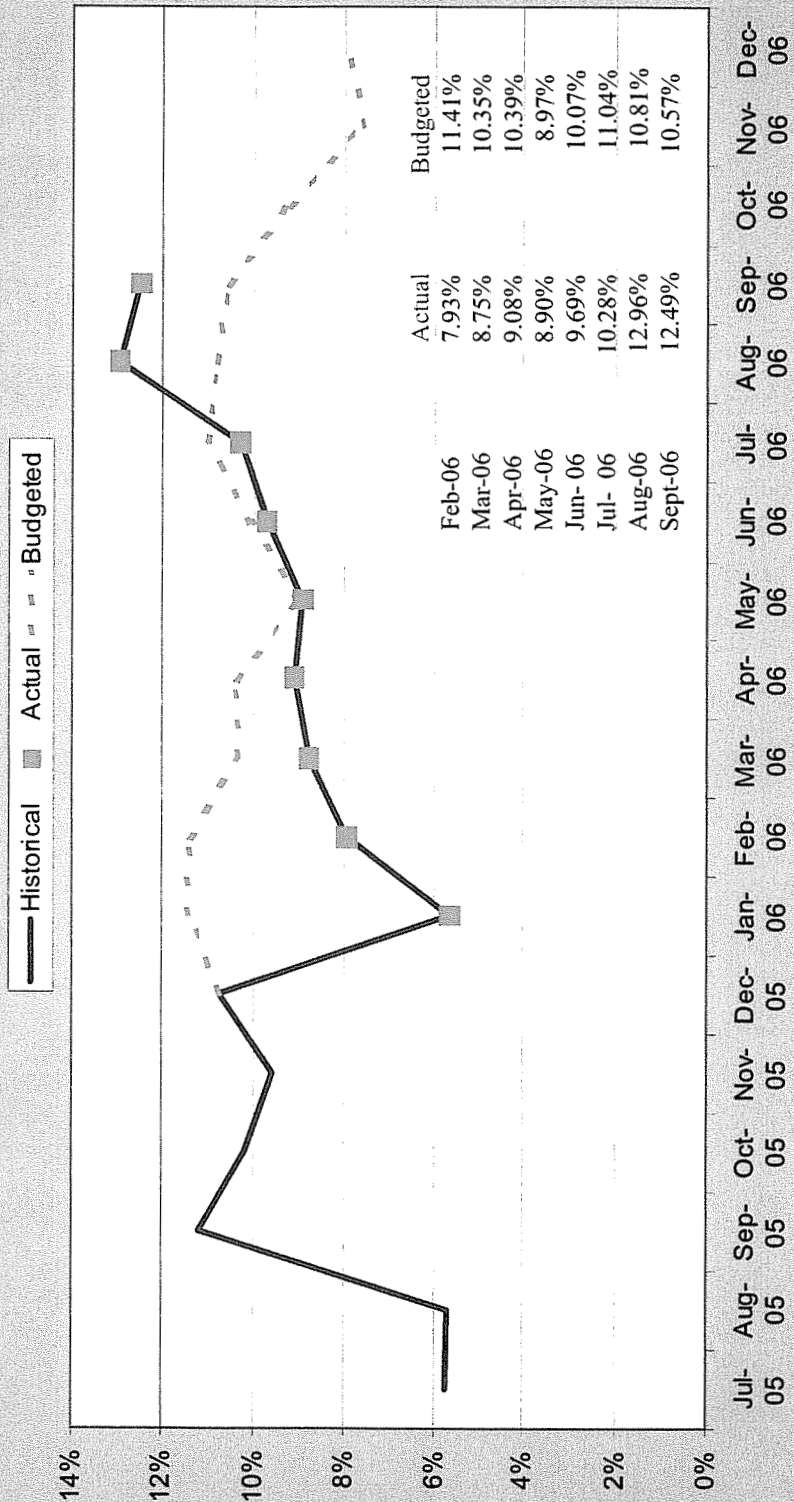


Reporting Metrics Discussion

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors



10/03/06



EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

□ Cost Reduction Plan

\$20.0 Million Target

\$16.3 Million Identified for 2007

\$11.1 Million Identified for 2006

10/03/06

EKPC Business Management Plan

EKPC Board of Directors
Status Report for November

November 14, 2006



EAST KENTUCKY POWER COOPERATIVE

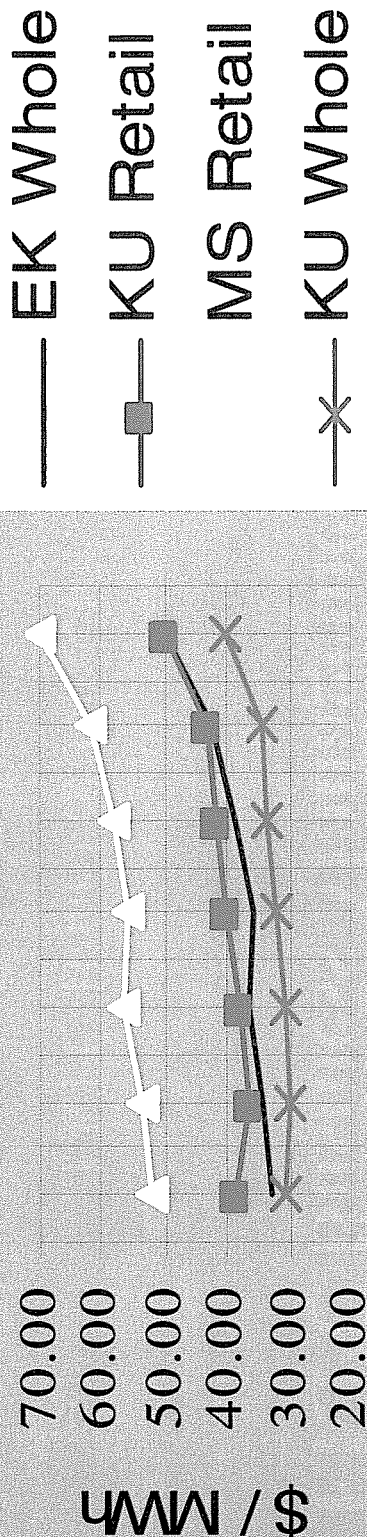


November Status Report

EKPC Business Management Plan

Historical EKPC / KU

Comparison of Avg Cost



11/14/06



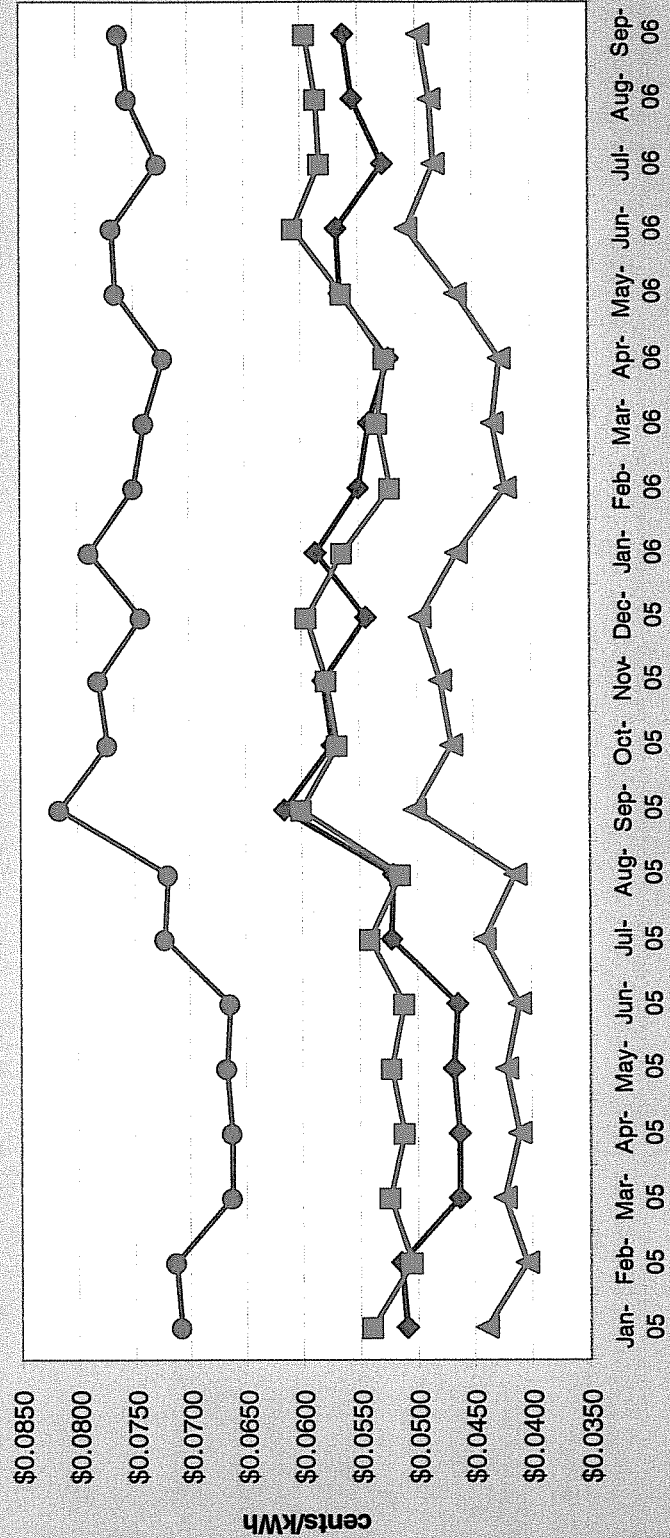
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EK Rate E Compared to KU Residential

—●— EK —■— KU bill —▲— Est KU Wholesale (1¢ adder) —◆— EK Member System (2¢ adder)



Note: Analysis by pricing resulted in a 99¢ distribution adder for KU



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Fuel - \$5 Million: Randy Dials
 - Reported May 2006 \$3,301,700
 - Spurlock Units 1 & 2 – Test Burn \$2,214,000
 - Total Savings to Date \$5,515,700

11/14/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

- ☐ Purchased Power - \$4 Million: Randy Dials, Jim Lamb
 - Outage Management
 - Reported June 2006
 - Total Savings To Date

\$4,116,340

\$4,116,340

11/14/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

2. Reduce Environmental Surcharge and Volatility - \$3 Million
 - ❑ Reduce the costs of current compliance strategies - Dale 1 & 2 NOV's (\$2.4 M increase)
 - ❑ Reduce the operation and maintenance costs of pollution control equipment - Randy Dials
 - ❑ Volatility of Surcharge has increased during the summer
7.93% Low – February
12.96% High - August

11/14/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

3. Operational Cost Reviews - \$8 Million

2006

2007

<input type="checkbox"/> Reduce operational budget –	\$1,543,000	\$1,543,000
<input type="checkbox"/> October Budget Reductions-	\$4,972,316	
<input type="checkbox"/> Cost containment		
• Previous cost containment savings	\$1,198,643	\$3,763,058
• Administrative/Benefits		\$2,285,000
• Power Delivery		\$ 257,800
• Total Savings to date	\$7,713,959	\$7,848,858

11/14/06



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE –ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Total Current Estimated Savings:

2006

\$16,097,999

2007

\$16,514,898

11/14/06



Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan



Quarterly Reports

Budget Variances

Report Date

November

11/14/06



Budget to Actual Variance Analysis

COST CONSCIOUS CULTURE -- ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

Variance Analysis thru 9/30/06 (in thousands \$)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	\$491,388	\$537,830	(\$46,442)	(8.64)
• Fuel	\$210,466	\$222,045	(\$11,579)	(5.21)
• Operations Expense	\$158,869	\$169,338	(\$10,469)	(6.18)
• Maintenance	\$ 34,684	\$ 39,590	(\$ 4,906)	(12.39)
• Fixed Costs	\$103,443	\$107,434	(\$ 3,990)	(3.71)
• Margins	(\$ 3,836)	\$ 10,706	(\$14,541)	(135.83)

11/14/06



Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- ☐ Monthly Reports (Trends, Forecasts, and Variances)
 - Coal
 - Purchased Power
 - FAC Forecast
 - Environmental Surcharge Forecast
 - Gas
 - Allowances

11/14/06



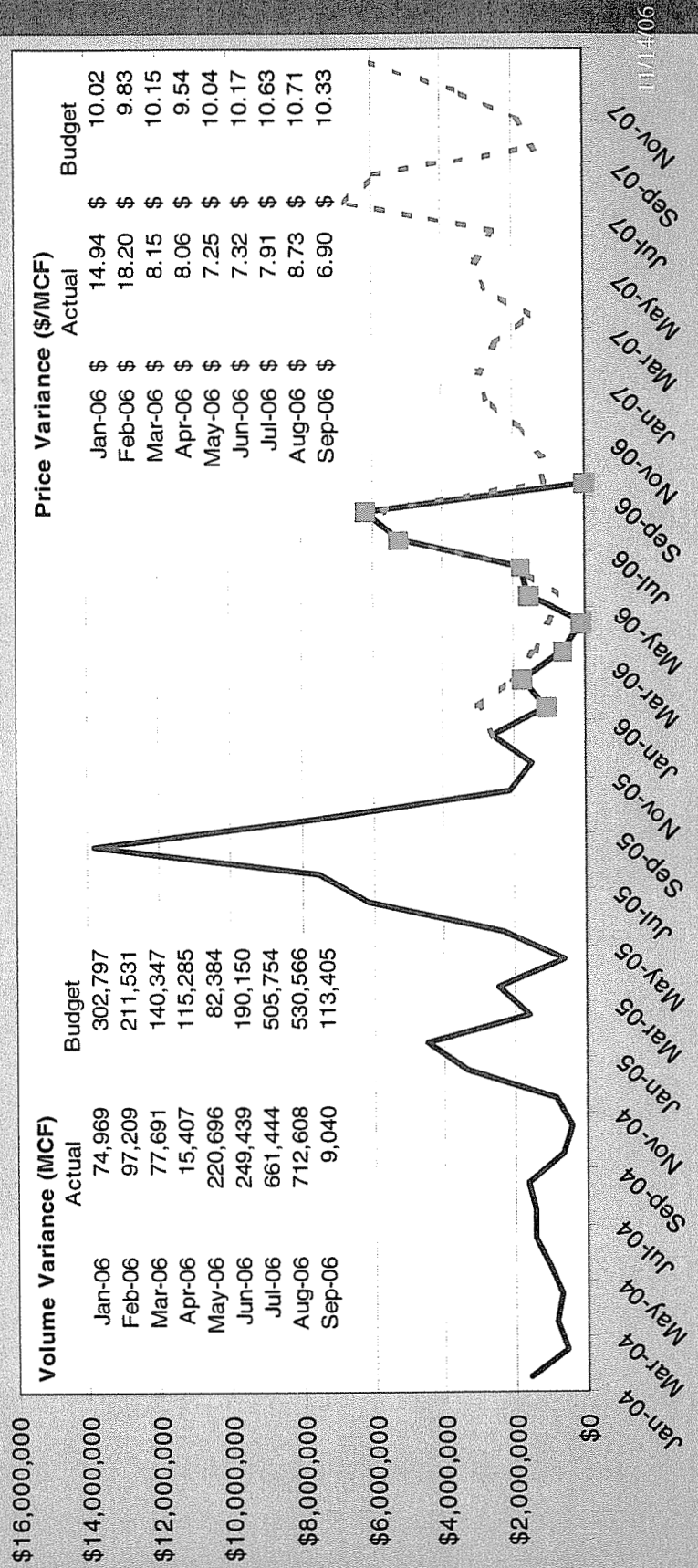
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual - - Budget





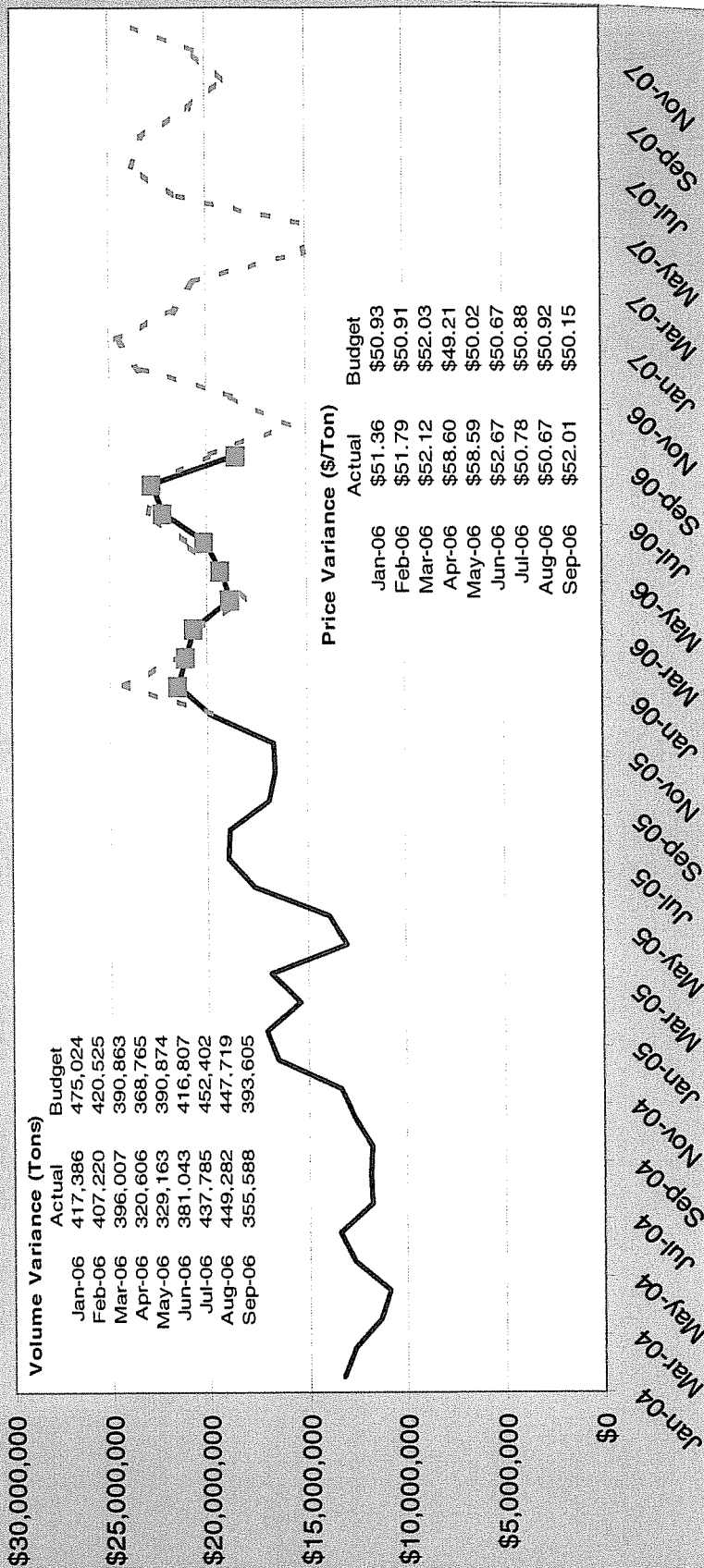
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

— Historical ■ Actual - - Budget





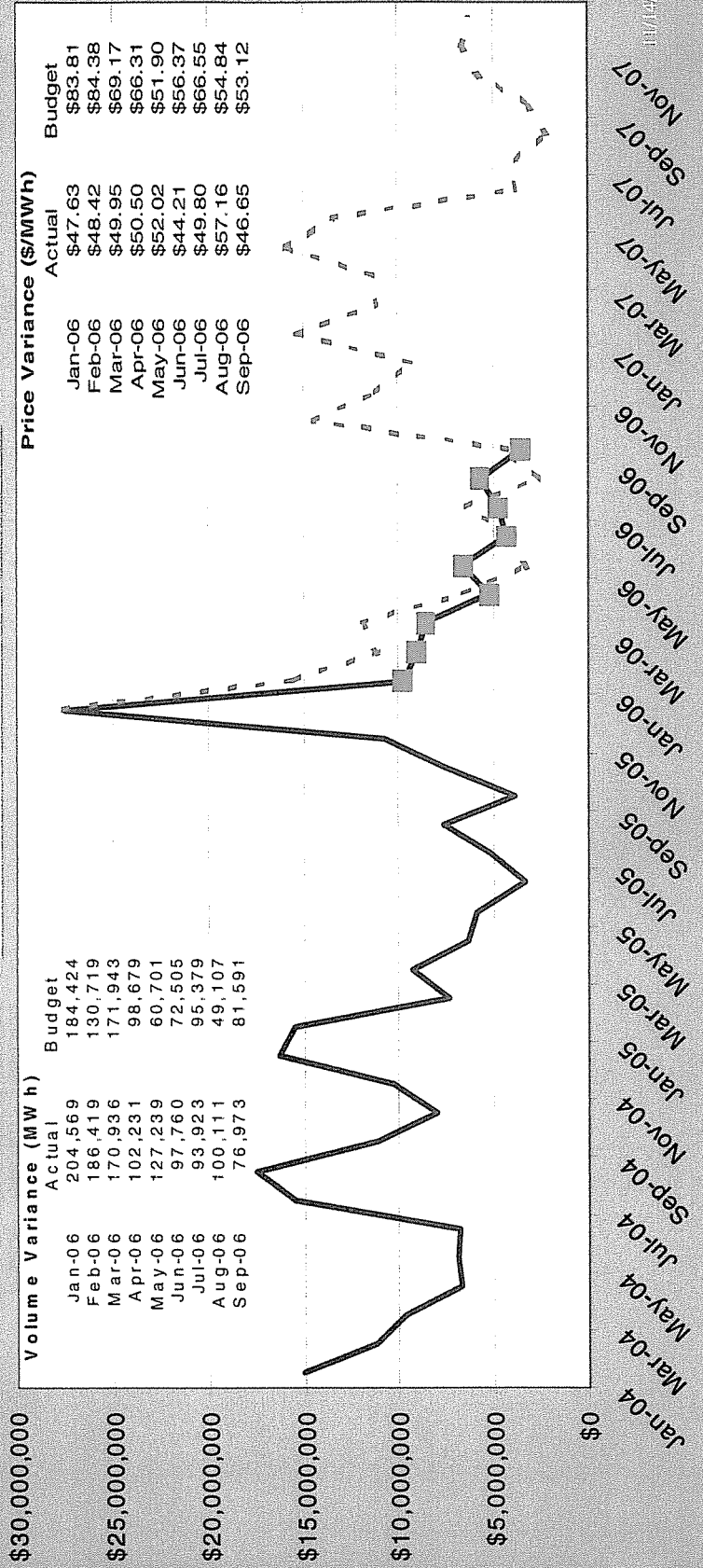
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Purchased Power Dollars

— Historical ■ Actual ▨ Budget





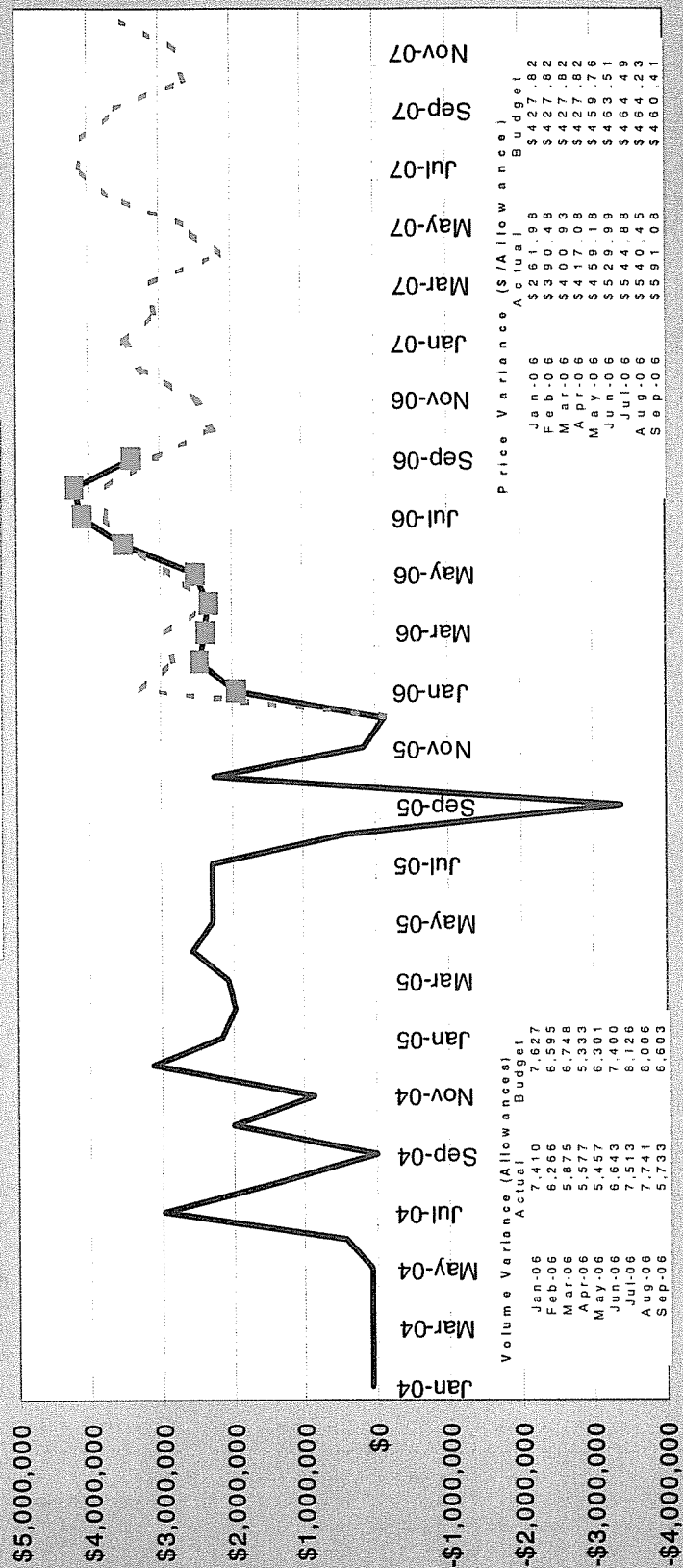
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - Budget



11/14/07

Note: Reported negative adjustment to balance accounts for swap transactions.



EAST KENTUCKY POWER COOPERATIVE

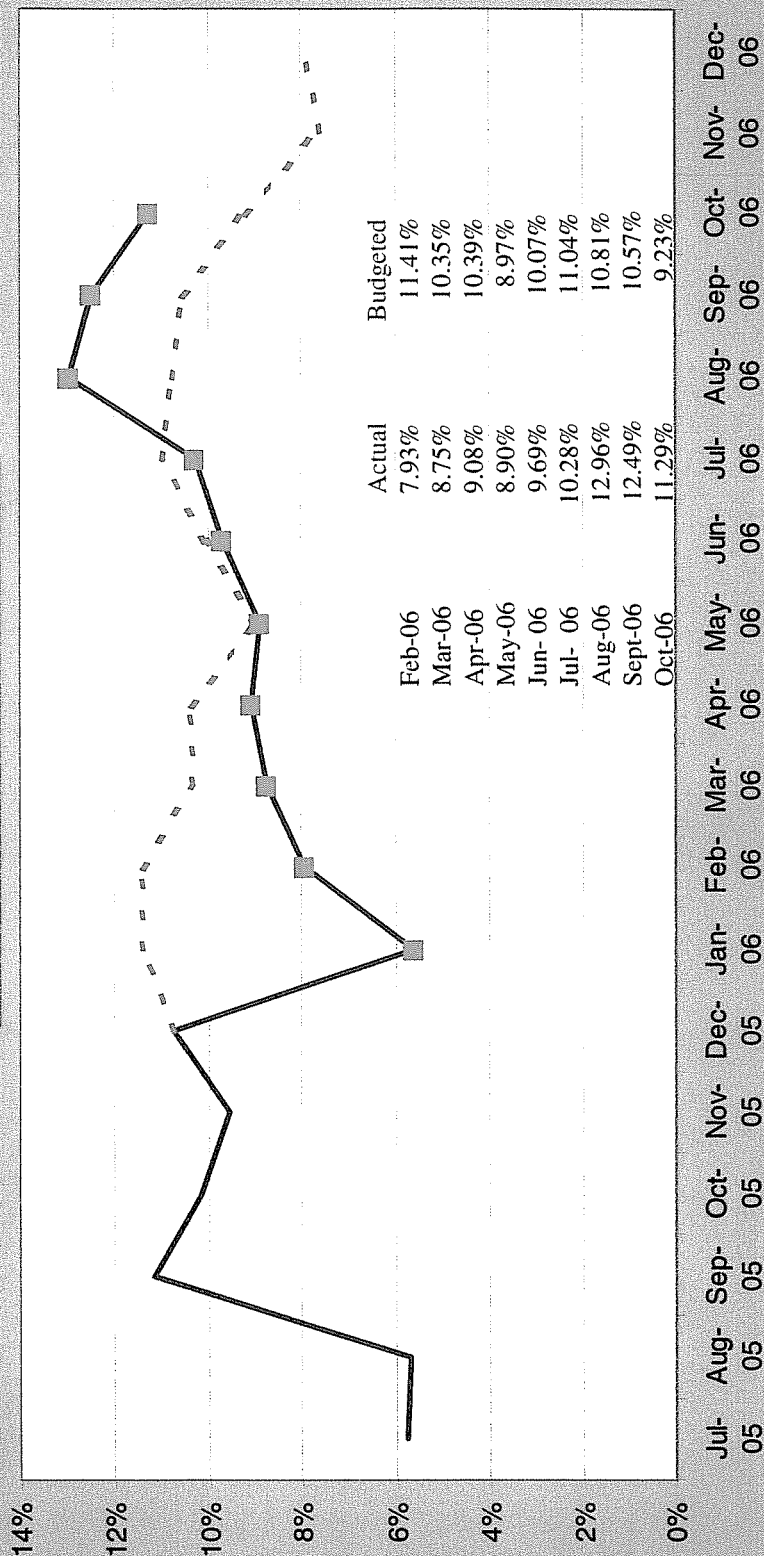
Reporting Metrics Discussion

COST CONSCIOUS CULTURE –ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors

— Historical ■ Actual - - Budgeted





SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

□ Cost Reduction Plan

\$20.0 Million Target

\$16.5 Million Identified for 2007

\$16.1 Million Identified for 2006

11/14/06



RECYCLED PAPER MADE FROM 100% POST CONSUMER CONTENT

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06

REQUEST 31

RESPONSIBLE PERSON: Frank Oliva/David Eames

COMPANY: East Kentucky Power Cooperative, Inc.

Request 31. Refer to page 1 of your response to the Commission's October 27, 2006 Order, Item 6. Provide a copy of all notices and/or plans submitted by EKPC to RUS since December 1, 2005 as a result of EKPC's actual or potential failure to meet its average TIER or DSC levels under the Mortgage Agreement.

Response 31. EKPC has not yet submitted a formal notice or a plan of action to meet its average TIER and DSC levels under the Mortgage Agreement. Upon actual failure to meet any of these covenants, EKPC will submit a plan to RUS in compliance with the Mortgage requirements.



RECYCLED PAPER MADE FROM 20% POST CONSUMER CONTENT



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06
REQUEST 32**

RESPONSIBLE PERSON: David Eames

COMPANY: East Kentucky Power Cooperative, Inc.

Request 32. Does EKPC currently have a definitive plan to improve its current financial condition and ensure compliance with all terms and conditions of its Mortgage Agreement and Credit Agreement? If yes, provide a summary of said plan.

Response 32. Please refer to the response to Item No. 7 for EKPC's plan to improve its financial condition.



RECYCLED PAPER MADE FROM 20% POST CONSUMER CONTENT

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 11/9/06
REQUEST 33**

RESPONSIBLE PERSON: Dale Henley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 33. Supplement your responses to the Commission's Order dated October 27, 2006 with any additional information that has become available between the date you filed your answer to the Commission's October 27,2006 Order and November 15,2006.

Response 33. Please see the attached monthly Board notes for October.

September 22, 2006

Board of Directors
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, October 3, 2006**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

A G E N D A

- I. CALL TO ORDER**
- II. INVOCATION**
- III. ROLL CALL**
- IV. ACTION ON PREVIOUS BOARD MINUTES**
- V. ADOPTION OF AGENDA**
- VI. REPORT OF OFFICERS**
 - 1. Report of the Secretary-Treasurer on Directors' Fees and Expenses for the Third Quarter of 2006 – A.L. Rosenberger
- VII. BUSINESS MANAGEMENT PLAN**
- VIII. AUDIT COMMITTEE ITEMS**
 - William Shearer, Chairman
 - A. Board Action Requested:**
 - None.
 - B. Information and Discussion Items:**

IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS
Donnie Crum, Chairman

A. Board Action Requested:

1. Approval of Annual Wage/Salary and Benefits Recommendations – OLIVER (*mailed under separate cover in September. Please bring these materials to the October 3rd meeting.*)
2. Authorization of Designated Agent to Execute Documents for Obtaining and Administering Certain Federal Financial Assistance for Storm Damage – TWITCHELL
3. Amendment of Board Policies No. 109, 503, 505, 508 and 515; NRECA Adoption Agreements and Amendment Pension Restoration Plan - OLIVER
4. Annual Performance Appraisal Review and Salary Adjustment of the President and Chief Executive Officer (*Executive Session*) - STRATTON

B. Information and Discussion Items:

X. FUEL & POWER SUPPLY COMMITTEE ITEMS
Jimmy Longmire, Chairman

A. Board Action Requested:

1. Approval of Coal Supply Contract Amendment No. 1 with Infinity Coal Sales, LLC for Spurlock Power Station Unit No. 2 - BORDES
2. Approval of Coal Supply Contract with Coalsales, LLC for Spurlock Power Station Unit No. 2 - BORDES
3. Approval of Integrated Resource Plan for 2006 – LAMB

B. Information and Discussion Items:

XI. POWER DELIVERY COMMITTEE ITEMS
Mike Adams, Chairman

A. Board Action Requested:

1. Approval of Construction of Cranston-Rowan 138 kV Transmission Line (6.9 miles in length) - TWITCHELL

2. Approval of Construction of J.K. Smith 138 KV Substation - TWITCHELL

3. Approval to Sell 9.87 Acres Located in Jackson County, Kentucky - ISHMAEL

B. Information and Discussion Items:

XII. MEMBER SYSTEM NEEDS

XIII. EKPC BUSINESS UNIT MONTHLY REPORTS

Coordinated Planning
Corporate Strategy & Technology Applications
Finance
Governmental Affairs
Human Resources and Support Services
Legal
Member Services
Power Delivery
Power Production

XIV. AGENDA ITEMS FOR NEXT AGENDA

XV. OTHER BUSINESS

XVI. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.



A. L. Rosenberger, Secretary
c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING
OCTOBER 3, 2006**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday October 3, at 11:00 a.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Jackie Browning gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
A. L. Rosenberger	Nolin
Bobby Sexton, Alternate	Big Sandy
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

ANNOUNCEMENTS

- Welcomed Debbie Martin of Shelby Energy and Mike Norman of RUS.

BOARD MINUTES

On motion of P. D. Depp, seconded by Mike Adams, the minutes of the September 12, 2006, board meeting were approved.

ADOPTION OF AGENDA

The Agenda was accepted as mailed.

EKPC Board Meeting Minutes
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REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer

President and CEO Roy Palk gave his report during the morning's Committee Meeting of the Whole.

BUSINESS MANAGEMENT PLAN

Gary Crawford reviewed and fielded questions on the Business Management Plan as included in the Board book.

AUDIT COMMITTEE ACTION ITEMS

No Audit Committee meeting was held.

AUDIT COMMITTEE INFORMATION ITEMS

None.

OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS

EKPC's 2006-2007 Compensation Program

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, For reasons set forth in the Executive Summary, and upon the recommendation of the Operations, Services and Support Committee and Management and consistent with key performance measures; now, therefore, be it

Resolved, That the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") authorizes management to implement the following revisions to EKPC's compensation program:

1. Effective October 29, 2006, a 3.0% general increase for all regular full-time EKPC employees who meet performance expectations. No structure adjustments, merit increases, or skill-based/non skill-based level or step increases will be granted until further notice.
2. Effective immediately, provide a \$40 general food item gift certificate for each EKPC employee.

EKPC Board Meeting Minutes
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FEMA Designated Agent

Upon recommendation of management and the Operations, Services and Support Committee and after review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, The Management of East Kentucky Power Cooperative, Inc. ("EKPC") will apply to the Federal Emergency Management Agency ("FEMA") for reimbursement of costs incurred from storm damages to the transmission system when and if they occur; and

Whereas, FEMA has requested that a designated agent be appointed for the purpose of obtaining and administering the federal financial assistance, now; therefore, be it

Resolved, That John R. Twitchell, Vice President, Power Delivery Unit, is appointed as a designated agent and is hereby authorized to execute for and in behalf of EKPC, a rural electric cooperative corporation established under the laws of the State of Kentucky, applications for the purpose of obtaining and administering certain federal financial assistance under the Disaster Relief Act of 1974 (Public Law 93-288) and to file them in the appropriate federal and state agencies.

Board Policies Nos. 109, 503, 505, 508, 515, NRECA Adoption Agreements, and Amended Pension Restoration Plan

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") management periodically reviews and revises board policies and benefit plans to ensure they remain viable and cost competitive while meeting stated objectives;

Whereas, Certain changes in board policies (Policy No. 505 – Insurance Benefits and Policy No. 508 – Retirement) copies of which are attached hereto, are required to reflect management's recommended changes to EKPC Employee Benefits related to Employee contributions to the EKPC medical plan and changes to the EKPC Pension Plans for new employees hired on or after January 1, 2007;

Whereas, Certain changes in board policies (Policy No. 109 – Nepotism, Policy No. 503 – Authorized Leave With or Without Pay, Policy No. 505 – Insurance Benefits, and Policy No. 515 – Sick Leave and Disability Benefits) copies of which are attached hereto, are required to reflect benefit changes pertaining to the EKPC Long-Term Disability plan,

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EKPC Board Meeting Minutes
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October 3, 2006

listing of all benefits including voluntary and non-voluntary in the appropriate policy, to clarify EKPC's nepotism policy; and to incorporate certain provisions as required by law and as recommended by Frost, Brown Todd;

Whereas, EKPC is a Participating System in the NRECA-sponsored retirement plans, the Retirement Security Plan and the 401(k) Pension Plan;

Whereas, The EKPC Board of Directors approved the adoption of the NRECA Pension Restoration Plan ("PRP") consisting of the Pension Restoration Severance Pay Plan and the Pension Restoration Deferred Compensation Plan effective the first day of January, 1994 to provide certain employees supplemental payments upon severance of their employment with EKPC because of limitations in the federal pension law relating to allowable payments from qualified pension plans; and

Whereas, EKPC Management and the Operations, Services and Support Committee recommend the amendments and revisions as herein identified; now, therefore, be it

Resolved, That the Board hereby approves revisions to Board Policies No. 109 – Nepotism, 503 – Authorized Leave With or Without Pay, No. 505 – Insurance Benefits, No. 508 – Retirement, and No. 515 – Sick Leave and Disability Benefits, as attached;

Resolved, That the Board hereby approves the amendments to the Retirement Security Plan and the 401(k) Plans as follows and hereby authorizes and directs the President and CEO to execute all necessary documents to carry out the intention of the Board as indicated in this resolution and to sign the Adoption Agreements required for the restatement of the 401(k) Pension Plan and /or the Retirement Security Plan:

The Retirement Security Plan and the 401 (k) Pension Plan for all employees of EKPC hired prior to January 1, 2007

Eligible Class of Employees: Employees who were hired prior to January 1, 2007

Ineligible Class of Employees: Employees hired after December 31, 2006.

All other plan provisions under the Retirement Security Plan and 401(k) Plan shall remain the same.

The employees hired after December 31, 2006 are not eligible for the Retirement Security Plan but will be eligible for an enhanced 401(k) Pension Plan with the following plan provisions:

Eligible Class of Employees: Employees who were hired after December 31, 2006

Ineligible Employees: Employees hired prior to January 1, 2007.

Contributions:

Employer Base Contributions: The Employer shall contribute to each Employee's

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account an Employer Contribution equal to 6.0% of the Employee's Base Compensation.

Employer Matching Contribution: The Employer shall contribute to each Employee's account an Employer Contribution equal to 100% of Employee Elective Contributions of 0.0% to 4.0% of the Employee's Base Compensation. All other plan provisions under the 401(k) Plan shall remain the same; and

Resolved, That the Board adopts the Severance Pay PRP and the Deferred Compensation PRP, effective January 1, 2005 (the "Effective Date") in the form attached to these resolutions and amends the Severance Pay PRP and the Deferred Compensation PRP as follows:

1. The Severance Pay PRP shall be amended to provide that no new participants shall commence participation and no benefits shall be earned under the Severance Pay PRP on or after October 3, 2006.
2. The severance Pay PRP shall be amended to provide that benefits earned on or after January 1, 2005, shall be paid to a participant in a Single Sum Payment.
3. The terms of the Severance Pay PRP in effect on December 31, 2004 will govern the payment of benefits earned before January 1, 2005.
4. The Deferred Compensation PRP shall be amended to provide that benefits earned on or after October 3, 2006 shall be vested as set forth in the Deferred Compensation PRP.

Annual Performance Appraisal Review and Salary Adjustment of the President and Chief Executive Officer

The Board will take up this item during an Executive Session to be held at the end of today's Board meeting.

OSS COMMITTEE INFORMATION ITEMS

Salt River Electric - OSS Committee Chairman Donnie Crum clarified a Resolution dated July 12, 2005, relating to a loan for the purchase of realty in Salt River Electric Cooperative Corporation's service territory for industrial development. In the Resolution, the Board approved a loan up to \$400,000. The loan will be made directly to the industrial customer at "0" interest. The loan will be secured by a mortgage, and subject to such other due diligence considerations as are appropriate.

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FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

Amendment No. 1 to Coal Contract w/ Infinity Coal Sales, LLC—Spurlock Unit No. 2.

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., ("EKPC") has a coal supply contract with Infinity Coal Sales, LLC, ("Infinity") for 240,000 tons per year that began January 1, 2006, and extends through December 31, 2007;

Whereas, Infinity has been a dependable coal supplier to EKPC on both short- and long-term supply agreements;

Whereas, EKPC's projected activation date for the scrubber for Unit No. 2 at Spurlock Power Station is now October 2008 and compliance coal will be required until that time;

Whereas, Management has negotiated a contract extension amendment with Infinity to continue 20,000 tons per month of coal under the current agreement through July 31, 2008;

Whereas, Said amendment will include a market reopener provision that requires a market assessment in September and October of 2007 to determine the price of the additional coal shipped during the extension period; and

Whereas, EKPC management and the Fuel and Power Supply Committee have reviewed the terms of this amendment, find them to be reasonable, and recommend the approval of coal supply contract Amendment No. 1 with Infinity; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves a coal supply contract Amendment No. 1 with Infinity, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute said contract amendment based on the terms presented herein and in the Executive Summary.

Coal Supply Agreement w/Coalsales, LLC—Spurlock Power Station Unit No. 2.

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc.'s ("EKPC") projected startup for the scrubber on Unit No. 2 at Spurlock Power Station is October of 2008;

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Whereas, Compliance coal required for this unit until that date is in limited supply;

Whereas, EKPC issued a verbal solicitation for 240,000 tons of coal for Spurlock Power Station Unit No. 2 for 2007 and 2008;

Whereas, Six responses were received by the fuel process and evaluated;

Whereas, The most competitive coal, being a non-typical coal for Spurlock Power Station Unit No. 2, was successfully test burned during May 2006;

Whereas, This recommendation supports EKPC's key measures for reliable and competitive energy costs; and

Whereas, EKPC management and the Fuel and Power Supply Committee have reviewed the coal supply agreement terms and conditions, find them to be reasonable, and recommend the approval of a coal supply agreement with Coalsales, LLC, ("Coalsales"); now, therefore, be it

Resolved, That EKPC Board of Directors hereby approves a coal supply agreement with Coalsales for 240,000 tons of coal per year at a beginning delivered price of \$2.687/MMBtu for 2007 and \$2.733/MMBtu for 2008, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute said agreement based on the terms presented herein and in the Executive Summary.

EKPC 2006 Integrated Resource Plan

After review and discussion of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, The Kentucky Public Service Commission ("PSC"), pursuant to 807 KAR 5:058, requires the filing of an Integrated Resource Plan ("IRP") by electric utilities under PSC regulation every three years;

Whereas, The Rural Utilities Service ("RUS") and other federal agencies may also require that East Kentucky Power Cooperative, Inc. ("EKPC") prepare an IRP, for certain specified purposes;

Whereas, EKPC staff has prepared the EKPC 2006 IRP for filing with the PSC; and

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Whereas, EKPC management and the Fuel and Power Supply Committee recommend that the Board of Directors (the "Board") approve and authorize the filing of the EKPC 2006 IRP with the PSC, and other governmental agencies, as required; now, therefore, be it

Resolved, That the Board hereby approves and authorizes the filing of the EKPC 2006 IRP with the PSC and other governmental agencies, as required.

F&PS COMMITTEE INFORMATION ITEMS

No F&PS Committee information items were brought before the Board

POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS

Cranston-Rowan Transmission Line—Award of Contract to L. E. Myers Company, Inc.

After review of the applicable information, a motion was made by Mike Adams, and, there being no further discussion, passed to approve the following:

Whereas, On June 10, 2002 the Board of Directors ("Board") approved an Amendment to the East Kentucky Power Cooperative's ("EKPC") Rural Utilities Service ("RUS") required Three-Year Work Plan (November 2002 – October, 2005) for the Cranston-Rowan 138kV Transmission Line - 6.9 miles;

Whereas, The appropriate regulatory and environmental approvals and permits have been secured to proceed with construction of this line;

Whereas, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer ("President and CEO"), or his designee, to award and execute a construction contract, to The L.E. Myers Company, Inc. in the amount of \$1,715,429.00 for the Cranston – Rowan 138 kV Transmission Line, exclusive of owner furnished materials; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it

Resolved, That the President & Chief Executive Officer ("President and CEO"), or his designee, is authorized to award this contract and execute all documents necessary for the proposed contract price of \$1,715,429.00 for the construction of the Cranston – Rowan 6.9 mile 138kV Transmission Line, exclusive of owner furnished materials.

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October 3, 2006

Expansion of J.K. Smith 138 kV Substation—Award of Construction Contract to Aubrey Silvey Enterprises, Inc.

After review of the applicable information, a motion was made by Mike Adams, and, there being no further discussion, passed to approve the following:

Whereas, On July 12, 2005, the Board of Directors (“Board”) authorized East Kentucky Power Corporate Inc. (“EKPC”) management to proceed with the construction of related transmission facilities associated with the planned J.K. Smith Combustion Turbine Units(CT’s) #8 through #12 and J. K. Smith Circulating-Fluidized Bed (CFB)Unit;

Whereas, The expansion of the J.K. Smith 138kV Substation is a part of those related transmission facilities,

Whereas, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer (“President and CEO”), or his designee, to award and execute a construction contract, to Aubrey Silvey Enterprises, Inc. (“Aubrey – Silvey”) in the amount of \$1,013,266.46 exclusive of owner furnished materials,

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it

Resolved, That the President and CEO, or his designee, is authorized to award a contract, and execute all documents necessary for a proposed contract price of \$1,013,266.46 exclusive of owner furnished materials, to Aubrey – Silvey for the construction of the expansion of the J.K. Smith 138kV Substation.

Sale of 9.87 Acres in Jackson County, Kentucky, to Knotwood Craftsmen Investments Corp.

After review of the applicable information, a motion was made by Mike Adams, and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. (“EKPC”) is the record owner of the subject 9.87 acres of property located in Jackson County, Kentucky, which is subject to the Rural Utilities Service (“RUS”) blanket mortgage. This site was purchased in July 1998 for the purpose of constructing the Annville Substation;

Whereas, EKPC has now constructed the needed substation on this property and recorded its easement;

EKPC Board Meeting Minutes
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October 3, 2006

Whereas, The conveyance of this property to Knotwood Craftsmen Investments Corporation will have no impact on the present or future operations of EKPC;

Whereas, It is the opinion of Management that the conveyance of the real property promotes economic development in Jackson County and surrounding areas;

Whereas, EKPC Management and the Power Delivery Committee recommend that said property be conveyed to Knotwood Craftsmen Investments Corporation; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves the conveyance of 9.87 acres of real estate to Knotwood Craftsmen Investments Corporation for the purpose intended. The President and Chief Executive Officer of EKPC or his designee, shall have the authority to execute any and all documents or take other steps as necessary to consummate this conveyance; and

Resolved, That EKPC will secure a release for the subject property from the RUS blanket mortgage.

PD COMMITTEE INFORMATION ITEMS

No PD Committee information items were brought before the Board

MEMBER SYSTEM NEEDS

No member system needs were brought before the Board.

EKPC DIVISION MONTHLY REPORTS

Chairman Stratton noted the monthly reports as included in the Board books.

AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.

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OTHER BUSINESS

December 2006 Committee & Board Meetings

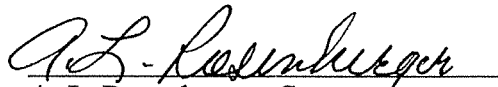
At the request of Board Chairman Wayne Stratton and upon hearing no objection, the December 2006 Committee and Board Meetings will be moved from December 12 to December 5, 2006. A resolution to that effect will be presented at the November Board meeting.

EXECUTIVE SESSION

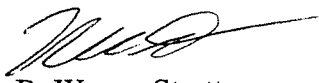
At 12:05 p.m. the Board Chairman called for the Board to go into Executive Session. Remaining for the Executive Session were Directors, Alternate Directors, Roy Palk, and Dale Henley (Mr. Henley stayed for a portion of the meeting). Della Damron stayed for a portion of the meeting to assist with the minutes. The purpose of the Executive Session was for a more in-depth update on the EPA lawsuits and the annual performance appraisal review of the President and Chief Executive Officer.

The minutes of the remainder of the **Executive Session** are included in the separate October 3, 2006, Executive Session Minutes of the regular Board meeting.

There being no further business, the Executive Session and the EKPC Board meeting were adjourned at approximately 12:50 p.m.


A. L. Rosenberger, Secretary

Approved:


R. Wayne Stratton
Chairman of the Board

Date: Nov 14, 2006

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 109

July 6, 1979

NEPOTISM

I. OBJECTIVE

To set forth a policy with regard to the employment of relatives of the Board of Directors and employees of East Kentucky Power Cooperative ("EKPC") and Managers of member systems.

II. CONTENT

A. The following definitions apply when used in this policy:

1. "Immediate family" shall mean children, stepchildren, grandchildren, brothers, sisters, step brothers, step sisters, half-brothers, half-sisters, spouses, parents, step parents, grandparents, aunts, uncles, nieces, nephews, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, and father-in-law.
2. "Policy position" shall mean the positions of President and Chief Executive Officer ("President and CEO"), Vice President, Process Manager, Plant Manager, and General Counsel.
3. "Supervisory relationship" shall mean the relationship that exists between any [management] policy position and any position for which that [management] policy position is responsible.

B. No member of the immediate family of a Director of EKPC or an employee of EKPC holding a policy position, or the immediate family of the Manager of a member system, shall be eligible to be hired by EKPC. If a member of the immediate family of an employee of EKPC holding a policy position is an existing employee of EKPC, he or she shall not be eligible for promotion or transfer into a position where a supervisory relationship exists. Provided, however, that any existing employment relationship created prior to October 3, 1989, shall not be affected by the provisions of this paragraph.

C. If two employees of EKPC marry, they shall not work in a supervisory relationship or in any relationship that might tend to compromise the internal controls of EKPC, and every reasonable effort will be made to not have them work in the same organizational unit.

POLICY NO. 109

-2-

July 6, 1979

- D. If a member of an employee's immediate family is also an EKPC employee, only one of them can hold a policy position.
- E. If two employees become related as either spouse, father-in-law, mother-in-law, son-in-law, or daughter-in-law by marriage or otherwise, only one of them can hold a policy position. If two employees in policy positions become so related by marriage or otherwise, one of them will be required to terminate employment. If the affected employees cannot decide which of them will terminate, the employee with the least seniority shall have employment terminated.
- F. Subsequent to December 14, 1993, if an employee becomes a spouse, father-in-law, mother-in-law, son-in-law, or daughter-in-law of a Director of EKPC, or of a manager of a member system, or if the spouse, father, father-in-law, mother, mother-in-law, son, son-in-law, daughter, or daughter-in-law of an employee becomes a Director of EKPC or a manager of a member system, the employee, in either case, shall not be eligible to hold a policy position. If such an employee already holds a policy position, that employee shall be required to terminate his or her employment.

III. RESPONSIBILITY

- A. The President and CEO shall be responsible for the administration of this policy.

Amended: 11-20-79

Amended: 11-13-85

Amended: 10-03-89

Amended: 08-03-93

Amended: 12-14-93

Amended: 12-06-94

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 503

SEPTEMBER 10, 1979

AUTHORIZED LEAVE WITH OR WITHOUT PAY

I. OBJECTIVE

To establish the conditions under which employees may take leave with or without pay.

II. CONTENT

A. Court Leave

1. An employee who is required to serve and perform jury duty shall be compensated by East Kentucky Power Cooperative ("EKPC") in the amount of the difference between his regular rate for regularly scheduled work hours lost and the amount received as juror's fees, provided he is prepared to offer valid proof of such jury duty and the amount received as juror's fees upon request by EKPC.
2. In addition, and subject to the same conditions as stated above, and employee who under threat of subpoena or is subpoenaed to give his deposition or appear in court and does appear as a defendant growing out of EKPC's business, a co-defendant with EKPC, or as a witness on behalf of EKPC shall receive the difference between his regular rate for regular scheduled work hours lost and the amount received as a witness fee.

B. Funeral Leave

1. Employees who experience the death of a child, parent, grandparent, parent-in-law, wife, husband, step children, or step parent may have up to three days time off with pay.
2. Employees who experience the death of a brother, sister, step brother, step sister, brother- or sister-in-law, son- or daughter-in-law, grandchild, or any relative residing in the employee's household may have up to two days time off with pay.
3. Employees who experience the death of an uncle, aunt, niece, or nephew, or the uncle, aunt, niece, nephew, or grandparent of their spouse may have up to one day off with pay.

POLICY NO. 503

-2-

September 10, 1979

4. Employees who experience the death of a [fellow employee] co-worker (current employee of EKPC) or must serve as a pallbearer may attend funeral services with pay.
5. Employees may have time off with pay as provided herein if the necessity for being off occurs within the employee's regular workweek. Abuse of the policy will result in its discontinuance.

C. Military Leave

1. EKPC's policy regarding military and reserve military leave is consistent with the Uniform Services Employment and Reemployment Rights Act of 1994 ("USERRA"), as amended.
2. Employees departing for military service must provide advance notice to EKPC, when such notice is practical. The cumulative length of an employee's absences from a position cannot exceed five years, with certain exceptions as stated in the USERRA. Employees who are dishonorably discharged from the military are not eligible.
3. Pension benefits will continue to accrue benefits during the military service period and the reemployed person must be treated as not having incurred a break in service with EKPC. EKPC will provide health care benefits to the service member and their eligible dependents during the military leave, if they participated in EKPC's health care benefit programs as an active employee, for up to 18 months after the absence begins, or for the period of military service, whichever is shorter. Health care benefits consist of three programs: Medical, Dental, and Employee Assistance Program. EKPC will continue to pay the service member and eligible dependents' health care benefit contributions as if the service member continued to be employed full-time. After 18 months, the service member would be allowed to continue health care benefits for [another 18 months] an additional 24 months in accordance with the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and the service member would be responsible for all health care benefit contributions in accordance with COBRA.
4. During reserve military leave, up to a period of two (2) weeks, EKPC will pay to the employee an amount equal to the difference between his normal EKPC pay and military pay. If military pay exceeds normal EKPC pay, the employee will receive no compensation from the Cooperative.

POLICY NO. 503

-3-

SEPTEMBER 10, 1979

D. Family and Medical Leave Act of 1993

1. In accordance with the Family and Medical Leave Act of 1993, EKPC must provide up to 12 weeks of unpaid leave during a 12-month period of time, which begins when leave is first taken for any reason covered by the Act. Leave must be granted to any employee employed by EKPC for at least 12 months and who has worked 1250 hours or more during the 12-month period of time preceding the date leave is to commence.
2. Employees must first use any accumulated paid leave, in accordance with EKPC policies, before unpaid leave is granted. Leave under the Family and Medical Leave Act runs concurrently with applicable accrued annual and sick leave.
3. Both paid and unpaid leave shall be included in the 12 weeks of leave required by the Act.
4. Events covered by the Act include birth, adoption, foster care placement, or serious health conditions of the employee or employee's immediate family members, which meet the qualifications of the Act.
5. If both husband and wife are employed at EKPC, the aggregate length of leave to which both are entitled for the birth or foster care placement of a child is 12 work weeks during any 12-month period of time.

E. Voting Leave

Employees entitled to vote at any official election may be allowed up to four hours without pay to execute an absentee ballot or cast a vote on election day.

F. Regulatory Compliance

In the event that any provision of this policy is determined to be in conflict with the Americans With Disabilities Act, the Family and Medical Leave Act, or any other state or federal law or regulation, said provision shall be deemed null and void and any employee matters governed by this policy shall thereafter be administered in accordance with such applicable laws or regulations and any non-conflicting provisions of this policy, which shall remain in full force and effect.

POLICY NO. 503

-4-

SEPTEMBER 10, 1979

III. RESPONSIBILITY

The President and Chief Executive Officer is responsible for seeing that this policy is adhered to and operating procedures are developed to coordinate the policy with the provisions of EKPC's benefit programs. Details for the administration of this policy are contained in EKPC Administrative Policy No. A012.

Amended: 11-20-79
Amended: 10-20-81
Amended: 12-13-83
Amended: 08-07-84
Amended: 09-12-89 (to be effective January 1, 1990)
Amended: 11-13-90
Amended: 08-03-93
Amended: 10-12-93
Amended: 10-08-96
Amended: 01-05-99
Amended: 08-10-99

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 505

July 6, 1979

INSURANCE BENEFITS

I. OBJECTIVE

To provide insurance benefits which will enable East Kentucky Power Cooperative ("EKPC") to attract and retain competent personnel and to provide protection for Directors and Alternate Directors, as indicated, while traveling on official business for EKPC.

II. CONTENT

- A. The following fringe benefits are available to all regular employees and are subject to the specific terms and conditions of currently applicable policies.

1. EKPC will [pay 100% of the premium for] make available the following employee benefits (certain benefits will require employee contributions):

Retirement Security Program - 2% Benefit Level (Employees hired prior to 01/01/07 only)

401K Pension Plan – 2% Employer Matching (Employees hired prior to 01/01/07 only)

401K Pension Plan – 6% Employee provided and 4% Employer matching (Employees hired on or after 01/01/07 only)

24-Hour Accident Insurance (Self-Insured Aerial Line Inspection) (\$20,000)

Business Travel Accident Insurance

Long-Term Disability Insurance

[Employee Group Health Plans which include the] Employee Group

Medical & Hospitalization Insurance [, the]

Employee Group Dental Insurance [(employee pays full cost of dependent dental coverage)] [and the]

Employee Assistance [Plan] Program

Double Salary Life Insurance

Employee Group Life (\$4,000 employee, \$5,000 spouse, \$1,000 dependent child, \$200 for dependent infant)

Supplemental Employee Death Benefit (Employees hired prior to 01/01/07 only)

Voluntary Benefits (requires employee contributions):

Employee Group Vision

Voluntary Life Insurance

Long-Term Care

Section 125 Cafeteria Plan

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MetLife Insurance Payroll Deduction Program
Homestead Funds

2. In the event of death of a covered employee (active or disabled), the Employee Group Medical and Hospitalization Insurance is available to his/her covered dependent spouse and dependent children at full cost provided, however, that if on the date of death, the deceased employee hired prior to 01/01/07 had at least ten (10) years of service or the deceased employee hired on or after 01/01/07 had at least twenty (20) years of service and was at least age 55, the covered dependent spouse and dependent children will receive a 50% discount. This coverage will be available until:

- (a) spouse remarries, or
- (b) covered spouse and/or covered children become eligible for benefits under any other employer sponsored plan, or
- (c) a child ceases to be a dependent.
- (d) deceased employee hired on or after 01/01/07 65th birthday.

3. Business Travel Accident Insurance

- (a) The premium on the \$100,000 Business Travel Accident Insurance will be paid for the President and Chief Executive Officer ("President and CEO") and vice presidents.
- (b) The premium on the \$50,000 Business Travel Accident Insurance will be paid for all other employees.

- B. The following fringe benefits are available to all temporary and part-time employees who work at least 1,000 hours in their first 12 months of employment or during any subsequent calendar year, and are subject to the specific terms and conditions of currently applicable policies.

EKPC will reimburse eligible temporary and part-time employees for 50% of their out-of-pocket medical plan insurance premiums on a monthly basis during active service. The monthly maximum reimbursement will not exceed 50% of EKPC's monthly medical contribution rates as applied to EKPC's active regular, full-time employees.

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- C. The following benefits are available to retired employees and are subject to the specific terms and conditions of currently applicable policies:
1. EKPC will pay 1/2 the cost of the Employee Group Medical and Hospitalization Insurance for retired employees, and their spouses and dependent children, and 1/2 the cost of the Retired Employee Life Insurance for retired employees, if the retiring employee was hired prior to 01/01/07, has completed a minimum of 10 years of continuous service with EKPC, and has also attained the minimum retirement age of 55 years, or if the retiring employee was hired on or after 01/01/07, has completed a minimum of 20 years of continuous service with EKPC, and has also attained the minimum retirement age of 55 years. Employee Group Medical and Hospitalization Insurance for retired employees hired on or after 01/01/07 will end on the retired employee's 65th birthday or upon retirement if employee retires after his/her 65th birthday. Only the spouse and dependent children covered on the retired employee's last day of active service will be eligible for Employee Group Medical and Hospitalization Insurance unless they are entitled to special enrollment rights under the Health Insurance Portability and Accountability Act.
 2. The Employee Assistance Plan is available at no cost to retirees, retiree dependents and dependents of deceased retirees.
 3. Retired Employee Life Insurance coverage is available in \$1,000 increments up to a maximum of \$10,000. The coverage of retirees who retired prior to 1/01/86 is limited to a maximum of \$5,000.
 4. Other benefits available at full cost to retirees are:
 - Long-Term Care
 - Met Life Insurance Program
 - Homestead Funds
 5. [4]. In the event of death of the covered retiree, the Employee Group Medical and Hospitalization Insurance is available to the surviving eligible dependent spouse and eligible dependent children at 1/2 the full cost. This coverage will be available until:
 - (a) spouse remarries, or
 - (b) the covered spouse and/or covered children become eligible for benefits under any other employer-sponsored plan, or

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(c) a child ceases to be a dependent.

(d) deceased retiree hired on or after 01/01/07 65th birthday.

- D. The following benefits are applicable to EKPC Directors and Alternate Directors and are subject to the specific terms and conditions of currently applicable policies.
1. The premium on the \$100,000 Business Travel Accident Insurance will be paid for Directors and Alternate Directors with coverage applicable only while traveling as a Director of EKPC.
 2. The premium on the \$20,000 24-Hour Accident Insurance for Directors will be paid by EKPC.
- E. All of said insurance contracts will govern in all matters related to the insurance plans provided by EKPC. The exact coverage and the conditions for coverage of such insurance will be determined by the terms and conditions of the policy or contract. As has been our practice, EKPC reserves the absolute right to amend, suspend, withdraw, discontinue or terminate each benefit plan in whole or in part at any time for any and all participants of the plan.
- F. The President & CEO or his designee, shall be granted authority to negotiate insurance benefits outside the normal guidelines when hiring individuals from outside the organization. This granted authority is to be used only after an offer has been made within the regularly applied guidelines and only in the event that it is deemed necessary to attain the qualified individual.

III. RESPONSIBILITY

- A. The President and CEO shall, without further Board approval, approve any increased premiums charged by the carrier now providing coverage if, in his opinion, he believes such increases are justifiable.
- B. The President and CEO shall, without further authority from the Board of Directors, approve all changes to the Employee Group Health Plans covered by this policy except for the termination of any particular insurance plan.
- C. The President and CEO, or his designee, shall negotiate all insurance coverage's or changes in coverage's and make appropriate recommendations to the Board as to carrier and coverage's and cost of same except as provided in Section III. B. above.

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- D. The President and CEO is responsible for seeing that these programs are properly administered and that all individuals covered by this Board policy are properly informed.

Amended: 06-20-83
Amended: 12-13-83
Amended: 02-11-86
Amended: 11-13-90
Amended: 08-03-93

Amended: 12-06-94
Amended: 01-10-95
Amended: 03-12-96
Amended: 12-03-96
Amended: 01-05-99

Amended: 02-07-00

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 508

July 6, 1979

RETIREMENT

I. OBJECTIVE

To establish the policy which governs the retirement of employees.

II. CONTENT

A. Employee

1. Effective January 1, 1987, normal retirement, under East Kentucky Power Cooperative's ("EKPC") Retirement Plan, is at age 62. However, employees may elect to take early retirement any time after attaining age 55 or may work beyond age 62, provided they are fully able to carry out the duties and responsibilities of the position to which they are assigned.

2. EKPC's Retirement Plan consist of a Retirement Security Plan only available to employees hired prior to 01/01/07 and a 401K Pension Plan available to all employees.

3. [2.] An employee who began receiving Long-Term Disability ("LTD") benefits from EKPC's LTD plan prior to January 1, 1987 is covered under the provisions of the Retirement Security Plan [retirement plan] having a normal retirement age of 65 until the employee returns to work. If the LTD employee returns to work, he/she is covered by the plan having a normal retirement age of 62.

4. [3.] Pension benefits are subject to the benefit provisions of the Retirement Security Plan. Contributions to the Retirement Security Plan will continue for those employees who work beyond age 62. Contributions to the 401K Pension Plan will continue as long as the employee remains on payroll up to 13 weeks from the employee's last day of work.

5. [4.] All contributions to the Retirement Security Plan for employees receiving LTD benefits are waived beginning the 27th week after the date of disability. In addition, the Retirement Security Plan benefit will be continued without contribution as long as the employee remains totally disabled to the employee's normal retirement date or 27th week after the

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date of disability, whichever occurs later. At such time, the LTD employee is considered retired.

6. [5.] Employees desiring early retirement must advise their supervisor in writing six months prior to the date on which they wish to retire.

III. RESPONSIBILITY

The President and Chief Executive Officer is responsible for seeing that the provisions of this policy are carried out, as applies to employees, and that they receive the necessary information and counseling on retirement.

Amended: 12-09-86

Amended: 11-14-89

Amended: 08-03-93

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 515

OCTOBER 12, 1982

SICK LEAVE AND DISABILITY BENEFITS

I. OBJECTIVE

To define the scope of sick leave coverage, set forth the rate at which sick leave is earned, establish the limitations on sick leave, provide policies and procedures governing the earned sick leave of regular employees as of December 31, 1982, and set forth provisions of East Kentucky Power Cooperative's ("EKPC") disability benefit plan.

II. CONTENT

A. Sick Leave Benefit

1. Sick leave days earned and accumulated on or before December 31, 1982 will be "grandfathered" and administered as follows:
 - (a) Sick Leave Reserve Account. A Sick Leave Reserve Account representing all unused sick leave days accumulated on or before December 31, 1982 shall be established for each regular employee. Sick leave paid out from this account will be equal to the hours/days used times the employee's rate of pay in effect at the time such sick leave is used.
 - (b) An employee will receive, at retirement, a benefit payment equal to the amount of accumulated sick leave days/hours in the Sick Leave Reserve Account if the employee is 55 years of age or older or has worked for EKPC 30 or more years. Subject to the limitation contained in (c) below, such an employee may choose to receive a lump sum single payment, or bi-weekly distribution payments, of the accumulated days/hours. An employee receiving the lump sum payment is considered retired as of the last day actually worked and all benefits for regular employee's cease. If an employee elects the bi-weekly payments, employee benefits continue through the period of payments, and the employee is considered retired at the end of the extended period of bi-weekly payments.

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- (c) An employee receiving long-term disability benefits cannot receive bi-weekly distribution of sick leave beyond the normal retirement date or 27th week after the date of disability, whichever occurs later. At such time, the LTD employee is considered retired and the balance of sick leave remaining in the Sick Leave Reserve Account will be paid in a lump sum single payment.
 - (d) An employee age 60 or older, or having worked for EKPC 30 or more years, will receive pay representing the days of unused accumulated sick leave in the Sick Leave Reserve Account upon termination of employment for any reason. Payment will be computed based on the employee's rate of pay in effect at the time of termination and, in cases other than retirement, will be a lump sum single payment.
 - (e) Payment of the unused Sick Leave Reserve Account shall be made to an employee's estate upon death regardless of age or years of service. Payment will be computed based on the employee's rate of pay in effect at the time of termination and will be a lump sum single payment.
2. Sick leave days earned and accumulated beginning January 1, 1983 shall be administered as follows:
- (a) Sick Leave Accumulation Account. A Sick Leave Accumulation Account representing unused sick leave earned after January 1, 1983 shall be established for each regular employee. Sick leave paid out from this account will be equal to the hours/days used times the employee's rate of pay in effect at the time such sick leave is used.
 - (b) Sick leave will be assigned to a Sick Leave Accumulation Account the first of each year on the basis of 1 day per month. Maximum credit is, therefore, 12 days per year. New employees will receive a prorated sick leave allowance in the first year of employment based on the time from date of hire through the end of the year.

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- (c) Up to October 31, 2004, days credited to this account cannot accumulate beyond 85 days. After October 31, 2004, days will accumulate unlimited.
- (d) There shall be no payment representing days accumulated in the Sick Leave Accumulation Account for any reason other than bona fide illness or other covered use. There shall be no payment from this account upon death, retirement, or termination nor shall any accumulated days in this account be applied towards early retirement.

3. General Provisions

- (a) Other compensation such as Worker's Compensation, LTD benefits, etc. an employee receives in the case of illness or injury will serve to reduce the amount of sick leave paid during the absence so that total compensation will not exceed the employee's normal straight-time earnings.
- (b) The use of sick leave for reasons other than personal illness or injury may be approved in certain circumstances. It should be noted that such use will be allowed only when no other arrangement outside of working hours is possible. Such use is limited strictly to the following situations:
 - 1) The hospitalization of an employee's spouse, child, or relative living in the same household as the employee when the employee's presence is required.
 - 2) To transport an employee's spouse or child to a physician's or dentist's office for appointments which are emergencies or cannot be scheduled outside of working hours.
 - 3) When no other arrangements can be made, an employee may remain at home to care for an ill child, or for a seriously ill spouse who requires personal care and attention.

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OCTOBER 12, 1982

- 4) An employee may use sick leave for personal physician or dentist appointments, which cannot be scheduled outside of working hours. The use of sick leave for these purposes is at the discretion of EKPC and requires prior approval of the immediate supervisor and/or significant advance notice. Payment of sick leave for these purposes requires the approval of the vice president, process manager and/or the President and Chief Executive Officer ("President and CEO").
- (c) An employee, upon 24 hours notice and receipt of appropriate approval, may convert up to three days of sick leave to "personal leave days" off in each calendar year. Such personal days cannot be carried over to the next year. With approval, personal days can be scheduled in one-half hour units. Employees who have not completed their first six months of employment are not eligible to take "personal leave days".

B. Long-Term Disability

1. EKPC provides long-term disability benefits for periods of disability of more than 13 weeks. [This coverage is currently provided by the National Rural Electric Cooperative Association ("NRECA") Long Term Disability Insurance Plan.]
2. Regular employees are eligible for participation in the long-term disability program after 90 days of employment.
3. Long term disability benefits are payable in accordance with the Certificate of Insurance. Details are available in the NRECA Summary Plan Description Manual.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy and for the development of procedures relating this to the various insurance coverage's. Details for administration of this policy are contained in EKPC Administrative Policy No. A012.

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Amended: 01-11-83
Amended: 05-10-83
Amended: 12-13-83
Amended: 03-11-86
Amended: 11-14-89 (para. II.A.3.(j) to be effective 01-01-90)
Amended: 04-09-91
Amended: 08-03-93
Amended: 10-12-93
Amended: 12-06-94
Amended: 01-05-99
Amended: 10-05-04

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DEFERRED COMPENSATION PENSION RESTORATION PLAN

1. Participants. The participants in the Deferred Compensation Pension Restoration Plan (the "Deferred Compensation PRP") eligible for benefits shall be a select group of management or highly compensated employees of the Cooperative who on the date of their termination of employment from the Cooperative (or on vesting of the Deferred Compensation PRP benefit, if earlier) have a Pension Limitation, as defined in Section 2(b) of this Deferred Compensation PRP, applied to reduce the amount of payment that would otherwise be payable by the Retirement Security Plan sponsored by the National Rural Electric Cooperative Association (NRECA).

2. Benefit Payment.

(a). The Deferred Compensation PRP Benefit payable under the Deferred Compensation PRP is the amount of the Pension Limitation minus the Severance Pay Limit.

(b). The Pension Limitation is the difference between the single lump sum equivalent of (i) the participant's accrued benefit from the Retirement Security Plan as calculated by NRECA without the limitations provided in Sections 415 and 401(a)(17) of the Internal Revenue Code of 1986 (the "Code"), and (ii) the participant's accrued benefit from the Retirement Security Plan as calculated by NRECA after application of the limitations of Sections 415 and 401(a)(17) of the Code, each of which is calculated at the time a participant is entitled to a payment hereunder. The single lump sum equivalent shall be calculated using the lump sum methodology and assumptions specified in the Retirement Security Plan.

* NRECA Tax Disclosure. The Internal Revenue Service ("IRS") has issued new rules regarding the disclosure of tax information. The rules generally are motivated by the concern of the IRS with abusive tax shelters. However, the disclosure rules apply to many common and accepted transactions. In order to comply with these rules, we are required to inform you of the following any time we give you tax information:

We inform you that any tax advice contained in this communication (or in any attachment) is not intended or written to be used, and cannot be used for the purpose of avoiding penalties under the Internal Revenue Code. It is not intended or written to be used, and cannot be used for promoting, marketing or recommending to another party any transaction or matter addressed in this communication (or any attachment).

(c). The Severance Pay Limit is an amount equal to the lesser of (i) the Frozen Benefit under the Severance Pay Plan, or (ii) twice the participant's annual compensation for the year immediately preceding the year in which the participant terminates employment with the Cooperative less the amount of any other severance pay benefits paid by the Cooperative to the participant. Annual Compensation means the total of all compensation paid by the Cooperative to the participant including wages, salary, and any other benefit of monetary value (whether paid in cash or otherwise), such as for example, the cost of any fringe, welfare or pension benefit. In the event a participant's Deferred Compensation PRP Benefit vests before the Severance Pay PRP benefit is payable, for purposes of calculating the Deferred Compensation PRP Benefit, the Severance Pay Limit shall be determined as of the date the Deferred Compensation PRP Benefit vests.

(d). In determining the participant's pension benefit from the Retirement Security Plan under Section 2(b) there shall be included in the calculation amounts paid in cash to the participant or his beneficiary, transferred to an individual retirement account or annuity for the benefit of the participant or beneficiary or transferred to the participant's account in the NRECA 401(k) Pension Plan.

(e) In the event a participant in the Deferred Compensation PRP is eligible to receive more than one Deferred Compensation PRP Benefit, (for example, in the case of a participant who receives his Deferred Compensation PRP Benefit before the Retirement Security Plan benefit can be paid, and subsequently earns and becomes vested in another Deferred Compensation PRP Benefit), the Pension Limitation shall be calculated for each benefit payment. In addition, any subsequent Deferred Compensation PRP Benefit shall be offset to take into account any Deferred Compensation PRP Benefit previously paid to the participant by adding the differences between 2(b)(i) and 2(b)(ii) for the previous payments to the amount under 2(b)(ii) for the current payment.

3. Benefit Forfeitable by Participant. The Deferred Compensation Benefit provided in Section 2 is subject to a substantial risk of forfeiture and shall be forfeited in its entirety if the participant's employment with the Cooperative is terminated for any reason before the vesting date the Cooperative has specified in writing for each participant under this Deferred Compensation PRP. If the Cooperative does not specify such a date for any participant then such date shall be the normal retirement date for the participant under the Retirement Security Plan. In any event, a forfeiture shall not occur if the termination of the participant's employment with the Cooperative is caused by death or disability. Notwithstanding the foregoing, the benefit forfeited by a participant under the Deferred Compensation PRP maintained by the Cooperative (the "Transferor Cooperative"), can be reinstated if the participant is hired by another cooperative (the "Transferee Cooperative") immediately following termination of employment with the Transferor Cooperative, provided the Transferee Cooperative adopts the Deferred Compensation PRP. The participant shall vest in all benefits earned under the Deferred Compensation PRP of the Transferor Cooperative and under the Deferred Compensation PRP of the Transferee Cooperative on the vesting date specified by the Transferee Cooperative. It is the intention of the Cooperative that the forfeiture provision of this Deferred Compensation PRP shall constitute a substantial risk of forfeiture as defined in Section 457(f)(3)(B) of the Code.

4. Timing and Form of Payment. (a). The Deferred Compensation Benefit shall be payable to the participant (or if deceased to his estate) in a lump sum payment immediately upon the lapse of the substantial risk of forfeiture specified by the Cooperative in writing pursuant to Section 3, above, but in no event later than two and a half months following the lapse of the substantial risk of forfeiture.

5. Termination and Amendment. The Board of Directors of the Cooperative may amend any or all provisions of this Plan at any time by written instrument identified as an amendment effective as of a specified date. The Deferred Compensation PRP may be terminated in whole or in part at any time by action of the Board of Directors of the Cooperative. However, no such termination or amendment shall reduce any benefit accrued by a participant in this Plan prior to the effective date of the termination or amendment.

6. Assets of the Plan and Benefit Payments. The benefits under this Deferred Compensation PRP shall be payable from the general assets of the Cooperative and no trust fund or funding shall be used to secure the payment of plan benefits.

7. General Administrative Powers and Duties. General administration of the Plan shall be placed in the Board of Directors of the Cooperative (the "Board"). The Board shall have the power to take all actions required to carry out the provisions of the Deferred Compensation PRP and shall further have the following powers and duties which shall be exercised in a manner consistent with the provisions of the Deferred Compensation PRP:

(a) To construe and interpret the provisions of the Deferred Compensation PRP and make rules and regulations under the Deferred Compensation PRP to the extent deemed advisable by the Board,

(b) To decide all questions as to eligibility to become a Participant in the Deferred Compensation PRP and as to the rights of Participants under the Deferred Compensation PRP,

(c) To file or cause to be filed all such reports and other statements as may be required by any federal or state statute, agency or authority for the Deferred Compensation PRP, and

(d) To do such other acts as it deems necessary to administer the Deferred Compensation PRP in accordance with its provisions or as may be required by law.

8. Grant of Discretion. In discharging the duties assigned to it under the Deferred Compensation PRP, the Board and its delegates have the discretion and final authority to interpret and construe the terms of the Deferred Compensation PRP; to determine coverage and eligibility for and amount of benefits under the Deferred Compensation PRP; to adopt, amend, and rescind rules, regulations and procedures pertaining to its duties under the Deferred Compensation PRP and the administration of the Deferred Compensation PRP; and to make all other determinations deemed necessary or advisable for the discharge of its duties or the administration of the Deferred Compensation PRP. The discretionary authority of the Board and its delegates is final, absolute, conclusive and exclusive, and binds all parties so long as exercised in good faith. Any judicial review of any decision of the Board or its delegates shall be limited to the arbitrary and capricious standard of review.

9. Claim Adjudicator. All claims for benefits under the Deferred Compensation PRP shall be determined by the Cooperative, which shall be a named fiduciary as defined in Section 402(a) of the Employee Retirement Income Security Act of 1974, as amended, (ERISA) with respect to adjudication of such claims for benefits under the Deferred Compensation PRP.

10. Claim Procedure. Upon the submission of a claim for benefits under the Deferred Compensation PRP to the Cooperative, notice of a decision with respect to the claim shall be furnished within 90 days. If circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished by the Cooperative to the claimant prior to the expiration of the initial 90 day period. The notice of extension shall indicate the circumstances requiring the extension and the date by which the notice of the decision with respect to the claim shall be furnished. Commencement of benefit payment shall constitute notice of approval of a claim to the extent of the amount of approved benefit. If such claim is wholly or partially denied, such notice shall be in writing and worded in a manner calculated to be understood by the claimant and shall set forth (a) the reason or reasons for the denial, (b) specific reference to pertinent provisions of the Deferred Compensation PRP on which the denial was based, (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (d) an explanation of the claims review procedure. If the claimant is not notified of the decision in accordance with this Section, such claim shall be deemed denied and the claimant shall then be permitted to proceed with the claims review procedure provided below.

11. Claims Review Procedure. (a) Within 90 days following receipt of notice of a claim denial, or within 90 days following close of the 90 day period referred to in Section 10, the claimant must file an appeal of the denial of a claim in writing with the Board requesting a review of such denial.

(b) Prior to a decision on the appeal by the Board, the claimant or the claimant's duly authorized representative may review pertinent documents and submit issues and comments in writing for consideration. The issues and comments submitted by a claimant or the claimant's duly authorized representative shall supplement the administrative record on which the appeal is to be decided and should contain all of the additional information the claimant wishes to be considered in the review.

(c) Within 60 days following receipt of an appeal, the Board shall render a written decision. If circumstances require an extension of time for reviewing an appeal, written notice of the extension shall be furnished to the claimant or the claimant's authorized representative prior to the commencement of the extension. If an extension of time is elected, the Board shall render its decision within 120 days after receipt of the appeal.

(d) The Board's decision on the appeal shall be in writing, worded in a manner calculated to be understood by the claimant, and shall set forth (a) the reason or reasons for the decision and (b) specific reference to pertinent provisions of the plan on which the decision is based.

**EKPC Board Minutes for 10/3/2006
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12. Notices. (a) The Cooperative shall notify NRECA in writing upon the occurrence of any of the following events:

- (i) The payment of any benefits to a participant in the Deferred Compensation PRP, including the amount and time of the benefit payment, and
- (ii) The adoption, amendment or termination of the Deferred Compensation PRP, including a copy of the signed Deferred Compensation PRP as adopted or amended and the Board resolution authorizing such action or the resolution authorizing the termination of the Deferred Compensation PRP.

(b). All notices sent to NRECA shall be mailed to:

Alan Vandendriessche
Insurance & Financial Services Department
National Rural Electric Cooperative Association
4301 Wilson Boulevard
Arlington, Virginia 22203.

13. No Right to Employment. Nothing in the Deferred Compensation PRP shall constitute, nor be interpreted to constitute, a promise or representation of the employment or continued employment of any individual by the Cooperative or other entity.

14. No Waiver or Estoppel. No term, condition or provision of the Deferred Compensation PRP shall be deemed to have been waived, and there shall be no estoppel against the enforcement of any provision of the Deferred Compensation PRP, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

15. Misstatements of Information. In the event of any misstatement of any fact affecting benefits and eligibility for benefits, the true facts shall be used to determine eligibility and benefits.

16. Applicable Law. The provisions of this Deferred Compensation PRP shall be construed according to the laws of the State of _____, except as preempted by Federal law and in accordance with the Code and ERISA.

IN WITNESS WHEREOF, Cooperative has caused this document to be executed effective as of _____, 200__.

Cooperative

(SEAL)

Date: _____

By: _____
Board President

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SEVERANCE PAY PENSION RESTORATION PLAN

1. Participants. The participants in the Severance Pay Pension Restoration Plan (the "Severance Pay PRP") who shall be eligible for benefits shall be all employees of the Cooperative who on the date of their termination of employment from the Cooperative have a Pension Limitation, as defined in Section 2(b) of this Severance Pay PRP, applied to reduce the amount of payment that would otherwise be payable by the Retirement Security Plan sponsored by the National Rural Electric Cooperative Association (NRECA).

2. Benefit Payment. (a). The Severance Pay Benefit payable under the Severance Pay PRP is the lesser of the Pension Limitation and the Severance Pay Limit.

(b). The Pension Limitation is the difference between the single lump sum equivalent of (i) the participant's accrued benefit from the Retirement Security Plan as calculated by NRECA without the limitations provided in Sections 415 and 401(a)(17) of the Internal Revenue Code of 1986 (the "Code"), and (ii) the participant's accrued benefit from the Retirement Security Plan as calculated by NRECA after application of the limitations of Sections 415 and 401(a)(17) of the Code, each of which is calculated at the time a participant is entitled to a payment hereunder. The single lump sum equivalent shall be calculated using the lump sum methodology and assumptions specified in the Retirement Security Plan.

(c). The Severance Pay Limit is an amount equal to twice the participant's annual compensation for the year immediately preceding the year in which the participant terminates employment with the Cooperative less the amount of any other severance pay benefits paid by the Cooperative to the participant. Annual Compensation means the total of all compensation paid by the Cooperative to the participant including wages, salary, and any other benefit of monetary value (whether paid in cash or otherwise), such as for example, the cost of any fringe, welfare or pension benefit. If the Cooperative elects to freeze the Severance Pay PRP in accordance with Section 8,

* The Internal Revenue Service ("IRS") has issued new rules regarding the disclosure of tax information. The rules generally are motivated by the concern of the IRS with abusive tax shelters. However, the disclosure rules apply to many common and accepted transactions. In order to comply with these rules, we are required to inform you of the following any time we give you tax information:

We inform you that any tax advice contained in this communication (or in any attachment) is not intended or written to be used, and cannot be used for the purpose of avoiding penalties under the Internal Revenue Code. It is not intended or written to be used, and cannot be used for promoting, marketing or recommending to another party any transaction or matter addressed in this communication (or any attachment).

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below, the benefit of a participant under the frozen Severance Pay PRP shall be determined based on the age and service and final average effective salary of the participant under the Retirement Security Plan as of the date of the freeze and on compensation (for purposes of the Severance Pay Limit) as of the December 31 which coincides with, or immediately precedes the date the Severance Pay PRP is frozen.

(d). In determining the participant's pension benefit from the Retirement Security Plan under Section 2(b), there shall be included in the calculation amounts paid in cash to the participant or his beneficiary, transferred to an individual retirement account or annuity for the benefit of the participant or beneficiary or transferred to the participant's account in the NRECA 401(k) Pension Plan.

3. Timing of Payment. (a). The Severance Pay Benefit payable to the participant shall be payable immediately, or payments shall commence immediately, depending on the form of payment elected by the Cooperative under Section 4, below, on account of the participant's termination of employment with the Cooperative for any reason, whether voluntary or involuntary, with or without cause, or because of death, discharge, retirement, disability or quit.

4. Form of Payment

The Cooperative shall elect the form in which the Severance Pay Benefit accrued after December 31, 2004 shall be paid. Such election must be made no later than December 31, 2006*. The form of payment elected by the Cooperative is:

Elect One

☐ The Severance Pay Benefit shall be paid to the participant (or if deceased to his estate) in equal monthly payments with the last payment made within 24 months of the participant's termination of employment.

☐ The Severance Pay Benefit shall be paid in a single cash payment.

Notwithstanding the election made by the Cooperative above regarding the manner in which benefits earned after 2004 shall be paid, the terms of the Severance Pay PRP in effect on December 31, 2004 will govern the payment of benefits earned before January 1, 2005.

5. Severance Pay Plan. This Plan is adopted by the Cooperative with the intention that the Severance Pay PRP is a *bona fide* severance pay plan as provided in Section 457(e)(11) of the Code. In the event that the Secretary of the Treasury shall issue any regulations that shall render this Plan not to be a *bona fide* severance pay plan as provided in Section 457(e)(11) of the Code and benefits under the Plan become includable in the income of the participants, then no participant shall accrue any additional benefits under the Severance Pay PRP after the date such Treasury Regulations shall affect whether the Severance Pay PRP is a *bona fide* severance pay plan.

* If your cooperative made a severance payment after 2004 to a participant with respect to benefits earned after 2004, the election made by the cooperative in Section 4 above, should accurately reflect the manner in which the benefit was paid.

6. Plan to Comply with Code Section 409A. Notwithstanding any provision to the contrary in this Plan, each provision in this Plan shall be interpreted to permit the deferral of compensation in accordance with Section 409A of the Code and any provision that would conflict with such requirements shall not be valid or enforceable.

7. Termination and Amendment. The Board of Directors of the Cooperative may amend any or all provisions of this Plan at any time by written instrument identified as an amendment effective as of a specified date. The Severance Pay PRP may be terminated in whole or in part at any time by action of the Board of Directors of the Cooperative. However, no such termination or amendment shall reduce any benefit accrued by a participant in this Plan prior to the effective date of the termination or amendment.

8. Frozen Benefit. On and after the date elected by the Cooperative and specified below, no new participants shall become eligible to participate in the Severance Pay PRP, and no benefits shall accrue under the Severance Pay PRP.

[] Date Severance Pay PRP Frozen is _____ 200 ____.

Note: Benefits earned under the Severance Pay PRP are vested. As such, the Severance Pay PRP may be amended to freeze benefits only on a prospective basis.

9. Assets of the Severance Pay PRP and Benefit Payments. The benefits under this Plan shall be payable from the general assets of the Cooperative and no trust fund or funding shall be used to secure the payment of plan benefits.

10. General Administrative Powers and Duties. General administration of the Severance Pay PRP shall be placed in the Board of Directors of the Cooperative (the "Board"). The Board shall have the power to take all actions required to carry out the provisions of the Severance Pay PRP and shall further have the following powers and duties which shall be exercised in a manner consistent with the provisions of the Severance Pay PRP:

(a) To construe and interpret the provisions of the Severance Pay PRP and make rules and regulations under the Severance Pay PRP to the extent deemed advisable by the Board,

(b) To decide all questions as to eligibility to become a participant in the Severance Pay PRP and as to the rights of participants under the Severance Pay PRP,

(c) To file or cause to be filed all such reports and other statements as may be required by any federal or state statute, agency or authority for the Severance Pay PRP, and

(d) To do such other acts as it deems reasonably required to administer the Severance Pay PRP in accordance with its provisions or as may be provided for or required by law for the Severance Pay PRP.

11. Grant of Discretion. In discharging the duties assigned to it under the Severance Pay PRP, the Board and its delegates have the discretion and final authority to interpret and construe the terms of the Severance Pay PRP; to determine coverage and eligibility for and amount of benefits under the Severance Pay PRP; to adopt, amend, and rescind rules, regulations

and procedures pertaining to its duties under the Severance Pay PRP and the administration of the Severance Pay PRP; and to make all other determinations deemed necessary or advisable for the discharge of its duties or the administration of the Severance Pay PRP. The discretionary authority of the Board and its delegates is final, absolute, conclusive and exclusive, and binds all parties so long as exercised in good faith. Any judicial review of any decision of the Board or its delegates shall be limited to the arbitrary and capricious standard of review.

12. Claim Adjudicator. All claims for benefits under the Severance Pay PRP shall be determined by the Cooperative, which shall be a named fiduciary as defined in Section 402(a) of the Employee Retirement Income Security Act of 1974, as amended, (ERISA) with respect to adjudication of such claims for benefits under the Severance Pay PRP.

13. Claim Procedure. Upon the submission of a claim for benefits under the Severance Pay PRP to the Cooperative, notice of a decision with respect to the claim shall be furnished within 90 days. If circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished by the Cooperative to the claimant prior to the expiration of the initial 90 day period. The notice of extension shall indicate the circumstances requiring the extension and the date by which the notice of the decision with respect to the claim shall be furnished. Commencement of benefit payment shall constitute notice of approval of a claim to the extent of the amount of the approved benefit. If such claim is wholly or partially denied, such notice shall be in writing and worded in a manner calculated to be understood by the claimant and shall set forth (a) the reason or reasons for the denial, (b) specific reference to pertinent provisions of the Severance Pay PRP on which the denial was based, (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (d) an explanation of the claims review procedure. If the claimant is not notified of the decision in accordance with this Section, such claim shall be deemed denied and the claimant shall then be permitted to proceed with the claims review procedure provided below.

14. Claims Review Procedure. (a) Within 90 days following receipt of notice of a claim denial, or within 90 days following close of the 90 day period referred to in Section 13, the claimant must file an appeal of the denial of a claim in writing with the Board requesting a review of such denial.

(b) Prior to a decision on the appeal by the Board, the claimant or the claimant's duly authorized representative may review pertinent documents and submit issues and comments in writing for consideration. The issues and comments submitted by a claimant or the claimant's duly authorized representative shall supplement the administrative record on which the appeal is to be decided and should contain all of the additional information the claimant wishes to be considered in the review.

(c) Within 60 days following receipt of an appeal, the Board shall render a written decision. If circumstances require an extension of time for reviewing an appeal, written notice of the extension shall be furnished to the claimant or the claimant's authorized representative prior to the commencement of the extension. If an extension of time is elected, the Board shall render its decision within 120 days after receipt of the appeal.

(d) The Board's decision on the appeal shall be in writing, worded in a manner calculated to be understood by the claimant, and shall set forth (a) the reason or reasons for the decision and (b) specific reference to pertinent provisions of the Severance Pay PRP on which the decision is based.

15. Notices. (a) The Cooperative shall notify NRECA in writing upon the occurrence of any of the following events:

(i) The payment of any benefits to a participant in the Severance Pay PRP, including the amount and time of the benefit payment, and

(ii) The adoption, amendment or termination of the Severance Pay PRP, including a copy of the signed Plan as adopted or amended and the Board resolution authorizing such action or the resolution authorizing the termination of the Severance Pay PRP.

(b). All notices sent to NRECA shall be mailed to:

Alan Vandendriessche
Insurance & Financial Services Department
National Rural Electric Cooperative Association
4301 Wilson Boulevard
Arlington, Virginia 22203.

16. No Right to Employment. Nothing in the Severance Pay PRP shall constitute, nor be interpreted to constitute, a promise or representation of the employment or continued employment of any individual by the Cooperative or other entity.

17. No Waiver or Estoppel. No term, condition or provision of the Severance Pay PRP shall be deemed to have been waived, and there shall be no estoppel against the enforcement of any provision of the Severance Pay PRP, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

18. Misstatements of Information. In the event of any misstatement of any fact affecting benefits and eligibility for benefits, the true facts shall be used to determine eligibility and benefits.

19. Applicable Law. The provisions of this Plan shall be construed according to the laws of the State of _____, except as preempted by Federal law and in accordance with the Code and ERISA.

IN WITNESS WHEREOF, Cooperative has caused this document to be executed by its officers, effective as of _____, 200__.

Cooperative

(SEAL)

Date: _____

By: _____
Board President

SUMMARY PLAN DESCRIPTION
Pension Restoration Severance Pay Plan

Cooperative (the "Cooperative") is pleased to provide you with this summary of the Severance Pay Pension Restoration Plan (the "Severance Pay PRP"). As you review this summary, please keep in mind that it is only a summary of important information and is not a complete statement of the Severance Pay PRP. If there is any inconsistency between this summary and the Severance Pay PRP, the provisions of the Severance Pay PRP shall govern. A copy of the Severance Pay PRP is attached to this summary for your reference.

1. Plan. The Severance Pay PRP is a severance pay plan intended to provide a supplemental benefit for certain employees of the Cooperative upon their termination of employment with the Cooperative for any reason.
2. Administration. The Severance Pay PRP is administered by the Cooperative which is the Plan Administrator. In general, the Plan Administrator is responsible for administering the operation of the Severance Pay PRP. For example, the Severance Pay PRP establishes requirements regarding eligibility to participate and the Severance Pay PRP Plan Administrator insures that these requirements are met.
3. Eligibility. Participation in the Severance Pay PRP is limited to employees who will have a reduction in their pension benefit from the Retirement Security Plan because of legal limits on the amount of pension benefits that can be paid from pension plans. Generally only employees earning over \$200,000 will participate.
4. Benefits. Only employees who satisfy the eligibility requirements and become participants are entitled to a benefit under the Severance Pay PRP. The benefit is a severance pay

* The Internal Revenue Service ("IRS") has issued new rules regarding the disclosure of tax information. The rules generally are motivated by the IRS' concern with abusive tax shelters. However, the disclosure rules apply to many common and accepted transactions. In order to comply with these rules, we are required to inform you of the following any time we give you tax information:

We inform you that any tax advice contained in this communication (or in any attachment) is not intended or written to be used, and cannot be used for the purpose of avoiding penalties under the Internal Revenue Code. It is not intended or written to be used, and cannot be used for promoting, marketing or recommending to another party any transaction or matter addressed in this communication (or any attachment).

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benefit and is payable only upon your termination of employment with the Cooperative for any reason, including death, disability, and voluntary or involuntary termination.

The amount of the benefit is calculated by determining the difference between the pension benefit the participant actually receives from the Retirement Security Plan and the amount that the participant would have received had the Retirement Security Plan benefit not been limited by the pension laws that govern the amount of benefit it can pay. However, the amount of severance benefit paid to you from all sources cannot exceed twice the amount of all your compensation (including benefits) paid in the year before your termination of employment (the "Severance Pay Limit").

Because of the nature of the Severance Pay PRP, the amount of your benefits cannot be calculated until the time of your termination of employment with the Cooperative. In some circumstances it will not be possible to determine whether you have any benefit under the Severance Pay PRP at all until you terminate your employment. You may not receive a benefit under the Severance Pay PRP upon your termination of employment if your full retirement benefit can be paid from the Retirement Security Plan due to an increase in the IRS pension limits that apply to the Retirement Security Plan.

If your cooperative amends the Severance Pay PRP to freeze benefits, the benefit of a participant under the frozen Severance Pay PRP shall be determined based on the age and service of the participant and final average effective salary of the participant under the Retirement Security Plan as of the date of the freeze, and for purposes of determining the Severance Pay Limit described above, on compensation as of the December 31 which coincides with, or immediately precedes the date the Severance Pay PRP is frozen. Also, if your cooperative amends the Severance Pay PRP to freeze benefits, your Severance Pay PRP will not exceed your frozen benefit.

Notwithstanding the election made by the Cooperative effective January 1, 2005, to pay your benefit earned after December 31, 2004 in either a single cash payment or in installment payments over 24 months, the terms of the Severance Pay PRP in effect on December 31, 2004 will govern the payment of benefits earned before January 1, 2005.

5. Amendment. The Severance Pay PRP can be amended or terminated by the Cooperative at any time, but only as to benefits under the Severance Pay PRP that you have not earned as of the date of the amendment or termination.

6. Loss, Forfeiture or Denial of Benefits. There are a number of circumstances under which benefits may not be payable to participants. These circumstances include:

(a) Discontinuance or amendment of the Severance Pay PRP or changes to the eligibility requirements. The Cooperative may discontinue the Severance Pay PRP at any time. These changes shall only limit your future benefits, not those earned before the change.

(b) If your pension benefits are not reduced on account of the limitations on pension benefit payments, then you will have no benefit under the Severance Pay PRP.

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(c) Inability of the Cooperative to pay the benefit from its general funds, for example, because of insolvency or bankruptcy.

7. Contributions and Funding. The benefit of each participant is paid from the general funds of the Cooperative and these funds are subject to the claims of the creditors of the Cooperative.

8. Compliance with Code Section 409A. The Severance Pay PRP shall be interpreted to permit the deferral of compensation in accordance with Section 409A of the Code and any provision that would conflict with such requirements shall not be valid or enforceable.

9. Claims Procedure. A participant or beneficiary ("claimant") eligible for a benefit under the Severance Pay PRP may apply for such benefit by filing a claim for benefits in writing with the Plan Administrator setting forth the basis for the claim. Further, each claimant who submits a claim for benefits must furnish the Plan Administrator with such documents, evidence, data, or information in support of such claim requested by the Plan Administrator. The Plan Administrator will evaluate the claim and make a decision as to payment within 90 days of the date the claim is received.

If a claim for benefits under the Severance Pay PRP is denied, either in whole or in part, the Plan Administrator will notify the claimant in writing of the amount of his benefit, if any, and the specific reasons for the denial including a specific reference to the provisions under the Severance Pay PRP upon which the denial is based, a description of any additional material or information necessary for the claimant to collect his claim, if possible, and an explanation of why such material or information is needed, and an explanation of the Severance Pay PRP's claim review procedure.

A written notice denying a claim for benefits will be provided to the claimant within a reasonable period of time, but not more than 90 days after receipt of the claim, unless special circumstances require an extension of time for processing the claim. If special circumstances exist, a written notice of such extension shall be given before the initial 90-day period expires. The extension can not be more than 90 days from the end of such initial 90-day period.

Within 90 days of receipt of the information, the claimant, if he wants further review, must file a written request for reconsideration with the Board of Directors. As long as the claimant's request for review is pending, the claimant or his duly authorized representative may review pertinent Severance Pay PRP documents and may submit issues and comments in writing to the Board.

A final and binding decision will be made by the Board within 60 days of the filing of a request for reconsideration. (However, if the Board, in its discretion, feels that it is necessary, this period can be extended an additional 60 days.) The Board's decision will be conveyed to the claimant in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, with specific reference to the pertinent provisions of the Severance Pay PRP upon which the decision is based.

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10. ERISA Rights. As a participant in the Severance Pay PRP, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Severance Pay PRP participants have the right to:

(a) Examine without charge all Severance Pay PRP documents, including insurance contracts.

(b) Obtain copies of all Severance Pay PRP documents and other Severance Pay PRP information upon written request to the Plan Administrator. The Plan Administrator can charge a reasonable amount for copies.

(c) File suit in Federal court if any information requested from the Plan Administrator is not received within 30 days of the participant's request, unless the materials were not sent because of matters beyond the control of the Plan Administrator. The court may require the Plan Administrator to pay up to \$100 for each day(s) delay until the materials are received.

In addition to creating rights for participants, ERISA imposes obligations upon persons who are responsible for the operation of a plan. These persons are referred to as "plan fiduciaries". Plan fiduciaries must act solely in the interest of the plan participants and must exercise prudence in the performance of their duties. Plan fiduciaries who violate ERISA may be removed and required to repay any losses they have caused to the plan. Your employer may not fire you or discriminate against you to prevent you from obtaining a benefit or exercising your rights under ERISA. If you are improperly denied a benefit in whole or in part, you have a right to file suit in a Federal or state court. If plan fiduciaries are misusing the plan's money, you have a right to file a lawsuit in a Federal court or request assistance from the U.S. Department of Labor. If you are successful in your lawsuit, the court may require the other party to pay your legal costs, including attorney's fees.

If you have any questions about this statement or your rights under ERISA, you should contact the Plan Administrator, or the nearest office of the U.S. Labor-Management Services Administration, Department of Labor.

11. Plan Information.

- (a) The Plan sponsor, named fiduciary and Plan Administrator is the Cooperative
- (b). The mailing address of the sponsor is:
- (c). The telephone number of the sponsor is:
- (d). The employer identification number of the sponsor is:
- (e). The Plan number is 100.
- (f). The agent for service of legal process is the Plan Administrator. The address for service with respect to the Plan Administrator is the same as that set forth above.

Board Agenda Item

OCTOBER

TO: Fuel and Power Supply Committee and Board of Directors

FROM: Roy M. Palk *Roy M. Palk*

DATE: September 22, 2006

SUBJECT: Approval of Amendment No. 1 to Coal Supply Contract with Infinity Coal Sales, LLC—Spurlock Power Station Unit No. 2 (Executive Summary)

KEY MEASURE(S): This Supports Reliable and Competitive Energy Costs

Background

East Kentucky Power Cooperative, Inc., ("EKPC") entered into a coal supply contract with Infinity Coal Sales, LLC, ("Infinity") to ship 240,000 tons per year to Spurlock Power Station Unit No. 2 beginning January 1, 2006, and continuing through December 31, 2007. Infinity has been a dependable supplier to EKPC on both short- and long-term supply agreements.

EKPC's current projected date for the activation of the scrubber for Unit No. 2 at Spurlock Power Station is October 2008. Therefore, EPKC will continue to require compliance-type coal on this unit until that time.

Management has negotiated with Infinity to extend the term and monthly tonnage commitment of 20,000 tons per month of this contract through July 2008. Language will be included in this amendment for a market reopener to occur in September and October of 2007 to establish the market price of the additional coal for the proposed extension period.

Justification and Strategic Analysis

The purchase recommended by management will provide an adequate fuel supply source for EKPC's generating units and will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems. This recommendation supports EKPC's key measures for reliable and competitive energy costs.

Board Agenda Item**OCTOBER****Recommendation**

Management recommends that the Board of Directors approve Amendment No. 1 with Infinity to extend the term and monthly shipments of the current contract through July 31, 2008, with a market price re-opener to occur in September and October of 2007.

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Board Agenda Item

OCTOBER

TO: Fuel and Power Supply Committee and Board of Directors

FROM: Roy M. Palk *Roy M. Palk*

DATE: September 22, 2006

SUBJECT: Approval of Coal Supply Agreement with Coalsales, LLC—
Spurlock Power Station Unit No. 2 (Executive Summary)

KEY MEASURE(S) This Supports Reliable and Competitive Energy Costs

Background

East Kentucky Power Cooperative, Inc.'s ("EKPC") projected startup for the scrubber on Spurlock Power Station Unit No. 2 is October of 2008. Compliance coal, which this unit must burn until that time, continues to have a limited availability. The fuel process, due to the limited number of compliance coal suppliers and to expedite the proposal process, conducted verbal solicitations for 240,000 tons of compliance coal per year for 2007 and 2008. Responses were received from six suppliers. These responsive proposals are attached.

The most competitive bid was from Coalsales, LLC, the sales company of Peabody Energy Corporation. The coal offered was a non-typical product for Spurlock Power Station Unit No. 2—18 percent moisture, 9 percent ash, 10,800 Btu/lb., and 1 lb. SO₂/MMBtu. The coal is mined in Indiana. For this reason, a test burn of 10,000 tons was successfully conducted with this coal during the month of May 2006 prior to proceeding with this agreement.

Spurlock Power Station Unit No. 2. The recommended purchase is described in detail below:

1. Coalsales, LLC—240,000 tons of coal per year for 2007 and 2008 at a beginning delivered price of \$2.687/MMBtu or \$58.04/ton for 2007 and \$2.733/MMBtu or \$59.03/ton for 2008 using current freight rates.

This agreement contains a quarterly escalation for fuel beginning April 1, 2007, based on the Energy Information Agency's Midwest On-Road Diesel Price. The coal will be loaded into barges at the Evansville Terminal on the Ohio River.

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Board Agenda Item

OCTOBER

Justification and Strategic Analysis

The purchase recommended by management will provide an adequate fuel supply source for EKPC's generating units and will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems. This recommendation supports EKPC's key measures for reliable and competitive energy costs.

Recommendation

Management recommends that the Board of Directors approve the following coal supply agreement:

Coalsales, LLC—240,000 tons of coal per year beginning January 1, 2007, for two years at a beginning delivered price of \$2.687/MMBtu.

eh/gv
Attachment

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EKPC Board Minutes for 10/3/2006
Attachment C, Page 3 of 3

FUEL EVALUATION FOR SPURLOCK POWER STATION UNIT NO. 2

COALS SALES AGREEMENT

Scrubbers Off Model

Date: 09/12/2006
Event Nbr: 75
Bid End Date: 04/12/2006

Coal Supplier	Number	Quality Btu % Sulfur % Ash	Tons	Term	Ash Disposal + Boiler Maint. \$/Ton	SO ₂ Cost \$/Ton	Weekly Cost \$/Ton	Freight Cost \$/Ton	Delivery Cost \$/Ton	Delivery Cost \$/MMBtu	Evaluated Cost \$ Ton	MMBtu
Coalsales, LLC Oakland Monthly/ Non-Union /Producer	4	10,800 0.55 8.60	20,000	24	1.513	10.450	53.000	5.540	58.540	2.710	70.503	3.264
Coaltrade LLC Boone Monthly/ Non-Union /Producer	2	12,500 0.74 12.00	20,000	24	1.823	14.060	61.000	8.410	69.410	2.776	85.294	3.412
M. C. Mining Pike Monthly/ Non-Union /Producer	5	12,500 0.77 10.00	12,500	24	1.520	14.630	61.750	8.410	70.160	2.806	86.310	3.452
Magnum Coal Sales Kanawha Weekly / Non-Union /Producer	1	12,100 0.71 14.00	20,000	24	2.198	13.490	60.500	8.410	68.910	2.848	84.901	3.508
Arch Coal Sales Logan Monthly/ Non-Union /Producer	3	12,000 0.74 13.50	20,000	24	2.137	14.060	60.500	8.410	68.910	2.871	85.107	3.546
Central Appalachian Pike Monthly/ Non-Union /Producer	6	12,500 0.77 10.00	20,000	24	1.520	14.630	64.500	8.410	72.910	2.916	89.060	3.562
Massey Utility Boone Monthly/ Non-Union /Producer	7										0.000	
											No Coal Available	

Cost Factors used in Model
Weekly Pay Factor: 0.005
Unit Boiler
SO₂ Cost/Ton: \$950.00 Maintenance Factor: 0.1652

