



Ernie Fletcher
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Mark David Goss
Chairman

John W. Clay
Commissioner

December 18, 2006

PARTIES OF RECORD

Re: Case No. 2006-00455

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact David Samford at 502/564-3940, Extension 270.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

Attachment

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

Honorable Charles A. Lile
Senior Corporate Counsel
East Kentucky Power Cooperative,
Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: David S. Samford, General Counsel

DATE: December 18, 2006

SUBJECT: Case No. 2006-00455
September 1, 2006 Informal Conference

An informal conference was held in this matter on Friday, December 15, 2006, commencing at 10:00 a.m., for the purpose of obtaining an update of the financial condition of East Kentucky Power Cooperative, Inc. ("EKPC"). A list of those persons attending either in person or telephonically is attached hereto and incorporated herein.

Upon reviewing the procedural history of the Commission's investigation into the financial condition of EKPC, discussion turned to the current status of EKPC's current financial condition. EKPC indicated that it would likely not satisfy the financial ratios set forth in its Mortgage Agreement with the Rural Utility Service ("RUS"), but that it expected to meet the financial ratios set forth in its Unsecured Credit Facility – provided that RUS approved EKPC's proposed depreciation study.

General discussion was also held regarding the impact of Warren Rural Electric Cooperative's ("Warren RECC") recent decision to not purchase power from EKPC as originally contracted. EKPC advised that it was negotiating with Warren RECC regarding recovery of certain costs incurred as a result of the cancellation of the Membership Agreement existing between them. EKPC also broadly outlined the impact of Warren RECC's decision upon ongoing and planned construction projects.

There was also general discussion regarding the application for an adjustment of general rates that EKPC has given notice of its intent to file and the impact such a proceeding will have upon EKPC's financial condition. EKPC indicated that it would file its application as soon as possible (most likely in February of 2007) and that it would ask for an effective date for any new rates of April 1, 2007, said rates being subject to refund.

Finally, general discussion was had regarding EKPC's communications with RUS and its unsecured creditors regarding its financial condition. EKPC acknowledged that the record did not reflect the majority of such contacts – which are principally verbal – and agreed to supplement the record with additional documentation of such contacts.

There being no further items for discussion, the informal conference thereafter adjourned at approximately 11:45 a.m.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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December 15, 2006 Informal Conference
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Please sign in:

NAME

REPRESENTING

Ray M. Palk

EKPC

Ed Marshall

OEC/EPK

Beth O'Donnell

PSC

Audrea Schroeder

PSC

DAVID G. EAMES

EKPC

Gary Crawford

EKPC

Bill TOSTA

EKPC

DANE BREWER

Blue Grass Energy

