

Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
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Christopher L. Lilly
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Mark David Goss
Chairman

John W. Clay
Commissioner

October 27, 2006

RE: Case No. 2006-00455

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

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

Beth O'Donnell
Executive Director

BOD/sh
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

East Kentucky Power Cooperative, Inc. ("East Kentucky Power") is an electric generating and transmission cooperative organized under KRS Chapter 279. Pursuant to KRS 279.210(1), East Kentucky Power is "subject to the general supervision" of the Commission and is "subject to all provisions of KRS 278.010 to 278.450 inclusive, and KRS 278.990."

East Kentucky Power files monthly and annual financial reports with the Commission. A review of those reports indicates that East Kentucky Power's operations are producing negative net income since the last quarter of 2004. Based on the Commission's statutory authority under KRS 278.250 to "investigate and examine the condition of any utility subject to its jurisdiction," the Commission finds that an investigation should be initiated to review the financial condition of East Kentucky Power.

IT IS THEREFORE ORDERED that:

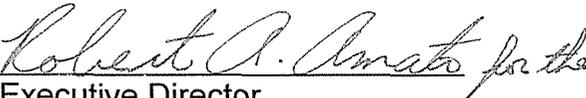
1. This investigation is opened.

2. Within 10 days of the date of this Order, East Kentucky Power shall file an original and 10 copies of its responses to the request for information set forth in Appendix A, attached hereto and incorporated herein by reference. Each copy of the data responses should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

Done at Frankfort, Kentucky, this 27th day of October, 2006.

By the Commission

ATTEST:


Executive Director

Case No. 2006-00455

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00455 DATED October 27, 2006.

1. Provide a calculation of East Kentucky Power's Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC"), with supporting workpapers, for:
 - a. Each calendar year beginning in 2001.
 - b. Each 12-month period ending in each month of 2006.
2. Provide a calculation, with supporting workpapers, of East Kentucky Power's projected TIER and DSC for calendar years 2006 and 2007.
3. Provide a cash flow statement for:
 - a. Each calendar year beginning in 2001.
 - b. Each 12-month period ending in each month of 2006.
4. Provide a projected cash flow statement for calendar years 2006 and 2007.
5. Explain in detail each financial ratio or requirement contained in each of East Kentucky Power's financing agreements.
 - a. Has East Kentucky Power satisfied every financial ratio or requirement in each year since January 1, 2001? If no, explain in detail.
 - b. Based on East Kentucky Power's current financial projections, will it satisfy every financial ratio and requirement for calendar years 2006 and 2007? If no, explain in detail.

6. Explain in detail the consequences of East Kentucky Power not satisfying every financial ratio or requirement set forth in its financing arrangements with each of the following:

- a. Rural Utilities Service.
- b. Federal Financing Bank.
- c. Cooperative Finance Corporation.
- d. Unsecured credit facility.

7. Explain in detail the status of the litigation initiated on behalf of the Environmental Protection Agency alleging violations of the Clean Air Act under the Prevention of Significant Deterioration provisions and the New Source Performance Standards.

8. Explain in detail the status of the litigation filed on behalf of the Environmental Protection Agency alleging violations of the Clean Air act under the Acid Rain Provisions with respect to the Dale Generating Station.

9. Provide copies of East Kentucky Power's 2006 capital construction budget as of January 1, 2006 and all subsequent revisions.

10. Provide a schedule of East Kentucky Power's actual capital expenditures for each month of 2006 through the most recently available month. Compare the monthly actuals to the budgeted expenditures and explain all variances.

11. Provide a copy of East Kentucky Power's 2007 construction budget.

12. Describe in detail any budget reductions or other cost-saving measures that have been implemented since January 1, 2006 or that will be implemented for 2007.

13. Provide copies of all minutes of the meetings of East Kentucky Power's Board of Directors since January 1, 2006 in which any of the following topics are discussed or referenced: revenues; expenses; income; cash flows; sales; rates; short-term or long-term financing; construction expenditures; or budget revisions.