

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07  
REQUEST 45**

**RESPONSIBLE PERSON:** William A. Bosta

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 45.** Refer to the response to the Staffs First Request, Item 30(a). EKPC has proposed to remove for rate-making purposes \$1,713 of the \$128,252 shown as advertising expense in Account No. 913.

- a. Identify the classifications as shown in the response to Item 30(a) that include the \$1,713.
- b. Is the \$122,049 in staff labor and expenses shown in the response exclusively related to promoting the availability of industrial development sites within member systems' service territory? Explain the response.
- c. Explain why the \$128,252 in advertising that EKPC has identified as promoting and/or retaining the use of its utility service in conjunction with its industrial development advertising should be included for rate-making purposes, given the provisions of 807 KAR 516, Section 4(1)(b).

**Response 45.** a. The entire \$1,713 is identified as Staff Labor & Expenses, Account 91300. It is part of the \$122,049 amount shown in the "Other" category of Account 91300 in the response to PSC 30(a), First Data Request.

b. The labor cost and expense amount is not exclusively related to promoting the availability of industrial development sites. It would include other economic/industrial development purposes.

c. The economic/industrial development activities must be conducted in order to promote the economic well-being of EKPC and the Kentucky economy in general. To the extent that such activities result in additional load that covers variable cost, EKPC and its Member Systems are better off financially and the state and its citizens benefit. Thus, allowing such costs in rates is warranted.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07**

**REQUEST 46**

**RESPONSIBLE PERSON: William A. Bosta**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 46.**

Refer to the response to the Staffs First Request, Item 30(b).

a. Provide a revision to pages 2 through 4 of 11 identifying all expenses EKPC has identified as "Eliminations" on page 5 of 11.

b. Provide copies of printed advertisements or copies of the text of commercials related to the following transactions. If possible, provide 3 examples of the printed advertisements and 3 examples of the text of commercials.

(1) Voucher 159631 - Cornett Advertising, page 2 of 11.

(2) Voucher 170350 - Host Communications, Inc., page 2 of

11.

c. Explain in detail the nature and purpose of the Partners Plus advertising program. Given the provisions of 807 KAR 5016, Section 4, include a discussion of why any expense associated with the Partners Plus program should be included for rate-making purposes.

d. Provide 4 examples of the Envirowatts advertisements.

e. Refer to pages 3 and 4 of 11. The majority of the expenses shown on these pages list the purpose of the expenditure as "Various - Annual Meeting, Safety, Conservation, Name Recognition, etc." Provide a further breakdown of the information shown on these pages between annual meeting, safety and conservation advertising, name recognition, and other. Exclude any transactions associated with the

Partners Plus program. For any expenses reclassified as other, include an explanation of the benefit received from that advertising.

**Response 46.**

- a. Please see Attachment 1.
- b. (1) Please see Attachment 2, pages 1-6.  
(2) Please see Attachment 2, pages 7-9.
- c. The Partners Plus program was established several years ago to

allow the Member Systems to have more choice about how to use marketing related funds from EKPC. Prior to the Partners Plus program, EKPC used a more centralized approach to assisting the Member Systems in this area. The change to this program enabled the member systems to exercise greater control over their efforts to assist their members.

In terms of funding, EKPC matched dollar-for-dollar any marketing monies spent by each Member System up to \$5.65 per household. Each Member System was treated the same. The matched amount could be based on such activities as energy efficiency incentives, safety advertising and other marketing activities. Members could receive matching funds if they had activities that met the following criteria:

- Initiatives designed to influence end use or system load shapes.
- Initiatives designed to enhance member system image.
- Initiatives designed to influence consumer attitudes and behavior.
- Efforts to collect and analyze market information and load data including consumer attitude and preference data.
- Educational efforts to enhance knowledge of electrical safety.

- Educational efforts to enhance the awareness of the benefits of the efficient use of electricity.

EKPC conducted a thorough analysis of Partners Plus expenditures for the test year. As shown in the response to PSC 30(b) and in the supplemental information contained herein, EKPC has eliminated an appropriate level of promotional type expenses from this case.

- d. Please see Attachment 3.
- e. Please see Attachment 4.



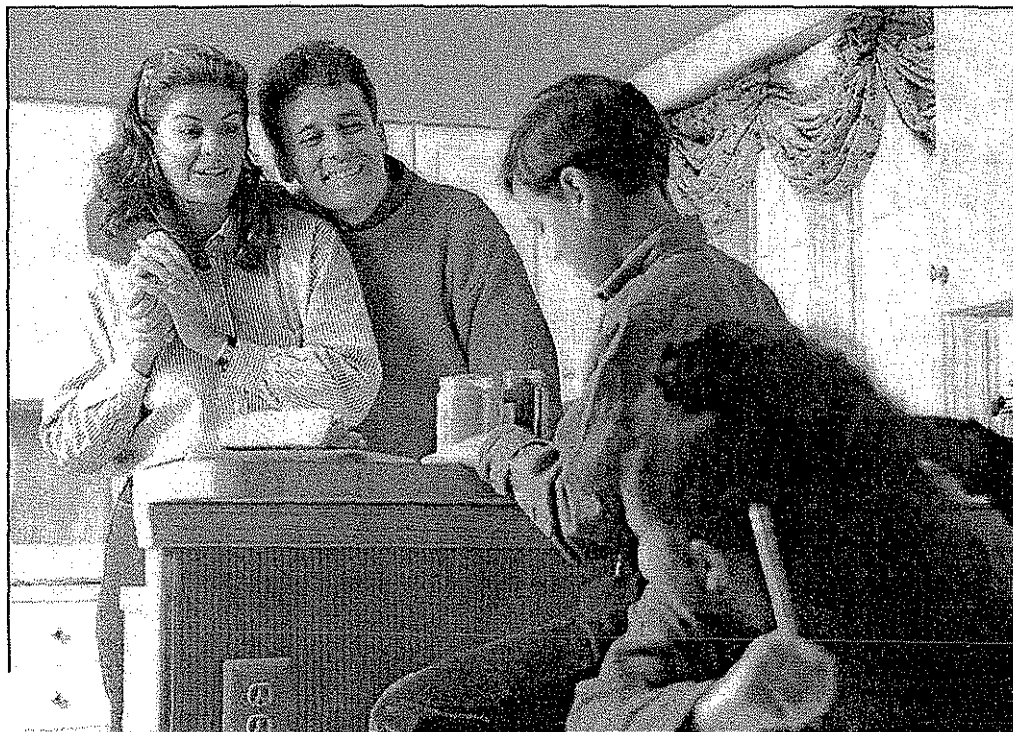




Journal	Account	Date	Year	Voucher	Medium	Name 1	Acct2	Amount	Check #	Descr	Purpose of Expenditure *	Expected Benefit	Eliminate
AP00012691	8/23/2006	168680	Various			LICKING VALLEY RURAL ELECTRIC COOP	93010	10,333.10	108750	07/06 Partners Plus	Image Advertising, Conservation, Annual Meeting	Improved Awareness, Community Relations	5,525.79
AP00012691	8/23/2006	168125	Various			JACKSON ENERGY COOPERATIVE	93010	686.50	108756	07/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	4,974.20
AP00012691	8/23/2006	168125	Various			JACKSON ENERGY COOPERATIVE	93010	10,880.75	108756	07/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	5,194.65
AP00012717	8/31/2006	168888	Various			CLARK ENERGY COOPERATIVE INC	93010	6,875.52	109104	TSE GRANT/MATCHING FUNDS	Promotional Items	Improved Awareness, Community Relations	781.09
AP00012841	9/27/2006	170260	Various			CLARK RIVER ELECTRIC	93010	5,184.65	108798	08/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	2,059.00
AP00012841	9/27/2006	170272	Various			SALT RIVER ELECTRIC	93010	868.59	108869	08/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	12,995.52
AP00012841	9/27/2006	170274	Various			NOLIN RURAL ELECTRIC COOP	93010	2,000.00	109581	Touchstone Energy Grant	Image Advertising	Improved Awareness, Community Relations	995.20
AP00012841	9/27/2006	170274	Various			NOLIN RURAL ELECTRIC COOP	93010	12,995.52	109583	Touchstone Energy Grant	Image Advertising	Improved Awareness, Community Relations	595.20
AP00012841	9/27/2006	170274	Various			OWEN ELECTRIC COOPERATIVE INC	93010	595.20	096977	TSE Grant & Matching Funds	Image Advertising, Annual Meeting	Improved Awareness, Community Relations	618.66
AP00012841	9/27/2006	170274	Various			SALT RIVER ELECTRIC	93010	8,021.65	097158	PARTNERS PLUS 09/30/05	Image Advertising, Safety	Improved Awareness, Community Relations	6,393.64
AP00012841	9/27/2006	170274	Various			CLARK ENERGY COOPERATIVE INC	93010	678.80	097244	PARTNERS PLUS 09/30/05	Image Advertising, Safety	Improved Awareness, Community Relations	531.03
AP00012841	9/27/2006	170274	Various			SALT RIVER ELECTRIC	93010	11,014.95	097244	PARTNERS PLUS 09/30/05	Image Advertising, Safety	Improved Awareness, Community Relations	6,179.88
AP00012841	9/27/2006	170274	Various			LICKING VALLEY RURAL ELECTRIC COOP	93010	32,492.79	097251	PARTNERS PLUS 09/30/05	Image Advertising, Safety, Equipment	Improved Awareness, Community Relations	14,005.87
AP00012841	9/27/2006	170274	Various			JACKSON ENERGY COOPERATIVE INC	93010	2,000.00	098046	TSE Grant & Matching Funds	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			CLARK ENERGY COOPERATIVE INC	93010	6,639.86	098413	PARTNERS PLUS 10/05	Image Advertising, Safety, Small Cell	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			BLUE GRASS ENERGY	93010	26,223.88	098424	PARTNERS PLUS 10/2005	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			JACKSON ENERGY COOPERATIVE	93010	1,694.60	098865	TSE Grant & Matching Funds	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			BLUE GRASS ENERGY	93010	1,000.00	099422	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			BLUE GRASS ENERGY	93010	1,000.00	099435	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			BIG SANDY RURAL ELECTRIC COOP CORP	93010	2,600.00	099438	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			SALT RIVER ELECTRIC	93010	1,000.00	099438	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			TAYLOR COUNTY RURAL ELECTRIC COOP CORP	93010	2,000.00	099440	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	
AP00012841	9/27/2006	170274	Various			JACKSON ENERGY COOPERATIVE	93010	892.38	099614	Partners Plus 12/12/05	Image Advertising, Conservation	Improved Awareness, Community Relations	485.45
AP00012841	9/27/2006	170274	Various			GRAYSON RECC	93010	2,402.24	099620	Partners Plus 12/12/05	Image Advertising, Safety	Improved Awareness, Community Relations	2,362.24
AP00012841	9/27/2006	170274	Various			FLEMING-MASON ENERGY COOPERATIVE	93010	1,012.44	099626	Partners Plus 12/12/05	Image Advertising, Safety	Improved Awareness, Community Relations	1,012.44
AP00012841	9/27/2006	170274	Various			BLUE GRASS ENERGY	93010	4,071.50	099632	Partners Plus 12/12/05	Image Advertising, Safety	Improved Awareness, Community Relations	13,127.05
AP00012841	9/27/2006	170274	Various			SHELBY ENERGY COOPERATIVE INC	93010	19,578.94	099633	Partners Plus 12/12/05	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	7,900.99
AP00012841	9/27/2006	170274	Various			LICKING VALLEY RURAL ELECTRIC COOP	93010	549.30	099634	Partners Plus 12/12/05	Image Advertising	Improved Awareness, Community Relations	549.30
AP00012841	9/27/2006	170274	Various			NOLIN RURAL ELECTRIC COOP	93010	7,872.95	099639	TSE Grant & Matching Funds	Image Advertising	Improved Awareness, Community Relations	7,872.95
AP00012841	9/27/2006	170274	Various			CLARK ENERGY COOPERATIVE INC	93010	5,889.20	100107	PARTNERS PLUS 12/2005	Image Advertising	Improved Awareness, Community Relations	11,463.00
AP00012841	9/27/2006	170274	Various			JACKSON ENERGY COOPERATIVE INC	93010	11,463.00	100109	PARTNERS PLUS 12/2005	Image Advertising	Improved Awareness, Community Relations	5,689.20
AP00012841	9/27/2006	170274	Various			NOLIN RURAL ELECTRIC COOP	93010	692.50	100112	PARTNERS PLUS 12/2005	Image Advertising	Improved Awareness, Community Relations	442.50
AP00012841	9/27/2006	170274	Various			CLARK ENERGY COOPERATIVE INC	93010	33,840.12	100155	PARTNERS PLUS 12/2005	Image Advertising Labor	Improved Awareness, Community Relations	13,691.84
AP00012841	9/27/2006	170274	Various			CLARK ENERGY COOPERATIVE INC	93010	11,176.50	100155	PARTNERS PLUS 12/2005	Image Advertising, Conservation	Improved Awareness, Community Relations	4,540.36
AP00012841	9/27/2006	170274	Various			CUMBERLAND VALLEY ELECTRIC	93010	42,171.90	100157	PARTNERS PLUS 12/2005	Image Advertising, Conservation	Improved Awareness, Community Relations	15,338.17
AP00012841	9/27/2006	170274	Various			GRAYSON RECC	93010	94,348.49	100159	PARTNERS PLUS 12/2005	Image Advertising, Conservation	Improved Awareness, Community Relations	28,934.89
AP00012841	9/27/2006	170274	Various			FLEMING-MASON ENERGY COOPERATIVE	93010	4,556.00	100162	TSE Grant & Matching Funds	Conservation	Improved Awareness, Community Relations	4,556.00
AP00012841	9/27/2006	170274	Various			BLUE GRASS ENERGY	93010	3,929.03	100163	PARTNERS PLUS 12/05	Image Advertising, Conservation	Improved Awareness, Community Relations	970.88
AP00012841	9/27/2006	170274	Various			SALT RIVER ELECTRIC	93010	3,585.84	100164	PARTNERS PLUS 12/2005	Image Advertising, Equipment	Improved Awareness, Community Relations	3,584.67
AP00012841	9/27/2006	170274	Various			SHELBY ENERGY COOPERATIVE INC	93010	4,746.20	100165	PARTNERS PLUS 12/2005	Image Advertising	Improved Awareness, Community Relations	4,746.20
AP00012841	9/27/2006	170274	Various			LICKING VALLEY RURAL ELECTRIC COOP	93010	42,743.63	100167	PARTNERS PLUS 12/2005	Image Advertising, Conservation, Safety	Improved Awareness, Community Relations	17,369.49
AP00012841	9/27/2006	170274	Various			NOLIN RURAL ELECTRIC COOP	93010	15,547.99	100168	PARTNER PLUS 12/2005	Image Advertising, Conservation, Safety	Improved Awareness, Community Relations	9,730.10
AP00012841	9/27/2006	170274	Various			TAYLOR COUNTY RURAL ELECTRIC COOP CORP	93010	58,639.23	100268	Partners Plus 12/2005	Image Advertising, Enrivowats, Safety	Improved Awareness, Community Relations	50,419.18
AP00012841	9/27/2006	170274	Various			JACKSON ENERGY COOPERATIVE INC	93010	2,000.00	100831	Grant matching 12/2005	Conservation	Improved Awareness, Community Relations	394.68
AP00012841	9/27/2006	170274	Various			OWEN ELECTRIC COOPERATIVE INC	93010	10,174.44				Improved Awareness, Community Relations	4,300.47
AP00012841	9/27/2006	170274	Various			GRAYSON RECC	93010	102,820.27				Improved Awareness, Community Relations	979,476.00
Sum						Various Expenditures \$500 or Less Staff Labor & expenses		2,285,340.17					979,476.00
								2,285,340.17					979,476.00

\* The Cooperative Members of East Kentucky Power submit for reimbursement of several items at once - this column describes the purpose of this expenditure as recorded in this account number.

93010 Ledger



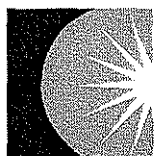
5.625 x 10

*How can you save two ways with  
a new heating & cooling system?*


It's easy. When you install a new, high-efficiency air-to-air heat pump, you save on your electric bill. And as a co-op member, you may also qualify for a rebate.

The air-to-air heat pump, one ...actually, two more reasons that Touchstone Energy Living is the new standard of living.

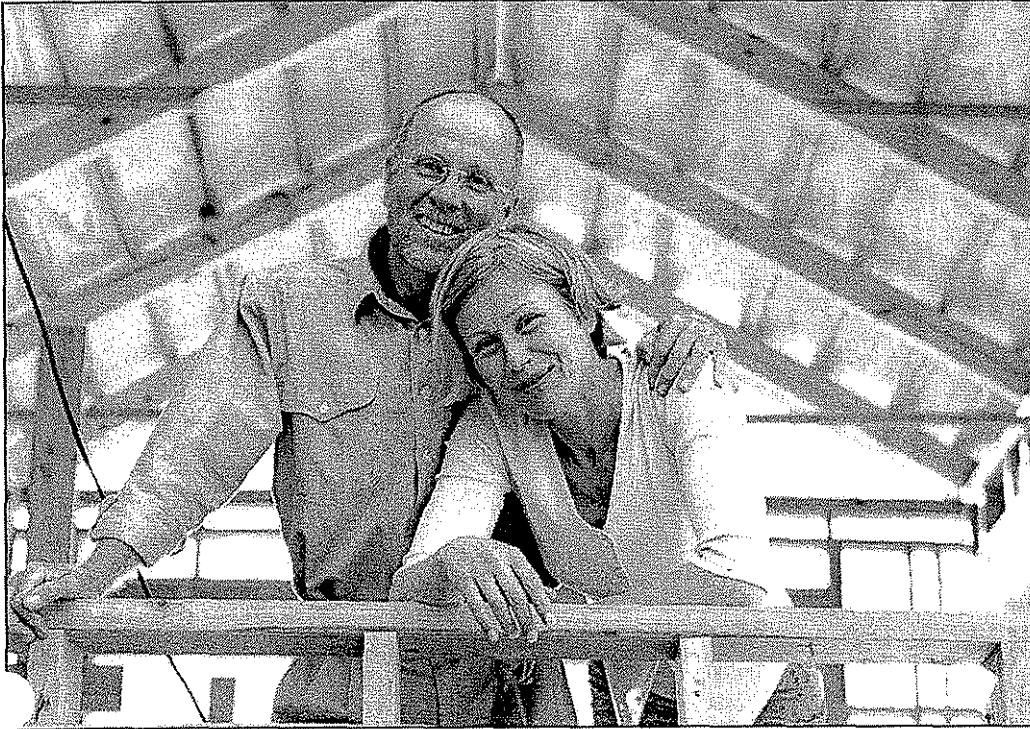
For more information call Larry Jones at (859) 901-9206.



**CLARK ENERGY**

A Touchstone Energy Cooperative 

1-800-992-3269 • [www.clarkenergy.com](http://www.clarkenergy.com)



## *What's is a Touchstone Energy Home?*

5.75 x 10


Any home built to meet or exceed Energy Star standards qualifies as a Touchstone Energy Home.

A Touchstone Energy Home is inexpensive to heat and cool, offers maximum comfort and has added resale value, things that are pretty important in this time of rising energy costs. Before you build, call 1-800-262-7480 for more details.

The Touchstone Energy Home, one more reason why Touchstone Energy Living is the new standard of living.



# JACKSON ENERGY

A Touchstone Energy Cooperative 

1-606-364-1000 • [www.jacksonenergy.com](http://www.jacksonenergy.com)

# LOOK UP *for safety*



5.68 x 10

On the farm, it seems like there's never enough time;  
*run to town for a new part,*  
*hurry to beat the rain,*  
*rush to finish before dark...*


In the middle of all the hustle, take a few seconds for safety. Look up, make sure your farm equipment will clear overhead wires in the field and farmyard.

A safety message from...



Shelby Energy  
Cooperative

[www.shelbyenergy.com](http://www.shelbyenergy.com)

® Your Touchstone Energy® Partner 

Touchstone Energy Living  
(Radio :60)

*(Music up & under)*

These days there's a lot of concern about the high cost of energy and what to do about it. That's why I want to talk to you about Touchstone Energy Living.

What is Touchstone Energy Living?

To put it simply, it's all about savings, energy saving programs and products from your local Touchstone Energy Cooperative.

Programs like the Touchstone Energy Home, the home built to meet or exceed Energy Star standards. The home that's inexpensive to heat and cool, yet it still provides you with maximum comfort and... has added resale value.

Now if you're not planning on building a new home, we can still help.

Ask us about an energy audit, the Button-up program or any of the many ways that we can help lower your energy bill.

Touchstone Energy Living can help control your energy costs, increase your comfort and keep some green in your wallet.

That's why it's the new standard of living from Blue Grass Energy, your local Touchstone Energy Cooperative

*( music up & out)*

Touchstone Energy Living  
(Radio :30)

*(music up & under)*

These days there's a lot of concern about the high cost of energy and what to do about it. That's why we offer Touchstone Energy Living.

What is Touchstone Energy Living?

It's energy saving programs and products from your Touchstone Energy Cooperative, ways to make your home more energy efficient, your life more comfortable and keep some green in your wallet.

That's why Touchstone Energy Living is the new standard of living from Cumberland Valley Electric, your local Touchstone Energy Cooperative

*(music up & out)*

That's why Touchstone Energy Living is the new standard of living from Taylor County Rural Electric, your local Touchstone Energy Cooperative

**Touchstone Energy Living**  
(Radio :60)

*(music up & under)*

These days there's a lot of concern about the high cost of energy and what to do about it. That's why I want to talk to you about Touchstone Energy Living.

What is Touchstone Energy Living?

To put it simply, it's all about savings, energy saving programs and products from your local Touchstone Energy Cooperative.

One way to save is with a new Geothermal heating and cooling system, Geothermal delivers year around comfort, year around savings and money back. That's right, if you install a geothermal system, Fleming Mason Energy will rebate a portion of your costs.

If a new heating system isn't in your immediate plans, ask us about other ways that we can help you manage your energy bill.

Touchstone Energy Living, it can help control your energy costs, increase your comfort and keep some green in your wallet.

That's why it's the new standard of living from Fleming-Mason Energy, your local Touchstone Energy Cooperative

*(music up & out)*

**Residential Incentives**  
(Radio :30)

At Owen Electric, we want you to help you save money on your energy bills, that's why we're offering rebates on selected water heaters, heating & cooling systems and on the Touchstone Energy Home, the most energy efficient home you can build.

So before you buy, or build, contact your nearest Owen Electric Office for details on residential incentives.

Energy efficiency and money back from Owen Electric, your local  
Touchstone Energy Cooperative  
Looking out for you.



**Button-UP**  
(Radio :30)

Want to make your home more comfortable and save money? Check out our Button-up program.

A home can lose a lot of energy because of poor insulation and drafts around doors and windows. Our professional energy advisors can help you find the problems and suggest simple low cost ways to make your home more comfortable and more energy efficient.

The Button-Up Program, one more reason Touchstone Energy Living is the new standard of living from Grayson Rural Electric, your local Touchstone Energy Cooperative

**Energy Audits**  
(Radio :30)

Do you know where your energy dollars are going? An energy audit can answer that question and tell you how to keep some of those dollars at home. One of our trained energy auditors will inspect your heating & cooling system, check the house for air leaks, determine your energy usage and suggest ways to make your home, more energy efficient and save you money.

Energy audits, one more reason Touchstone Energy Living is the new standard of Living from Salt River Electric, Your local touchstone Energy Cooperative

*1,500,000  
acres of trees*

## **EnviroWatts**<sup>SM</sup>

Earth-Friendly Energy Alternatives

Does EnviroWatts make a difference in the environment? The power produced by EnviroWatts' landfill gas facilities will have the same effect on our air as planting 1,500,000 acres of trees. For less than \$3 a month, you can do something that is good for you, good for the environment and good for the future.

**Kentucky's**  
Touchstone Energy Cooperatives



Big Sandy RECC, Blue Grass Energy, Clark Energy,  
Cumberland Valley Electric, Fleming-Mason Energy,  
Grayson RECC, Inter-County Energy, Jackson Energy,  
Licking Valley RECC, Nolichucky RECC, Owen Electric,  
Salt River Electric, Shelby Energy and South Kentucky Rural Electric



*2,000,000  
barrels of oil*

## EnviroWatts

Earth-Friendly Energy Alternatives

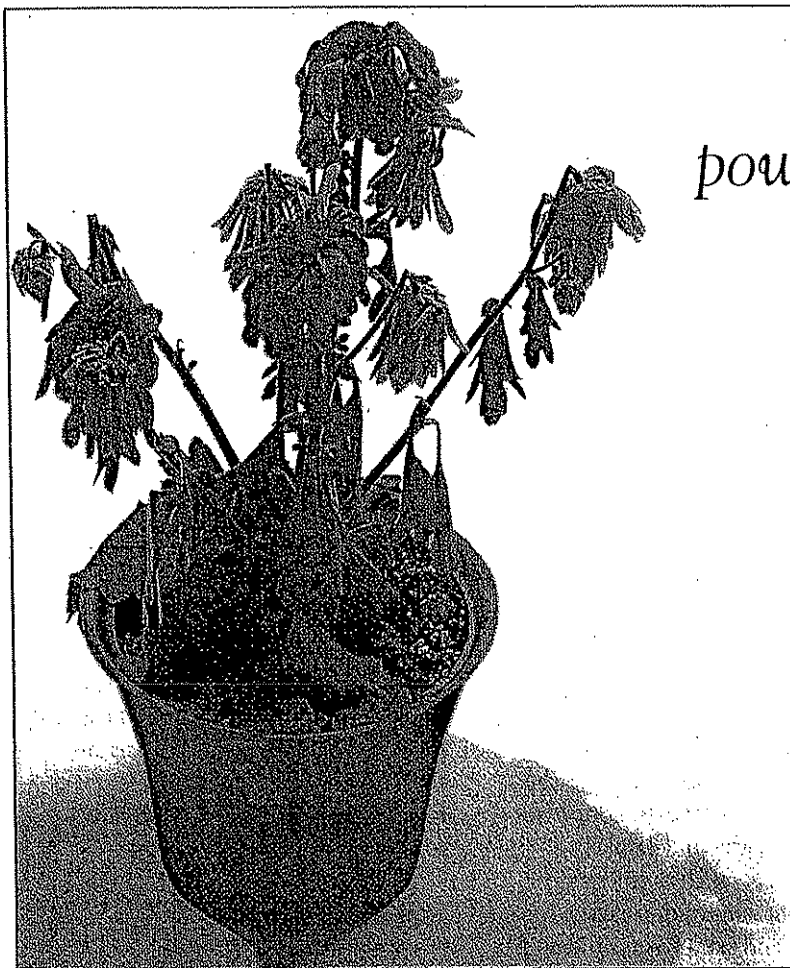
Can EnviroWatts make a difference in the Environment?

It would take 2,000,000 barrels of imported crude oil to produce the power generated at the EnviroWatts landfill gas facilities. For less than \$3 a month you can do something that is good for you, good for the environment and good for your country.

Kentucky's  
Touchstone Energy Cooperatives



Big Sandy RECC, Blue Grass Energy, Clark Energy,  
Cumberland Valley Electric, Fleming-Mason Energy,  
Grayson RECC, Inter-County Energy, Jackson Energy,  
Licking Valley RECC, Nolichucky RECC, Owen Electric,  
Salt River Electric, Shelby Energy and South Kentucky Rural Electric



## *power plant...*

With EnviroWatts, energy does come from dead plants and other common household waste that goes into a landfill.

Capturing the methane gas from the landfill site, the EnviroWatts program produces environmentally friendly energy. This helps conserve fossil fuels and makes our world a little cleaner and a little greener. For more information contact your participating co-op.

  
**EnviroWatts**<sup>SM</sup>  
Earth Friendly Energy Alternatives

*2,000,000  
barrels of oil*



  
Earth Friendly Energy Alternatives

Can EnviroWatts make a difference in the Environment?

It would take 2,000,000 barrels of imported crude oil to produce the power generated at the EnviroWatts landfill gas facilities. For less than \$3 a month you can do something that is good for you, good for the environment and good for your country.

Kentucky's  
Touchstone Energy Cooperatives 

46e - Provide further breakdown for "Various - Annual Meeting, Safety, Conservation, Name Recognition, etc."

Journal	Voucher	Medium	Name 1	Acct2	Amount	Check #	Descr	Purpose of Expenditure *	Expected Benefit	Eliminate
AP00011935	1591163	Radio/Print	CORNETT ADVERTISING	93010	8,495.80	103044	1st of 2006 media	Community Relations	Improved Community Relations	8,495.80
AP00011448	00153510	Newspaper	THE LEDGER-INDEPENDENT	93010	514.00	100396	Advertising 2005	Community Relations	Improved Community Relations	514.00
AP00012379	164094	Television	CORNETT ADVERTISING	93010	263,865.67	106499	5/1-6/1/06 RADIO/NEWS PAPER AD	Explain Cost of Energy	Increased Member Awareness	754.59
AP00011601	155849	Other	PROGRESSIVE MARKETING	93010	754.59	100461	CAPSIT-SHIRTS-SWEATSHIRTS	Name / Brand Recognition	Improved Community Relations	43,915.24
AP00011661	155927	Radio	HOST COMMUNICATIONS INC	93010	43,915.24	100614	Jan 2006 Installment-Media Buy	Name / Brand Recognition	Improved Community Relations	4,763.94
AP00011742	155942	Other	PROGRESSIVE MARKETING	93010	872.25	101980	509 FINE POINT PENS	Name / Brand Recognition	Improved Community Relations	872.25
AP00011795	156400	Other	NEWTON MANUFACTURING CO	93010	43,915.25	102142	206 UK MEDIA BUY	Name / Brand Recognition	Improved Community Relations	43,915.25
AP00011820	156646	Radio	HOST COMMUNICATIONS INC	93010	501.43	102274	Other charges	Name / Brand Recognition	Improved Community Relations	501.43
AP00011772	155946	Other	NEWTON MANUFACTURING CO	93010	43,916.95	103077	Media buy 03/2006	Name / Brand Recognition	Improved Community Relations	43,916.95
AP00011835	158161	Radio	HOST COMMUNICATIONS INC	93010	1,200.00	103412	TOUCHSTONE SHIRTS	Name / Brand Recognition	Improved Community Relations	1,200.00
AP00011944	158749	Other	NEWTON MANUFACTURING CO	93010	910.37	103671	308 JELLY CELLMATE	Name / Brand Recognition	Improved Community Relations	910.37
AP00011944	158864	Other	NEWTON MANUFACTURING CO	93010	3,063.40	103873	500 TUMBLERS	Name / Brand Recognition	Improved Community Relations	3,063.40
AP00012056	159650	Other	HANDS ON ORIGINALS INC	93010	13,000.00	103968	Advertising	Name / Brand Recognition	Improved Community Relations	13,000.00
AP00012069	160013	Radio	LEXINGTON PROFESSIONAL BASEBALL CO LLC	93010	11,704.50	104113	Post Season March 2006	Name / Brand Recognition	Improved Community Relations	11,704.50
AP00012079	160031	Other	HOST COMMUNICATIONS INC	93010	506.28	104126	Robot Microbot Calculator	Name / Brand Recognition	Improved Community Relations	506.28
AP00012089	160329	Other	LEXINGTON PROFESSIONAL BASEBALL CO LLC	93010	2,101.55	104420	2006 FIELD CONTESTS	Name / Brand Recognition	Improved Community Relations	2,101.55
AP00012079	160662	Other	NEWTON MANUFACTURING CO	93010	3,756.64	105732	MILK SNAKEBAT/HELLBENDER	Name / Brand Recognition	Improved Community Relations	3,756.64
AP00012248	162503	Other	KENTUCKY CUSTOM SCREEN PRINTING	93010	1,063.14	105733	Visor Cap	Name / Brand Recognition	Improved Community Relations	1,063.14
AP00012345	162804	Other	KENTUCKY LIVING	93010	5,244.50	106503	506 KY LIVING AD	Name / Brand Recognition	Improved Community Relations	5,244.50
AP00012379	164167	Magazine	NEWTON MANUFACTURING CO	93010	2,101.55	106727	Insulated Plate Kist/Bags	Name / Brand Recognition	Improved Community Relations	2,101.55
AP00012437	164967	Other	NEWTON MANUFACTURING CO	93010	817.76	107419	144 MUG-DINER	Name / Brand Recognition	Improved Community Relations	817.76
AP00012466	165564	Other	KENTUCKY LIVING	93010	523.41	107544	PENCILS	Name / Brand Recognition	Improved Community Relations	523.41
AP00010978	00147757	Direct Mail	HOST COMMUNICATIONS INC	93010	817.76	108492	306 AD-TOUCHSTONE	Name / Brand Recognition	Improved Community Relations	817.76
AP00010998	00148247	Television	CORNETT ADVERTISING	93010	5,139.61	108616	Calendar/Posters	Name / Brand Recognition	Improved Community Relations	5,139.61
AP00010988	00148265	Other	NEWTON MANUFACTURING CO	93010	1,275.00	108616	Calendar/Posters	Name / Brand Recognition	Improved Community Relations	1,275.00
AP00010988	00148362	Other	NEWTON MANUFACTURING CO	93010	43,915.24	108616	10/05 UK Media Buy Installment	Name / Brand Recognition	Improved Community Relations	43,915.24
AP00011209	00150306	Other	NOLIN RURAL ELECTRIC COOP	93010	141,590.78	097226	Fall Media 10/2005	Name / Brand Recognition	Improved Community Relations	141,590.78
AP00011243	00150631	Television	HOST COMMUNICATIONS INC	93010	522.10	097679	tattoos 10/800	Name / Brand Recognition	Improved Community Relations	522.10
AP00011156	00149780	Magazine	KENTUCKY LIVING	93010	1,585.06	097938	1018 Pens	Name / Brand Recognition	Improved Community Relations	1,585.06
AP00011337	00150766	Other	JACKSON ENERGY COOPERATIVE	93010	43,915.25	098703	11/05 UK Media Buy	Name / Brand Recognition	Improved Community Relations	43,915.25
AP00011337	00150765	Other	JACKSON ENERGY COOPERATIVE	93010	5,244.50	098840	11/05 Full Page 3rd Cover	Name / Brand Recognition	Improved Community Relations	5,244.50
AP00011378	00151523	Other	PROGRESSIVE MARKETING	93010	3,665.13	098841	HALF PRICE SALE	Name / Brand Recognition	Improved Community Relations	3,665.13
AP00011378	00151523	Other	PROGRESSIVE MARKETING	93010	5,455.30	098848	HALF PRICE SALE	Name / Brand Recognition	Improved Community Relations	5,455.30
AP00011378	00151370	Other	HOST COMMUNICATIONS INC	93010	2,163.05	098920	T-Shirts	Name / Brand Recognition	Improved Community Relations	2,163.05
AP00011378	00152310	Radio	COOPERATIVE BALLOON ASSOCIATES LLC	93010	5,139.61	098930	12/05 FULL COLOR AD	Name / Brand Recognition	Improved Community Relations	5,139.61
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	2,133.32	099446	SHIRTS, JACKET	Name / Brand Recognition	Improved Community Relations	2,133.32
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	2,101.55	099454	2005-06 BASKETBALL CALENDAR	Name / Brand Recognition	Improved Community Relations	2,101.55
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	799.39	099663	12/05 UK MEDIA BUY	Name / Brand Recognition	Improved Community Relations	799.39
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	43,915.25	099663	12/05 UK MEDIA BUY	Name / Brand Recognition	Improved Community Relations	43,915.25
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	57,103.73	100277	500 2006 TE BALLOON CALENDARS	Name / Brand Recognition	Improved Community Relations	57,103.73
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	100,373.76	099106	10/05 TV/RADIO/PRINT	Name / Brand Recognition	Improved Community Relations	100,373.76
AP00011434	00152308	Other	BIG RIVERS ELECTRIC CORPORATION	93010	5,244.50	100445	Full page ad 2006	Promote All A	Improved Community Relations	5,244.50
AP00011601	155767	Radio	KENTUCKY LIVING	93010	5,139.61	101656	Feb 2006 Full Page Ad	Promote All A	Improved Community Relations	5,139.61
AP00011772	155979	Radio	DYNAMIX PRODUCTIONS INC	93010	774.20	102162	All "A" Radio Spots	Promote All A	Improved Community Relations	774.20
AP00011742	155512	Other	REES PRINTING COMPANY	93010	510.00	101425	LABOR-ALL A CLASSIC	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	510.00
AP00011935	158170	Magazine	KENTUCKY LIVING	93010	5,244.50	103190	full page ad 03/2006	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	5,244.50
AP00012056	159272	Other	DESHANE & ASSOCIATES LLC	93010	1,837.50	103627	Editing 10.5 units	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	1,837.50
AP00012056	159651	Radio/Print	CORNETT ADVERTISING	93010	279,483.20	104055	Mail merge and Meter	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	279,483.20
AP00012079	160103	Direct Mail	REES PRINTING COMPANY	93010	849.00	104107	SAG Health/Retirement	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	849.00
AP00012079	160053	Radio	AFTRA	93010	6,000.00	104108	Performer Fees	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	6,000.00
AP00012079	160054	Radio	ED BRUCE	93010	5,139.61	107453	706 FULL PAGE AD	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	5,139.61
AP00012466	165578	Magazine	KENTUCKY LIVING	93010	9,988.60	107691	Balance Due on Postage	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	9,988.60
AP00012524	166341	Direct Mail	REES PRINTING COMPANY	93010	5,139.61	109677	08/06 4 Color Ad	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	5,139.61
AP00012596	169489	Magazine	KENTUCKY LIVING	93010	46,110.79	109923	09/2006 UK Media Buy	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	46,110.79
AP00012841	170350	Radio	HOST COMMUNICATIONS INC	93010	707.50	096611	H & R Contribution	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	707.50
AP00010978	00147208	Radio	AFTRA	93010	5,000.00	096612	"Cost of Energy" Radio Announc	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	5,000.00
AP00010978	00147207	Radio	ED BRUCE	93010	5,000.00	096612	"Cost of Energy" Radio Announc	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	5,000.00



Journal	Voucher	Medium	Name 1	Acct2	Amount	Check #	Descr	Purpose of Expenditure *	Expected Benefit	Eliminate
AP00010978	00147753	Magazine	KENTUCKY LIVING	93010	2,603.12	096975	10/05 1/2 page Ad	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	
AP00010979	00147752	Magazine	KENTUCKY LIVING	93010	5,138.61	096975	10/05 Full Page Ad	Promote Conservation/Efficiency Programs	Aid Members in Conserving Energy	546.20
AP00011030	00148776	Other	DESHANE & ASSOCIATES LLC	93010	546.20	097661	Editing, 1 beta cd dub	Promote Conservation/Efficiency Programs	Increased Participation in Environment	1,022.84
AP00011689	157339	Other	NEWTON MANUFACTURING CO	93010	1,022.84	102883	Magnet	Promote Environments	Increased Environments Participation	
AP00012056	159630	Magazine	KENTUCKY LIVING	93010	5,244.50	104506	Full page ad 04/2006	Promote Environments	Increased Environments Participation	
AP00012362	163721	Magazine	KENTUCKY LIVING	93010	2,656.25	105500	05/06 - 1/2 Page Ad	Promote Environments	Increased Environments Participation	
AP00012486	165579	Magazine	KENTUCKY LIVING	93010	5,139.61	106201	June 2006 Ads	Promote Environments	Increased Environments Participation	
AP00012629	167739	Magazine	KENTUCKY LIVING	93010	2,603.12	107453	7/06 1/2 PAGE AD	Promote Environments	Increased Environments Participation	
AP00012978	00147678	Direct Mail	REES PRINTING COMPANY	93010	2,603.12	108492	8/06 AD	Promote Environments	Increased Environments Participation	
AP00010978	00147692	Radio	MOREHEAD STATE UNIVERSITY	93010	1,024.90	098821	Mar - EnviroWatts Brochure	Promote Environments	Increased Participation in Environments	
AP00011156	00149377	Direct Mail	REES PRINTING COMPANY	93010	2,695.30	098821	6 Month Radio Contract	Promote Environments	Increased Participation in Environments	
AP00011156	00149377	Direct Mail	REES PRINTING COMPANY	93010	3,116.50	098821	6 Month Radio Contract	Promote Environments	Increased Participation in Environments	
AP00011156	00149781	Radio	REES PRINTING COMPANY	93010	1,053.08	097943	Material - Enviro Watts Brochu	Promote Environments	Increased Participation in Environments	
AP00011273	00150953	Radio	REES PRINTING COMPANY	93010	2,497.48	097943	Labor - Enviro Watt Brochure	Promote Environments	Increased Participation in Environments	
AP00011273	00151197	Other	WEKU	93010	2,656.25	098906	11/05 Full Page 4 Color	Promote Environments	Increased Participation in Environments	
AP00011273	00151197	Other	NATIONAL ENERGY EDUCATION	93010	5,200.00	098906	130 Broadcast Spots	Promote Environments	Increased Participation in Environments	
AP00011378	00151899	Magazine	KENTUCKY LIVING	93010	9,060.00	098900	Schools Going Solar-Curriculum	Promote Environments	Increased Environments Participation	10,000.00
AP00011829	157990	Radio	WESTERNS PUBLIC RADIO	93010	2,603.12	099430	12/05 HALF PAGE AD	Promote Environments Pogram	Increased Community Relations	3,994.44
AP00012629	167742	Other	BIG RIVERS ELECTRIC CORPORATION	93010	7,410.00	102838	1 Packager27-15 spots	Promote High School Athletics	Improved Safety Event Participation and Awareness	1,221.73
AP00012681	166331	Other	BIG RIVERS ELECTRIC CORPORATION	93010	10,000.00	100102	Portion of cost "KHAAA" PSA	Promote Safety Activity	Improved Safety Event Participation and Awareness	3,994.44
AP00011030	00148777	Other	APR GEAR CUSTOM SPORTSWEAR INC	93010	3,994.44	108512	137 BELT BUCKLE'S-RODEO	Promote Safety Activity	Improved Safety Event Participation and Awareness	1,221.73
AP00011620	154311	Web	DESHANE & ASSOCIATES LLC	93010	1,221.73	108892	Shirts for Lineman Rodeo	Safety Advertising	Improved Electrical Safety	925.00
AP00011742	156889	Various	POGEE INC	93010	48,750.00	100860	10/05-12/06 LICENSE FEES	Web development	Improved Awareness, Community Relations	1,064.26
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	925.00	101664	TSE Grant & Matching Funds	Name Recognition	Improved Awareness, Community Relations	3,011.46
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	2,682.14	102250	01/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	9,870.64
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	3,163.95	102258	01/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	175.00
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	686.50	102300	01/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	5,835.23
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	686.50	102302	01/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	522.00
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	12,809.90	102302	01/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	9,003.12
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	522.00	103850	PARTNERS PLUS 02/2006	Image Advertising, Conservation	Improved Awareness, Community Relations	3,761.80
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	19,947.88	103856	PARTNERS PLUS 02/2006	Image Advertising, Conservation	Improved Awareness, Community Relations	5,784.07
AP00011820	158914	Various	SALT RIVER ELECTRIC	93010	3,761.80	104228	30,475 RECTANGLE MAGNETS	Image Advertising, Conservation	Improved Awareness, Community Relations	1,383.28
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	7,827.51	104379	PARTNERS PLUS 04/2006	Image Advertising, Conservation	Improved Awareness, Community Relations	4,561.60
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	1,383.28	104382	PARTNERS PLUS 04/2006	Image Advertising, Conservation	Improved Awareness, Community Relations	549.05
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	8,087.33	104395	PARTNERS PLUS 04/2006	Image Advertising, Conservation	Improved Awareness, Community Relations	4,384.41
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	598.04	104658	42/00/06 PARTNERS PLUS	Image Advertising, Conservation	Improved Awareness, Community Relations	1,629.28
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	1,487.50	104795	TOUCHSTONE ENERGY GRANT	Image Advertising, Conservation	Improved Awareness, Community Relations	4,676.47
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	4,384.41	105057	4/06 PARTNERS PLUS	Image Advertising, Conservation	Improved Awareness, Community Relations	1,859.00
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	1,954.28	105066	4/06 PARTNERS PLUS	Image Advertising, Conservation	Improved Awareness, Community Relations	2,060.39
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	10,728.37	105667	04/06 COMPACT FLOURESCENT LAMP-COOPS	Image Advertising, Conservation	Improved Awareness, Community Relations	3,287.63
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	18,396.44	105642	MEMBER SERVICES MEETING	Image Advertising, Conservation	Improved Awareness, Community Relations	632.56
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	2,060.39	106311	05/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	28,843.75
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	4,172.82	106350	05/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	1,527.46
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	12,355.35	106358	05/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	1,792.90
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	28,843.73	106363	05/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	5,828.15
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	2,000.00	107205	2006 TSE GRANT & MATCHING FUND	Image Advertising, Conservation	Improved Awareness, Community Relations	1,012.65
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	1,527.46	107804	06/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	11,247.09
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	3,807.56	107820	06/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	4,789.13
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	5,828.15	107823	06/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	8,961.66
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	4,195.60	107833	06/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	1,118.91	107836	06/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	16,199.87	108219	TSE GRANT/MATCHING FUNDS	Image Advertising, Conservation	Improved Awareness, Community Relations	
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	4,789.12	108219	TSE GRANT/MATCHING FUNDS	Image Advertising, Conservation	Improved Awareness, Community Relations	
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	8,961.66	108477	TSE GRANT & MATCHING FUNDS	Image Advertising, Conservation	Improved Awareness, Community Relations	
AP00012056	159688	Various	JACKSON ENERGY COOPERATIVE	93010	2,000.00	108572	2006 TSE GRANT/MATCHING FUNDS	Image Advertising, Conservation	Improved Awareness, Community Relations	



Journal	Voucher	Medium	Name 1	Acct2	Amount	Check #	Descr	Purpose of Expenditure *	Expected Benefit	Eliminate
AP00012691	168063	Various	GRAYSON RECC	93010	1,189.24	108724	07/06 Partners Plus	Image Advertising	Improved Awareness, Community Relations	1,189.24
AP00012691	168115	Various	FLEMING-MASON ENERGY COOPERATIVE	93010	1,832.74	108754	07/06 Partners Plus	Image Advertising, Annual Meeting	Improved Awareness, Community Relations	960.98
AP00012691	168120	Various	BIG SANDY RURAL ELECTRIC COOP CORP	93010	1,079.20	108735	07/06 Partners Plus	Image Advertising	Improved Awareness, Community Relations	1,079.20
AP00012691	168117	Various	SALT RIVER ELECTRIC	93010	1,415.55	108746	07/06 Partners Plus	Image Advertising, Annual Meeting, Conservation	Improved Awareness, Community Relations	1,365.55
AP00012691	168111	Various	SHELBY ENERGY COOPERATIVE INC	93010	8,696.35	108749	07/06 Partners Plus	Image Advertising, Safety	Improved Awareness, Community Relations	5,824.06
AP00012691	168125	Various	LICKING VALLEY RURAL ELECTRIC COOP	93010	10,393.10	108750	07/06 Partners Plus	Image Advertising, Conservation, Annual Meeting	Improved Awareness, Community Relations	5,525.79
AP00012691	168125	Various	JACKSON ENERGY COOPERATIVE	93010	686.50	108756	07/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	4,974.20
AP00012691	168668	Various	JACKSON ENERGY COOPERATIVE INC	93010	10,890.75	108756	07/06 Partners Plus	Image Advertising, Conservation	Improved Awareness, Community Relations	5,194.65
AP00012717	170250	Various	CLARK ENERGY COOPERATIVE INC	93010	6,675.52	109104	TSE GRANT/MATCHING FUNDS	Promotional Items	Improved Awareness, Community Relations	781.09
AP00012841	170272	Various	SALT RIVER ELECTRIC	93010	5,194.65	109104	TSE GRANT/MATCHING FUNDS	Image Advertising, Conservation	Improved Awareness, Community Relations	2,000.00
AP00012841	170274	Various	NOLIN RURAL ELECTRIC COOP	93010	868.59	109899	08/06 Partners Plus	Conservation	Improved Awareness, Community Relations	2,000.00
AP00012841	170284	Various	NOLIN RURAL ELECTRIC COOP	93010	2,000.00	109901	Touchstone Energy Grant	Conservation	Improved Awareness, Community Relations	12,985.52
AP00010988	00147736	Various	SALT RIVER ELECTRIC	93010	12,985.52	109903	08/06 Partners Plus	Image Advertising	Improved Awareness, Community Relations	595.20
AP00010988	00148165	Various	CLARK ENERGY COOPERATIVE INC	93010	595.20	098977	TSE Grant & Matching Funds	Image Advertising, Annual Meeting	Improved Awareness, Community Relations	692.66
AP00010988	00148162	Various	SALT RIVER ELECTRIC	93010	8,021.65	097159	07/06 Partners Plus	Image Advertising, Safety	Improved Awareness, Community Relations	618.80
AP00010988	00148184	Various	LICKING VALLEY RURAL ELECTRIC COOP	93010	678.30	097241	PARTNERS PLUS 09/2005	Image Advertising, Safety, Equipment	Improved Awareness, Community Relations	6,363.64
AP00010988	00148187	Various	JACKSON ENERGY COOPERATIVE	93010	11,014.95	097244	PARTNERS PLUS 09/2005	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	531.03
AP00011156	00149787	Various	JACKSON ENERGY COOPERATIVE	93010	32,492.79	097251	PARTNERS PLUS 09/2005	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	6,175.88
AP00011184	00150117	Various	CLARK ENERGY COOPERATIVE INC	93010	2,000.00	098046	TSE Grant & Matching Funds	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	14,005.87
AP00011378	00150136	Various	BLUE GRASS ENERGY	93010	6,639.86	098413	PARTNERS PLUS 10/2005	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	485.45
AP00011378	00151214	Various	JACKSON ENERGY COOPERATIVE	93010	26,223.88	098424	PARTNERS PLUS 10/2005	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	2,362.24
AP00011378	00152067	Various	BLUE GRASS ENERGY	93010	2,064.80	098965	TSE Grant & Matching Funds	Conservation	Improved Awareness, Community Relations	1,012.44
AP00011378	00152066	Various	BLUE GRASS ENERGY	93010	1,000.00	099422	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	13,127.05
AP00011378	00152065	Various	BIG SANDY RURAL ELECTRIC COOP CORP	93010	1,000.00	099435	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	7,900.39
AP00011378	00152067	Various	TAYLOR COUNTY RURAL ELECTRIC COOP CORP	93010	2,000.00	099438	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	549.30
AP00011378	00152066	Various	JACKSON ENERGY COOPERATIVE	93010	1,000.00	099440	TOUCHSTONE ENERGY GRANT/MAIL	Conservation	Improved Awareness, Community Relations	7,972.95
AP00011378	00152098	Various	GRAYSON RECC	93010	892.38	099514	Partners Plus 12/12/05	Image Advertising, Conservation	Improved Awareness, Community Relations	442.50
AP00011378	00152125	Various	FLEMING-MASON ENERGY COOPERATIVE	93010	2,402.24	099620	Partners Plus 12/12/05	Image Advertising, Safety	Improved Awareness, Community Relations	13,691.84
AP00011378	00152122	Various	BLUE GRASS ENERGY	93010	1,012.44	099626	Partners Plus 12/12/05	Image Advertising	Improved Awareness, Community Relations	4,540.36
AP00011378	00152126	Various	SHELBY ENERGY COOPERATIVE INC	93010	4,071.50	099632	Partners Plus 12/12/05	Image Advertising, Conservation	Improved Awareness, Community Relations	15,338.17
AP00011378	00152119	Various	LICKING VALLEY RURAL ELECTRIC COOP	93010	19,578.94	099633	Partners Plus 12/12/05	Image Advertising, Safety, Conservation	Improved Awareness, Community Relations	28,934.89
AP00011411	00152742	Various	NOLIN RURAL ELECTRIC COOP	93010	549.30	099634	Partners Plus 12/12/05	Image Advertising	Improved Awareness, Community Relations	4,540.36
AP00011411	00152801	Various	NOLIN RURAL ELECTRIC COOP	93010	7,872.95	099634	Partners Plus 12/12/05	Image Advertising	Improved Awareness, Community Relations	4,540.36
AP00011411	00153008	Various	CLARK ENERGY COOPERATIVE INC	93010	5,669.20	099639	TSE Grant & Matching Funds	Image Advertising	Improved Awareness, Community Relations	11,463.00
AP00011426	00153000	Various	JACKSON ENERGY COOPERATIVE INC	93010	11,463.00	100009	TSE Grant & Matching Funds	Image Advertising	Improved Awareness, Community Relations	442.50
AP00011426	00153020	Various	CUMBERLAND VALLEY ELECTRIC	93010	692.50	100107	PARTNERS PLUS 12/2005	Image Advertising Labor	Improved Awareness, Community Relations	13,691.84
AP00011426	00153011	Various	FLEMING-MASON ENERGY COOPERATIVE	93010	33,640.12	100112	PARTNERS PLUS 12/2005	Image Advertising, Conservation	Improved Awareness, Community Relations	15,338.17
AP00011426	00153001	Various	BLUE GRASS ENERGY	93010	42,171.50	100155	PARTNERS PLUS 12/2005	Image Advertising, Conservation	Improved Awareness, Community Relations	28,934.89
AP00011411	00152800	Various	SALT RIVER ELECTRIC	93010	94,349.49	100157	PARTNERS PLUS 12/2005	Image Advertising, Conservation	Improved Awareness, Community Relations	4,568.00
AP00011426	00153004	Various	SALT RIVER ELECTRIC	93010	4,568.00	100162	TSE Grant & Matching Funds	Conservation	Improved Awareness, Community Relations	970.88
AP00011426	00153005	Various	SHELBY ENERGY COOPERATIVE INC	93010	3,929.03	100163	PARTNERS PLUS 12/05	Image Advertising, Equipment	Improved Awareness, Community Relations	3,564.87
AP00011426	00153017	Various	LICKING VALLEY RURAL ELECTRIC COOP	93010	3,585.84	100164	PARTNERS PLUS 12/2005	Image Advertising	Improved Awareness, Community Relations	4,740.20
AP00011426	00153021	Various	NOLIN RURAL ELECTRIC COOP	93010	4,740.20	100165	PARTNERS PLUS 12/2005	Image Advertising	Improved Awareness, Community Relations	17,369.49
AP00011426	00153021	Various	TAYLOR COUNTY RURAL ELECTRIC COOP CORP	93010	42,743.63	100167	PARTNERS PLUS 12/2005	Image Advertising, Conservation, Safety	Improved Awareness, Community Relations	9,730.10
AP00011426	00153002	Various	JACKSON ENERGY COOPERATIVE INC	93010	15,547.99	100168	PARTNER PLUS 12/2005	Image Advertising, Conservation, Safety	Improved Awareness, Community Relations	50,419.18
AP00011428	00153442	Various	OWEN ELECTRIC COOPERATIVE INC	93010	58,639.23	100268	Partners Plus 12/2005	Image Advertising, Environment, Safety	Improved Awareness, Community Relations	394.68
AP00011457	00153671	Various	GRAYSON RECC	93010	2,000.00	100831	Grant matching 12/2005	Conservation	Improved Awareness, Community Relations	4,300.47
			Various Expenditures \$600 or Less		10,174.44					
			Staff Labor & expenses		102,820.27					
					<u>2,265,340.17</u>					<u>979,476.00</u>
					2,265,340.17					979,476.00

\* The Cooperative Members of East Kentucky Power submit for reimbursement of several items at once - this column describes the purpose of this expenditure as recorded in this account number.

93010 Ledger



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07**

**REQUEST 47**

**RESPONSIBLE PERSON: William A. Bosta**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 47.** Refer to the response to the Staffs First Request, Item 30(b), page 6 of 11. For each of the transactions listed below, describe the nature and purpose of the organization and explain why the expense should be included for rate-making purposes:

- a. Manufactured Housing Research Alliance.
- b. Bluegrass Tomorrow.
- c. Kentucky Coal Association Corp.
- d. Associated Industries of Kentucky.
- e. EMLF.
- f. SSEB.
- g. University of Kentucky.
- h. National Food and Energy Council, Inc. - both membership and membership investment.
- i. Scientech, Inc.
- j. Center for Energy & Economic Development.

**Response 47.** a. Manufactured Housing Research Alliance - The Manufactured Housing Research Alliance is a non-profit organization with the mission of developing new technologies to enhance the value, quality, and performance of the nation's factory built homes, both manufactured and modular. MHRA's research supports the industry by

developing new methods for using factory built homes in a wide array of housing applications, by solving technical challenges, and by paving the way for innovations in home design, construction, and installation. To carry out its mission, MHRA develops, tests, and promotes better methods and materials for designing, manufacturing, and marketing factory built homes. These activities include research, new product development, training and educational programs, testing programs and demonstrations, commercialization efforts, workshops, conferences and other events. With this membership, EKPC was able to work with DOE to design energy star compliant manufactured housing. In 2005, approximately 20% of the customers in the entire East Kentucky Power Service territory were manufactured housing. As a result, efficiency improvements within manufactured homes benefits a very large number of our customers.

b. Bluegrass Tomorrow – Bluegrass Tomorrow is central Kentucky's regional planning organization; a regional coalition of business, farming, development and preservation interests dedicated to promoting coordinated growth and preservation planning for the thirteen-county central Bluegrass region of Kentucky. Their goal is to maintain the highest quality of life and economic vitality that distinguishes the Bluegrass region by creating efficient, responsible, and carefully planned growth.

This membership has helped those EKPC Member Systems in the Bluegrass area of Kentucky understand community concerns regarding land use issues. With this knowledge, the Member Systems can work with developers when planning expansion projects so that community concerns are considered.

c. Kentucky Coal Association Corporation – Headquartered in Lexington, the Kentucky Coal Association, a registered 501(c)6 non-profit organization, is the state's leading coal association with members representing both Eastern and Western Kentucky, surface and underground production, and union and non-union operations. This diversity helps the association build a consensus approach in problem

solving and dealing with the complex issues facing the industry today. The Kentucky Coal Association is active in many areas as it strives to represent its membership, to promote the development of Kentucky's coal resources, and to maintain a strong, viable presence in the Commonwealth.

Because coal is vital to the production of electricity in Kentucky, the Kentucky Coal Association helps to maintain a strong coal industry and that Kentucky will remain a leader in this industry. The association also ensures that Kentucky coal will be available and a part of a balanced energy fuel mix. The association tracks pending state and federal laws affecting this industry and provides insightful information that helps to bring a sense of reasonableness to these issues.

d. *Associated Industries of Kentucky – Associated Industries of Kentucky has changed its name to the Kentucky Association of Manufacturers (KAM). KAM's mission is to enable profitable growth for existing Kentucky manufacturers and the industries that support them, and to attract new manufacturers to Kentucky, so that the prosperity of all Kentuckians will be enhanced. Their vision is to see Kentucky become one of the world's most desired locations for both new and existing manufacturers by 2012. Given that energy is a major driver in industrial development, this membership helps to encourage economic development through the promotion of economical electric rates.*

e. *Energy and Mineral Law Foundation – The Energy and Mineral Law Foundation is a non-profit, educational organization providing information, resources on legal issues, including opportunities for Continuing Legal Education, related to the energy and mineral industry through workshops, specialty programs, publications and electronic information. The foundations' mission is to serve as a nationally recognized provider of education and information on energy, mineral and natural resources law. The Energy and Mineral Law Foundation fosters the study of energy, mineral, and natural resources law through quality, cost-effective, and timely education, and provides a continuing forum for industry, government, attorneys, legal scholars and*

the general public to engage in an intellectually honest examination of these subjects enhancing EKPC's ability to better serve its customers in an efficient and competitive manner.

f. Southern States Energy Board – The Southern States Energy Board (SSEB) is a non-profit interstate compact organization created in 1960 and established under Public Laws 87-563 and 92-440. The Board's mission is to enhance economic development and the quality of life in the South through innovations in energy and environmental policies, programs, and technologies. Sixteen southern states and two territories comprise the membership of SSEB: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia, and West Virginia. Each jurisdiction is represented by the governor and a legislator from the House and Senate. A governor serves as the chair and legislators serve as vice-chairman and treasurer. Ex-officio non-voting Board members include a federal representative appointed by the President of the United States, the Southern Legislative Conference Energy and Environment Committee chair and SSEB's executive director, who serves as secretary.

SSEB was created by state law and consented to by Congress with a broad mandate to contribute to the economic and community well-being of the southern region. The Board exercises this mandate through the creation of programs in the fields of energy and environmental policy research, development and implementation, science and technology exploration and related areas of concern. SSEB serves its members directly by providing timely assistance designed to develop effective energy and environmental policies and programs and represents its members before governmental agencies at all levels.

Currently, Rep. Rocky Adkins and Sen. Robert Stivers represent Kentucky on this board. EKPC was a member in 2005 when Gov. Ernie Fletcher was chairman, and Kentucky's energy strategy was being discussed and promoted. EKPC

also hosted a tour of its Bavarian Landfill Plant in Boone County - the first in Kentucky to produce electricity from methane gas from decaying municipal waste - for the SSEB's Southern States Biobased Alliance in 2005. .

g. University of Kentucky – The University of Kentucky is a public, research-extensive, land grant university dedicated to improving people’s lives through excellence in teaching, research, health care, cultural enrichment, and economic development. The University of Kentucky facilitates learning, expands knowledge through research, and serves a global community by disseminating, sharing, and applying knowledge. As the commonwealth’s flagship institute, the University of Kentucky plays a critical leadership role for the commonwealth by contributing to the economic development and quality of life within Kentucky’s borders and beyond. The University nurtures a diverse community characterized by fairness and equal opportunity.

In 2006, EKPC became a member of the Mining Engineering Foundation. This foundation is dedicated to the promotion of mining engineer through scholarships and, promotion, and professional development of faculty. Supporting the mining industry is very important because of Kentucky’s economic dependence and the coal industry and EKPC’s dependence on coal as its main source of fuel.

h. National Food and Energy Council, Incorporated – The National Food and Energy Council (NFEC) is an association of nearly 200 electric companies, cooperatives, and public power districts. The National Food and Energy Council’s primary goal is to help their members serve their rural customers by providing educational materials, training courses, and direct technical assistance to members.

Originally formed to help utilities with their agricultural customers, NFEC has recently expanded its scope to now include providing technical support and assistance to help power suppliers with their rural businesses and commercial key accounts. Specific topics include motor efficiency, security lighting for businesses, standby generator sizing and distributed generation sources, key accounts programs, wiring or grounding upgrades for power quality, and new options for serving three-phase

loads with single-phase service. Informational flyers on these and other subject matters of interest are made available to educate and provide safety information to our customers.

i. Scientech, Incorporated – Scientech provides utility and industrial clients with the hardware, technology, risk and reliability, information, and process solutions to reduce costs and improve efficiency, safety, performance, and knowledge. Scientech was founded in 1983 as a consulting engineering and technical services company serving government and utility customers. Scientech is a worldwide provider of electric generation services and products, safety and risk analysis, information technology, and strategic consulting.

EKPC receives great value from the Scientech FOMIS program. FOMIS is a membership community that connects electric power industry experts, which can substantially reduce costs associated with downtime and replacement generation costs by providing immediate solutions to O&M problems and helping locate parts, equipment, and services. A FOMIS conference is held every two years to help stay abreast of the latest issues and solutions. FOMIS members receive quick and easy access to a constantly-updated database of reports on just about any topic related to the industry. Support service is available 24/7 from Scientech professionals experienced in power station engineering.

EKPC also participates and receives value from Scientech's RAPID program - a virtual inventory system used to locate, buy and sell engineered spare parts. RAPID pools the inventories of its members to create a virtual warehouse containing millions of parts. Access to powerful search engines quickly locates needed out-of-stock spare parts, reduces surplus stock, and identifies replacements for no longer manufactured parts. The benefits of using RAPID include:

- avoid outages and de-rate caused by stock outs
- avoid work delays caused by stock outs
- reduce inventory levels and carrying costs
- liquidate surplus with higher returns



- locate parts in fleet-wide inventories
- avoid contingent purchases
- backup corporate computer systems
- locate new sources of supply
- reduce purchase costs over OEM prices
- share common spare parts and safety stock
- find alternatives to obsolete parts
- promote your company, parts and services

EKPC has also installed the Scientech PMAX software system at Cooper Power Station. PMAX, an on-line performance monitoring and analysis system, is a tool that increases plant operator awareness of the importance of performance issues. These issues include:

- providing guidance to plant operators by graphically presenting target values, deviations from targets, and lost power effects for those deviations,
- providing on-line balance of plant performance so operators can assess current plant operations to detect and correct problems,
- detecting condenser fouling and giving plant operators the information needed to optimize condenser performance,
- providing a means to validate plant equipment vendor claims,
- using input validation, the system can detect instrument fault and calibration errors,
- trending critical plant component performance allowing users to monitor component degradation and optimize their maintenance efforts to minimize unscheduled downtime,
- replaying plant events using archived data to reconstruct activities during time periods of interest, and

- distributing the information calculated by PMAX throughout the plant and utility on computer networks for graphical display and further analysis.

j. Center for Energy and Economic Development – The Center for Energy and Economic Development (CEED) is a non-profit group dedicated to protecting the viability of coal-based electricity. Working at the local, state, and regional levels, CEED communicates the truth about coal - conducting research, dispelling falsehoods, and educating the public and government officials about coal-based electricity's importance to our way of life. The Center for Energy and Economic Development's mission is to foster the long-term viability of coal-based electricity generation in America through research, information, and advocacy programs so coal-based electricity can continue to provide essential, affordable, and increasingly clean power for America.

CEED ensures that coal will be available and a part of a balanced energy fuel mix. The association tracks pending state and federal laws affecting this industry and provides insightful information that helps to bring a sense of reasonableness to these issues.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07  
REQUEST 48**

**RESPONSIBLE PERSON: William A. Bosta**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 48.** Refer to the response to the Staff's First Request, Item 30(b), pages 7 through 10 of 11.

a. Provide a revision to pages 7 through 10 of 11 identifying all expenses EKPC has identified as "Eliminations" in Item 30(b), page 5 of 11.

b. For each of the vendors listed below, explain the nature and purpose of the transaction:

- (1) Rees Printing Company.
- (2) Reynolds Communications, Inc.
- (3) Deshane & Associates LLC.
- (4) Contract Professionals LLC.
- (5) World Expositions.com LLC.
- (6) Government Strategies LLC.

**Response 48.** a. Please see pages 2 through 4.

b. Please see pages 5 and 6.

48a Revised pages 7-10 of Staff's 1st Data Request with "Eliminations" identified.  
 Account 93022 for Test Year

Acctg Date	Voucher	Name 1	Acct12	Amount	Check #	Descr	Eliminated Adv Exp	Note
		Various expenditures \$500 or Less	93022	48,516.69			2,978	
5/18/2006	161986	LIFE LINE SCREENING	93022	575.00	105271	12/05 VASCULAR/OSTEOPOROSIS SC		Eliminated in Donations adj
2005-10-12	00147755	LEXINGTON PROFESSIONAL BASEBALL CO LLC	93022	5,807.00	096997	Group - Pepsi Party Deck		
2/13/2006	155761	REES PRINTING COMPANY	93022	509.32	101618	OWEN CO STUFFERS-MATERIAL		
2005-11-30	00151205	REES PRINTING COMPANY	93022	527.01	099094	Mat - Simple Savings Card		
3/30/2006	158861	REES PRINTING COMPANY	93022	530.66	099094	MATERIAL		
2005-11-30	00151204	REES PRINTING COMPANY	93022	542.00	099094	Labor - Business Cards		
8/21/2006	167848	CURTIS1000 INC	93022	547.02	108673	12000 DRIVE-THRU ENVELOPES		
3/2/2006	156955	REES PRINTING COMPANY	93022	563.73	102503	LABOR		
2/27/2006	156667	REES PRINTING COMPANY	93022	563.87	102503	LABOR-NOLIN POSTCARD		
8/29/2006	168355	REES PRINTING COMPANY	93022	566.82	109144	Inter Co Folders - Labor		
2/8/2006	155515	REES PRINTING COMPANY	93022	567.50	101425	LABOR-UNDERSTANDING		
2005-11-30	00151203	REES PRINTING COMPANY	93022	595.00	099094	Labor - Levelized Billing Broc		
7/31/2006	166725	CURTIS1000 INC	93022	610.10	108048	COIN ENVELOPES-CUMBERLAND VALL		
2005-12-19	00152283	REES PRINTING COMPANY	93022	651.90	100249	Labor - Farmers Tree Planning		
8/29/2006	168355	REES PRINTING COMPANY	93022	743.98	109144	Inter Co Folders-Material		
4/28/2006	160723	REES PRINTING COMPANY	93022	775.50	104768	Labor - Bluegrass Mailing Car		
2005-10-06	00147508	REES PRINTING COMPANY	93022	827.39	096713	2ND QTR REPORT		
2005-10-27	00148889	REES PRINTING COMPANY	93022	841.17	097943	Labor - Statement Stuffers		
9/19/2006	169641	REES PRINTING COMPANY	93022	866.50	110096	PRINTING-TAYLOR CO LETTERHEAD		
3/27/2006	158560	INSTANT SIGNS & BANNERS	93022	925.38	103191	Banners		
8/29/2006	168352	REES PRINTING COMPANY	93022	952.23	109144	Nolin Statement Stuffer-Labor		
5/22/2006	162162	INSTANT SIGNS & BANNERS	93022	1,071.87	105335	INK JET PRINTS-TRADE BOOTH		
2005-12-31	00152559	REES PRINTING COMPANY	93022	1,161.88	100249	PRINTING		
7/27/2006	166260	REES PRINTING COMPANY	93022	1,216.30	108062	Labor - Nolin Statement Stuffer		
3/30/2006	158846	REES PRINTING COMPANY	93022	1,235.43	103576	PRINTING		
2/13/2006	155761	REES PRINTING COMPANY	93022	1,257.69	101618	LABOR-OWEN CO STUFFERS		
8/29/2006	168354	REES PRINTING COMPANY	93022	1,270.21	109144	Inter Co Booklet - Material		
2005-12-31	00152560	REES PRINTING COMPANY	93022	1,292.30	100249	PRINTING		
3/30/2006	158861	REES PRINTING COMPANY	93022	1,299.60	103576	OWEN CO STAT ESTUFFERS		
3/2/2006	156960	REES PRINTING COMPANY	93022	1,352.50	102503	PRINTING		
8/29/2006	168354	REES PRINTING COMPANY	93022	2,198.69	109144	Inter Co Booklet - Labor		
2/15/2006	156002	INSTANT SIGNS & BANNERS	93022	2,294.90	101964	TSE Banners		2,295
1/27/2006	154700	DELL MARKETING L P	93022	842.69	101690	Dell Computer as Follows:		
8/1/2006	166528	ENOVAION GRAPHIC SYSTEMS INC	93022	505.84	108758	FUJ 55700645 (FUJI PHOTO FILM		
2005-10-11	00147695	REES PRINTING COMPANY	93022	561.52	096821	MATERIAL-OWEN CO STUFFERS		
2005-11-08	00149552	ENOVAION GRAPHIC SYSTEMS INC	93022	565.11	098849	ABD 5310823232, A.B. DICK, SPO		
2005-12-09	00151706	ENOVAION GRAPHIC SYSTEMS INC	93022	582.78	099830	FUJ 55527337, FUJI PHOTO FILM		
8/1/2006	166528	ENOVAION GRAPHIC SYSTEMS INC	93022	673.34	108758	FUJ 55527337 (FUJI PHOTO FILM		
2/27/2006	156763	DOUBLE ENVELOPE CO LLC	93022	706.16	102987	ENVELOPES, 9 X 12 OPEN END, 28		
2005-10-27	00148890	REES PRINTING COMPANY	93022	978.98	097943	Labor - Statement Stuffer		
2005-10-11	00147695	REES PRINTING COMPANY	93022	1,009.17	096821	LABOR-OWEN CO STATEMENT STUFFE		
5/26/2006	162510	REES PRINTING COMPANY	93022	1,146.90	105903	LICKING VALLEY STMT STUFFERS		
4/1/2006	158324	DOUBLE ENVELOPE CO LLC	93022	1,147.85	103778	ENVELOPES, 10 X 13 OPEN END, 2		
2005-10-06	00147539	REES PRINTING COMPANY	93022	1,209.78	096713	20,390 FARMERS ST STUFFERS		
6/20/2006	164030	IKON OFFICE SOLUTIONS	93022	1,145.86	106312	6/30-7/29/06 RENT		
9/13/2006	169451	PITNEY BOWES	93022	789.00	109352	10/1/06-09/30/07 Equip Maint		
2/23/2006	156510	AB DICK PRODUCTS OF LEXINGTON	93022	2,592.81	102242	Annual Maintenance Service Con		

Acctg Date	Voucher	Name 1	Acct2	Amount	Check #	Descr	Eliminated Adv Exp	Note
4/3/2006	158976	ENOVAION GRAPHIC SYSTEMS INC	93022	3,600.00	104405	One Year Technical Advantage C		
5/23/2006	162307	REYNOLDS COMMUNICATIONS INC	93022	512.50	105531	3/06-5/06 LABOR	541	
8/31/2006	166737	MARC GUREVITCH	93022	541.20	109221	8/26/06 POKER RUN	550	
2005-10-06	00147515	DESHANE & ASSOCIATES LLC	93022	550.00	096781	9/1/05 VIDEOTAPING		
2005-12-31	00153505	REYNOLDS COMMUNICATIONS INC	93022	607.50	100486	Member service updates		
8/31/2006	166875	AFTRA	93022	636.75	109203	HEALTH/RETIREMENT-ED BRUCE	650	
2005-10-06	00147516	DESHANE & ASSOCIATES LLC	93022	650.00	096781	LABOR-POWER AND HOPE		
2005-12-08	00151548	REYNOLDS COMMUNICATIONS INC	93022	652.50	099146	MEMBER SERVICES CONNECTIONS		
3/28/2006	158624	REYNOLDS COMMUNICATIONS INC	93022	662.50	103219	InterChange,Connections,Member		
4/13/2006	159636	REYNOLDS COMMUNICATIONS INC	93022	662.50	103878	Interchange Mar. Apr. 2006		
2005-10-06	00147516	DESHANE & ASSOCIATES LLC	93022	693.24	096781	DUBS	693	
2005-10-06	00147547	SHANDA CROSBY	93022	700.00	096716	8/05 COMMUNICATIONS SERVICES		
2005-11-30	00150945	SHANDA CROSBY	93022	700.00	098818	Communications Services		
2/27/2006	156648	AFTRA	93022	707.50	102134	ED BRUCE- RETIREMENT FUNDS		
9/19/2006	169640	REYNOLDS COMMUNICATIONS INC	93022	712.50	109573	9/06-10/06 INTERCHANGE/8-9/06		
9/26/2006	170143	DESHANE & ASSOCIATES LLC	93022	787.50	109954	EDITING		
2005-10-06	00147548	REYNOLDS COMMUNICATIONS INC	93022	877.50	096773	9/05 PROFESSIONAL SERVICES		
6/13/2006	163607	PRESTON OSBORNE RESEARCH	93022	1,043.12	106218	5/11-21/06 LABOR/EXPENSES		
3/16/2006	157992	DESHANE & ASSOCIATES LLC	93022	1,097.15	102798	DVD & Digitize Raw Footage	1,097	
2005-10-06	00147513	CONTRACT PROFESSIONALS LLC	93022	1,177.84	096777	9/11/05 N COMER		
7/25/2006	166060	TIM WEBB PHOTOGRAPHY	93022	1,220.00	107596	All-A Classic Softball & Baseb	1,220	
2005-10-06	00147514	DESHANE & ASSOCIATES LLC	93022	1,399.88	096781	8/27/05 POKER RUN	1,400	
7/13/2006	165563	DESHANE & ASSOCIATES LLC	93022	1,400.00	107242	EDIT POKER RUN-LABOR	1,400	
2005-11-09	00149796	REYNOLDS COMMUNICATIONS INC	93022	1,417.50	098147	InterChange,Safety Trailer,Con		
2005-10-06	00147546	CONTRACT PROFESSIONALS LLC	93022	1,472.30	096777	9/18/05 N COMER		
9/25/2006	170025	INSITE CONSULTING LLC	93022	1,500.00	109995	ECONOMIC DEV WEB SITE		
1/31/2006	154901	CONTRACT PROFESSIONALS LLC	93022	1,516.44	101110	1/15/06 N COMER		
1/31/2006	154902	CONTRACT PROFESSIONALS LLC	93022	1,516.44	101110	1/8/06 N COMER		
2/9/2006	155684	CONTRACT PROFESSIONALS LLC	93022	1,516.44	101499	1/22 Labor - N Comer		
2/15/2006	155997	CONTRACT PROFESSIONALS LLC	93022	1,516.44	101715	1/29 Labor - N Comer		
2/27/2006	156865	CONTRACT PROFESSIONALS LLC	93022	1,516.44	102156	2/5/06 NICH COMER		
2/28/2006	156848	CONTRACT PROFESSIONALS LLC	93022	1,516.44	102330	2/12 Labor - Nick Comer		
3/16/2006	157993	CONTRACT PROFESSIONALS LLC	93022	1,516.44	102792	2/26 Labor - N Comer		
3/16/2006	157993	CONTRACT PROFESSIONALS LLC	93022	1,516.44	102792	2/26 Labor - N Comer		
3/16/2006	157994	CONTRACT PROFESSIONALS LLC	93022	1,516.44	102792	2/19 Labor - N Comer		
3/27/2006	158561	CONTRACT PROFESSIONALS LLC	93022	1,516.44	103226	3/5 Labor - N Comer		
3/30/2006	158841	CONTRACT PROFESSIONALS LLC	93022	1,516.44	103397	03/12/06 N COMER/LABOR		
3/30/2006	158842	CONTRACT PROFESSIONALS LLC	93022	1,516.44	103397	03/19/06 N COMER/LABOR		
4/17/2006	159892	CONTRACT PROFESSIONALS LLC	93022	1,516.44	103972	4/2 Labor - N Comer		
4/17/2006	159893	CONTRACT PROFESSIONALS LLC	93022	1,516.44	103972	3/26 Labor - N Comer		
4/28/2006	160726	CONTRACT PROFESSIONALS LLC	93022	1,516.44	104539	4/9 Labor - N Comer		
4/28/2006	161152	CONTRACT PROFESSIONALS LLC	93022	1,516.44	104703	4/16 Labor - N Comer		
5/22/2006	162244	CONTRACT PROFESSIONALS LLC	93022	1,516.44	105369	5/7/06 N COMER		
5/22/2006	162245	CONTRACT PROFESSIONALS LLC	93022	1,516.44	105369	4/23/06 N COMER		
5/22/2006	162247	CONTRACT PROFESSIONALS LLC	93022	1,516.44	105369	4/30/06 N COMER		
5/31/2006	162802	CONTRACT PROFESSIONALS LLC	93022	1,516.44	105713	5/14 Labor - N Comer		
7/27/2006	166262	CONTRACT PROFESSIONALS LLC	93022	1,516.44	107767	7/2/06 Labor - N Comer		
7/27/2006	166264	CONTRACT PROFESSIONALS LLC	93022	1,516.44	107767	7/9/06 Labor - N Comer		
8/10/2006	167420	CONTRACT PROFESSIONALS LLC	93022	1,516.44	108255	7/16/06 N COMER		
8/17/2006	167730	CONTRACT PROFESSIONALS LLC	93022	1,516.44	108517	7/30/05 N COMER		

Acctg Date	Voucher	Name 1	Acct2	Amount	Check #	Descr	Eliminated Adv Exp	Note
8/17/2006	167732	CONTRACT PROFESSIONALS LLC	93022	1,516.44	108517	7/23/06 N COMER		
8/28/2006	168323	CONTRACT PROFESSIONALS LLC	93022	1,516.44	109013	8/6/06 Labor - N Comer		
8/31/2006	168600	CONTRACT PROFESSIONALS LLC	93022	1,516.44	109013	8/13/06 N COMER		
8/31/2006	168601	CONTRACT PROFESSIONALS LLC	93022	1,516.44	109013	8/20/06 N COMER		
9/25/2006	170033	CONTRACT PROFESSIONALS LLC	93022	1,516.44	109943	9/3/06 N COMER		
9/25/2006	170034	CONTRACT PROFESSIONALS LLC	93022	1,516.44	109943	8/27/06 N COMER		
9/28/2006	170318	CONTRACT PROFESSIONALS LLC	93022	1,516.44	109943	9/10/06 N COMER		
2005-11-09	00149798	CONTRACT PROFESSIONALS LLC	93022	1,516.44	098159	10/23 Labor - N Comer		
2005-12-15	00152032	CONTRACT PROFESSIONALS LLC	93022	1,516.44	099479	11/27/05 N COMER		
2005-12-19	00152312	CONTRACT PROFESSIONALS LLC	93022	1,516.44	099680	12/04 Labor - N Comer		
2005-12-31	00153179	CONTRACT PROFESSIONALS LLC	93022	1,625.00	100283	12/25 Labor - N Comer		
2005-10-06	00147518	DESHANE & ASSOCIATES LLC	93022	1,625.00	096781	BE ENERGY GOLF 2005-LABOR	1,625	Eliminated in Donations adj
2/27/2006	156663	TIM WEBB PHOTOGRAPHY	93022	1,625.00	102170	PHOTOGRAPH-ALL A CLASSIC BBALL	1,625	
2/9/2006	156681	REYNOLDS COMMUNICATIONS INC	93022	1,925.00	101487	Feature for Sheree Gilliam EMC	2,000	
1/31/2006	154829	TROY HOUSE	93022	2,000.00	101460	All A radio production	2,725	
3/22/2006	158243	THELEN REID & PRIEST LLP	93022	2,100.00	103726	2/13-14/06 LABOR		
9/26/2006	170141	DESHANE & ASSOCIATES LLC	93022	2,725.00	109954	7/06 VIDEOTAPING		
2005-11-11	00149917	KENTUCKY ASSOCIATION FOR ECONOMIC DEV	93022	3,000.00	098106	LINCOLN CO COMMUNITY ASSESSMEN		
8/31/2006	168739	ED BRUCE	93022	4,500.00	109204	8/06 VOICE TALENT-RADIO		
2/27/2006	156647	ED BRUCE	93022	5,000.00	102135	VOICE TALENT-TE LIVING SERIES		
1/11/2006	153509	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	100527	1/12/06 Coop fee	10,022	
2/9/2006	155679	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	101731	Feb 2006 Consulting Fees	10,022	
3/16/2006	157968	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	102815	03/2006 month co-op fee	10,022	
4/13/2006	159665	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	103980	4/06 COOP FILE	10,022	
6/19/2006	163958	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	106397	6/06 COOP ADVERTISING	10,022	
8/10/2006	167366	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	108389	8/06 COOP ADV FEE	10,022	
9/12/2006	169273	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	109463	9/06 COOP ADVERTISING	10,022	
2005-10-12	00147754	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	097026	10/05 Monthly Co-op Fees	10,022	
2005-11-09	00149782	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	098468	11/05 Monthly Co-op Fees	10,022	
2005-12-14	00151918	WORLD EXPOSITIONS.COM LLC	93022	10,021.50	099490	12/05 COOP ADVERTISING	10,022	
7/6/2006	165062	WORLD EXPOSITIONS.COM LLC	93022	10,247.52	107353	7/06 COOP FEES/PRINTING	10,248	
5/8/2006	161261	WORLD EXPOSITIONS.COM LLC	93022	10,260.91	105091	5/06 COOP FEES/PRINTING	10,261	
1/16/2006	153928	GOVERNMENT STRATEGIES LLC	93022	25,000.00	100632	dec 05-may 06 Gov Relations Se		Eliminated in Lobbying adj
6/5/2006	163047	GOVERNMENT STRATEGIES LLC	93022	25,000.00	105972	06/06-11/06 RETAINER		Eliminated in Lobbying adj
2005-11-09	00149799	KELLY SERVICES INC	93022	556.50	098066	10/23 Labor - TL Pash		
2005-12-19	00152217	IKON OFFICE SOLUTIONS	93022	1,049.49	099556	Per Copy Maintenance Billing		
5/23/2006	162306	REES PRINTING COMPANY	93022	532.00	105903	LABOR-ANNUAL MTG/RVP CARD		
5/23/2006	162303	REES PRINTING COMPANY	93022	860.09	105903	MATERIAL-EKP ANNUAL REPORTS		
5/31/2006	162803	DISC MAKERS INC	93022	1,651.50	105753	2005 ANNUAL REPORT PRODUCTION		
6/22/2006	164164	MARGARET K TRUSTY CATERING	93022	2,194.20	106506	180 LUNCHES & GRATUITY		
5/23/2006	162303	REES PRINTING COMPANY	93022	4,917.80	105903	PRINTING-ANNUAL REPORTS		
5/2/2006	160844	JOURDAN GRAPHIC SERVICES INC	93022	6,911.20	105456	Annual Meeting Fans, printed 2	6,911	
5/23/2006	162302	REES PRINTING COMPANY	93022	580.30	105903	PRINTING-BROCHURES-COOP		
5/23/2006	162301	REES PRINTING COMPANY	93022	681.41	105903	PRINTING-POSTERS		
5/22/2006	162225	FIRST GEAR CUSTOM SPORTSWEAR INC	93022	1,081.20	105629	500 T-SHIRTS	902	
		Staff Labor and Expenses		601,899.31				
				994,910.24				

48b - additional information on certain vendors.

Item	Acctg Date	Voucher	Name 1	Acct2	Dpt2	Prod2	Amount	Check #	Descr	Nature and purpose of transaction
1	2/8/2006	155515	REES PRINTING COMPANY	93022	061	2600	567.50	101425	LABOR-UNDERSTANDING	Printing brochure - understanding the fuel adjustment clause
1	2/13/2006	155761	REES PRINTING COMPANY	93022	061	2600	1,257.69	101618	LABOR-OWEN CO STUFFERS	Printing - Statement stuffers for Member.
1	2/13/2006	155761	REES PRINTING COMPANY	93022	061	2600	509.32	101618	OWEN CO STUFFERS-MATERIAL	Print postcards for Nolin - member information
1	2/13/2006	156955	REES PRINTING COMPANY	93022	061	2600	563.73	102503	LABOR	Print postcards for Nolin - member information
1	2/27/2006	156667	REES PRINTING COMPANY	93022	061	2600	563.87	102503	LABOR-NOLIN POSTCARD	Print postcards for Nolin - member information
1	3/2/2006	156960	REES PRINTING COMPANY	93022	061	2600	1,352.50	102503	PRINTING	Printing - Statement stuffers for Member.
1	3/30/2006	158861	REES PRINTING COMPANY	93022	061	2600	530.66	103976	MATERIAL	Printing - Statement stuffers for Member.
1	3/30/2006	158861	REES PRINTING COMPANY	93022	061	2600	1,299.60	103976	OWEN CO STAT ESTUFFERS	Printing - Statement stuffers for Member.
1	3/30/2006	158846	REES PRINTING COMPANY	93022	061	2600	1,235.43	103576	PRINTING	Printing - Statement stuffers for Member.
1	4/28/2006	160723	REES PRINTING COMPANY	93022	061	2600	775.50	104768	Labor - Bluegrass Mailing Car	Printing - annual meeting information
1	5/23/2006	162306	REES PRINTING COMPANY	93022	061	7420	532.00	105903	LABOR-ANNUAL MTG/RSVP CARD	Printing - Statement stuffers for Member.
1	5/26/2006	162510	REES PRINTING COMPANY	93022	061	2620	1,146.90	105903	LICKING VALLEY STMT STUFFERS	Printing - Financial Reports
1	5/23/2006	162303	REES PRINTING COMPANY	93022	061	7420	860.09	105903	MATERIAL-EKP ANNUAL REPORTS	Printing - Financial Reports
1	5/23/2006	162303	REES PRINTING COMPANY	93022	061	7420	4,917.80	105903	PRINTING-ANNUAL REPORTS	Printing brochures for member systems.
1	5/23/2006	162302	REES PRINTING COMPANY	93022	061	7423	580.30	105903	PRINTING-BROCHURES-COOP	Printing posters for member systems.
1	5/23/2006	162301	REES PRINTING COMPANY	93022	061	7423	681.41	105903	PRINTING-POSTERS	Printing - Statement stuffers for Member.
1	5/23/2006	162301	REES PRINTING COMPANY	93022	061	2600	1,216.30	108062	Labor - Nolin Statement Stuffe	Printing new member booklet.
1	7/27/2006	166260	REES PRINTING COMPANY	93022	061	2600	2,198.69	109144	Inter Co Booklet - Labor	Printing industrial recruitment folders
1	8/29/2006	168354	REES PRINTING COMPANY	93022	061	2600	1,270.21	109144	Inter Co Booklet - Material	Printing industrial recruitment folders
1	8/29/2006	168354	REES PRINTING COMPANY	93022	061	2600	566.82	109144	Inter Co Folders - Labor	Printing - Statement stuffers for Member.
1	8/29/2006	168355	REES PRINTING COMPANY	93022	061	2600	743.98	109144	Inter Co Folders-Material	Printing Letterhead
1	8/29/2006	168355	REES PRINTING COMPANY	93022	061	2600	962.23	109144	Nolin Statement Staffer-Labor	Printing - Statement stuffers for Member.
1	8/29/2006	168352	REES PRINTING COMPANY	93022	061	2600	866.50	110096	PRINTING-TAYLOR CO LETTERHEAD	Printing - Statement stuffers for Member.
1	9/19/2006	169641	REES PRINTING COMPANY	93022	061	2620	1,209.78	096713	20,390 FARMERS ST STUFFERS	Printing - Statement stuffers for Member.
1	2005-10-06	00147539	REES PRINTING COMPANY	93022	061	2600	827.39	096713	2ND QTR REPORT	Printing - Financial Reports
1	2005-10-06	00147508	REES PRINTING COMPANY	93022	061	2620	1,009.17	096821	LABOR-OWEN CO STATEMENT STUFFE	Printing - Statement stuffers for Member.
1	2005-10-11	00147695	REES PRINTING COMPANY	93022	061	2620	561.52	096821	MATERIAL-OWEN CO STUFFERS	Printing - Statement stuffers for Member.
1	2005-10-11	00147695	REES PRINTING COMPANY	93022	061	2620	978.98	097943	Labor - Statement Staffer	Printing - Statement stuffers for Member.
1	2005-10-27	00148890	REES PRINTING COMPANY	93022	061	2600	841.17	097943	Labor - Statement Staffers	Printing - business cards
1	2005-10-27	00148889	REES PRINTING COMPANY	93022	061	2600	542.00	099094	Labor - Business Cards	Printing brochure - leveled billing
1	2005-11-30	00151204	REES PRINTING COMPANY	93022	061	2600	595.00	099094	Labor - Leveled Billing Broc	Printing -
1	2005-11-30	00151203	REES PRINTING COMPANY	93022	061	2600	527.01	099094	Mat - Simple Savings Card	Print brochure - tree planting
1	2005-11-30	00151203	REES PRINTING COMPANY	93022	061	2600	651.90	100249	Labor - Farmers Tree Planning	Print bill staffer for member
1	2005-12-19	00152283	REES PRINTING COMPANY	93022	061	2600	1,161.88	100249	PRINTING	Print bill staffer for member
1	2005-12-31	00152559	REES PRINTING COMPANY	93022	061	2600	1,292.30	100249	PRINTING	Freelance articles on safety, energy conservation & industry issues.
1	2005-12-31	00152560	REES PRINTING COMPANY	93022	061	2600	1,925.00	101487	Feature for Sheree Gilliam EMC	Freelance articles on safety, energy conservation & industry issues.
2	2/9/2006	156681	REYNOLDS COMMUNICATIONS INC	93022	061	4802	662.50	103219	InterChange,Connections,Member	Freelance articles on safety, energy conservation & industry issues.
2	3/28/2006	158624	REYNOLDS COMMUNICATIONS INC	93022	061	4802	662.50	103219	InterChange,Connections,Member	Freelance articles on safety, energy conservation & industry issues.
2	4/13/2006	159636	REYNOLDS COMMUNICATIONS INC	93022	061	4802	662.50	103219	InterChange,Connections,Member	Freelance articles on safety, energy conservation & industry issues.
2	5/23/2006	162307	REYNOLDS COMMUNICATIONS INC	93022	061	4802	712.50	105531	3/06-5/06 LABOR	Freelance articles on safety, energy conservation & industry issues.
2	9/19/2006	169640	REYNOLDS COMMUNICATIONS INC	93022	061	4802	877.50	109573	9/06-10/06 INTERCHANGE/8-9/06	Freelance articles on safety, energy conservation & industry issues.
2	2005-10-06	00147548	REYNOLDS COMMUNICATIONS INC	93022	061	4802	1,417.50	098147	InterChange,Safety Trailer,Con	Freelance articles on safety, energy conservation & industry issues.
2	2005-11-09	00149796	REYNOLDS COMMUNICATIONS INC	93022	061	4802	652.50	099146	MEMBER SERVICES CONNECTIONS	Freelance articles on safety, energy conservation & industry issues.
2	2005-12-08	00151548	REYNOLDS COMMUNICATIONS INC	93022	061	4802	607.50	100486	Member service updates	Publication to update Members on EKPC Services.
2	2005-12-31	00153505	REYNOLDS COMMUNICATIONS INC	93022	061	4802	1,097.15	102798	DVD & Digitize Raw Footage	Video Editing
3	3/16/2006	157992	DESHANE & ASSOCIATES LLC	93022	062	4802	1,400.00	102798	EDIT POKER RUN-LABOR	Video Editing
3	7/13/2006	165563	DESHANE & ASSOCIATES LLC	93022	062	4802	2,725.00	109954	7/06 VIDEOTAPING	Video Editing
3	9/26/2006	170141	DESHANE & ASSOCIATES LLC	93022	062	4802	787.50	109954	EDITING	Video Editing
3	2005-10-06	00147514	DESHANE & ASSOCIATES LLC	93022	062	4802	1,389.88	096781	8/27/05 POKER RUN	Video Editing
3	2005-10-06	00147515	DESHANE & ASSOCIATES LLC	93022	062	4802	550.00	096781	9/1/05 VIDEOTAPING	Video Editing
3	2005-10-06	00147518	DESHANE & ASSOCIATES LLC	93022	062	4802	1,625.00	096781	BE ENERGY GOLF 2005-LABOR	Video Editing
3	2005-10-06	00147516	DESHANE & ASSOCIATES LLC	93022	062	4802	693.24	096781	DUBS	Video Editing
3	2005-10-06	00147516	DESHANE & ASSOCIATES LLC	93022	062	4802	650.00	096781	LABOR-POWER AND HOPE	Contract labor - public relations
4	1/31/2006	154901	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	101110	1/15/06 N COMER	Contract labor - public relations
4	1/31/2006	154902	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	101110	1/8/06 N COMER	Contract labor - public relations
4	2/9/2006	156684	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	101499	1/22 Labor - N Comer	Contract labor - public relations
4	2/15/2006	155997	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	101715	1/29 Labor - N Comer	Contract labor - public relations



Item	Acctg Date	Voucher	Name 1	Acct2	Dpt2	Prod2	Amount	Check #	Descr	Nature and purpose of transaction
4	2/27/2006	156685	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	102156	2/5/06 NICH COMER	Contract labor - public relations
4	2/28/2006	156848	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	102330	2/12 Labor - Nick Comer	Contract labor - public relations
4	3/16/2006	157994	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	102792	2/19 Labor - N Comer	Contract labor - public relations
4	3/16/2006	157993	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	102792	2/26 Labor - N Comer	Contract labor - public relations
4	3/16/2006	157993	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	102792	2/26 Labor - N Comer	Contract labor - public relations
4	3/27/2006	158561	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	103226	3/5 Labor - N Comer	Contract labor - public relations
4	3/30/2006	158841	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	103397	03/12/06 N COMER/LABOR	Contract labor - public relations
4	3/30/2006	158842	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	103397	03/19/06 N COMER/LABOR	Contract labor - public relations
4	4/17/2006	159893	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	103972	3/26 Labor - N Comer	Contract labor - public relations
4	4/17/2006	159892	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	103972	4/2 Labor - N Comer	Contract labor - public relations
4	4/28/2006	160726	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	104539	4/9 Labor - N Comer	Contract labor - public relations
4	4/28/2006	161152	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	104703	4/16 Labor - N Comer	Contract labor - public relations
4	5/22/2006	162245	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	105369	4/23/06 N COMER	Contract labor - public relations
4	5/22/2006	162247	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	105369	4/30/06 N COMER	Contract labor - public relations
4	5/23/2006	162244	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	105369	5/7/06 N COMER	Contract labor - public relations
4	5/31/2006	162802	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	105713	5/14 Labor - N Comer	Contract labor - public relations
4	7/27/2006	166262	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	107767	7/2/06 Labor - N Comer	Contract labor - public relations
4	7/27/2006	166264	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	107767	7/9/06 Labor - N Comer	Contract labor - public relations
4	8/10/2006	167420	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	108255	7/16/06 N COMER	Contract labor - public relations
4	8/17/2006	167732	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	108517	7/23/06 N COMER	Contract labor - public relations
4	8/31/2006	168600	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	108517	7/30/05 N COMER	Contract labor - public relations
4	8/31/2006	168601	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	109013	8/13/06 N COMER	Contract labor - public relations
4	8/28/2006	168323	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	109013	8/20/06 N COMER	Contract labor - public relations
4	9/25/2006	170034	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	109013	8/6/06 Labor - N Comer	Contract labor - public relations
4	9/28/2006	170318	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	109943	8/27/06 N COMER	Contract labor - public relations
4	9/25/2006	170033	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	109943	9/10/06 N COMER	Contract labor - public relations
4	2005-10-06	00147513	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,472.30	096777	9/11/05 N COMER	Contract labor - public relations
4	2005-10-06	00147546	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,472.30	096777	9/18/05 N COMER	Contract labor - public relations
4	2005-11-09	00149798	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	098159	10/23 Labor - N Comer	Contract labor - public relations
4	2005-12-15	00152032	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	099479	11/27/05 N COMER	Contract labor - public relations
4	2005-12-19	00152312	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	099680	12/04 Labor - N Comer	Contract labor - public relations
4	2005-12-31	00153179	CONTRACT PROFESSIONALS LLC	93022	061	4802	1,516.44	100283	12/25 Labor - N Comer	Contract labor - public relations
5	1/11/2006	153609	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	100527	01/20/06 Coop fee	Co-op Connections Card - excl from rate base
5	2/9/2006	155679	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	101731	Feb. 2006 Consulting Fees	Co-op Connections Card - excl from rate base
5	3/16/2006	157968	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	102815	03/20/06 month co-op fee	Co-op Connections Card - excl from rate base
5	4/13/2006	159665	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	103980	4/06 COOP FILE	Co-op Connections Card - excl from rate base
5	5/8/2006	161261	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,260.91	105091	5/06 COOP FEES/PRINTING	Co-op Connections Card - excl from rate base
5	6/19/2006	163958	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,247.52	106397	6/06 COOP ADVERTISING	Co-op Connections Card - excl from rate base
5	7/6/2006	165062	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	107353	7/06 COOP ADV FEE	Co-op Connections Card - excl from rate base
5	8/10/2006	167366	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	108389	8/06 COOP ADV FEE	Co-op Connections Card - excl from rate base
5	9/12/2006	169273	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	109463	9/06 COOP ADVERTISING	Co-op Connections Card - excl from rate base
5	2005-10-12	00147754	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	097026	10/05 Monthly Co-op Fees	Co-op Connections Card - excl from rate base
5	2005-11-09	00149782	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	098468	11/05 Monthly Co-op Fees	Co-op Connections Card - excl from rate base
5	2005-12-14	00151918	WORLD EXPOSITIONS.COM LLC	93022	062	4802	10,021.50	099490	12/05 COOP ADVERTISING	Co-op Connections Card - excl from rate base
6	1/16/2006	153928	GOVERNMENT STRATEGIES LLC	93022	060	4802	25,000.00	100632	dec. 05-may 06 Gov Relations Se	Government Relations excl from rate base
6	6/5/2006	163047	GOVERNMENT STRATEGIES LLC	93022	060	4802	25,000.00	105972	06/06-11/06 RETAINER	Government Relations excl from rate base

- 1 Rees Printing Company is a commercial printing firm that produces EKPC's financial reports, member system bill stuffers and specialty printing services.
- 2 Reynolds Communications provides freelance articles on safety, energy conservation and industry issues that are distributed to EKPC member systems for publication.
- 3 DeShane and Associates, LLC. Provides video editing services for EKPC and member systems - some promotional, some historical business production.
- 4 Contract Professionals is a temporary employment agency - we are currently employing Nick Comer. Nick provides communications to key audiences on transmission projects, including ads about proposed lines, press releases, information packets about proposed projects for property owners and local officials, and letters that are sent to property owners who attend open houses.
- 5 World Expositions - associated with the Co-op Connections Card - a discount card that is provided to all retail consumers in our service territory.
- 6 Government Strategies, LLC - provides information on state and federal government issues.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07**

**REQUEST 49**

**RESPONSIBLE PERSON: William A. Bosta/Ann F. Wood**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 49.**

Refer to the response to the Staffs First Request, Item 30(c).

a. Provide a revision to pages 2 through 5 of 5 identifying the economic development and research and development expenses EKPC believes should be included for rate-making purposes, as stated in the Application, Exhibit F, Schedule 15, page 2 of 2.

b. For each economic development and research and development transaction identified in part (a) above, explain in detail why the transaction should be included for rate-making purposes.

c. Refer to page 1 of 5. Provide a schedule detailing the transactions that make up the \$32,507,300 balance for Account No. 426 listed as "Other." At a minimum, list the transaction date, a document reference, the vendor, the amount, and a description of the purpose of the transaction.

**Response 49.**

a. Please see the attachment.

b. The economic development related transactions are intended to enhance the possibility of attracting industry to Kentucky and the EKPC service territory. See also the response to Item 45c herein.

c. Below is a schedule detailing the balance labeled as "Other" on Page 1 of 5. Specific document references concerning vendor amounts are not

applicable. Obsolete material is written-off throughout the year. Annually, EKPC records its proportionate share of the propane investment. The life insurance component is a monthly amortization of the premium from prepaid to expense, along with an offsetting adjustment. The difference is redacted.

Material write-offs	166,483
Propane	(173,407)
Life Ins	(40,416)
Difference	32,554,641

49a - Revised 30c Attachment		Name 1		Amount	Check #	Description	Retain
Acctg Date	Voucher						
Test Year		Misc Donations less than \$500		21,135.52			787.80
1/5/06	152938	LEEDS CENTER FOR THE ARTS		5,000.00	100193	2006 -LEEDS ARTS IN EDUCATION	
1/11/06	153561	BIG BROTHERS BIG SISTERS		500.00	100450	2006 Sponsorship	
1/11/06	153547	AMERICAN ROAD HORSE & PONY ASSOC INC		500.00	100512	CLASS SPONSOR	
1/4/06	152777	KENTUCKY ASSOCIATION OF ELECTRIC COOP		625.00	100581	Bronze Sponsorship-Chamber Day	600.00
1/23/06	154350	COMMERCE LEXINGTON		600.00	100845	2006 DINNER SPONSORSHIP	
1/31/06	154900	AMERICAN RED CROSS		1,000.00	101042	DONATION-HEROES 2006	
1/31/06	154908	GRAYSON RECC		1,000.00	101078	2006 ENVIRONMENTAL SCHOLARSHIP	
1/31/06	154909	SHELBY ENERGY COOPERATIVE INC		1,000.00	101090	2006 ENVIRONMENTAL SCHOLARSHIP	500.00
2/6/06	155129	WINCHESTER CLARK CO CHAMBER OF COMMERCE		500.00	101303	Donation	
2/13/06	155855	GRAYSON RECC		550.00	101639	2006 EMPLOYEE OF THE MONTH	
2/13/06	155861	INTER COUNTY ENERGY		1,000.00	101644	2006 ENVIRONMENTAL ED GRANT	
2/15/06	156042	HABITAT FOR HUMANITY		1,000.00	101677	BRONZE HAMMER CLUB SPONSOR	
2/13/06	155763	ALL "A" CLASSIC		30,000.00	101692	Girls Softball & Boys Baseball	
2/13/06	155762	ALL "A" CLASSIC		75,000.00	101692	Girls & Boys Basketball Tourne	
2/24/06	156618	KENTUCKY ASSOCIATION OF ELECTRIC COOP		1,000.00	102087	2006 SCIENCE FAIR DONATION	
2/27/06	156640	SOUTH KENTUCKY RECC		3,000.00	102102	2006 ENVIRONMENTAL ED GRANT	
2/27/06	156641	JACKSON ENERGY COOPERATIVE		1,000.00	102130	2006 ENVIRONMENTAL ED GRANT	
2/27/06	156656	TENNESSEE ELECTRIC COOPERATIVE ASSOC		500.00	102155	SPONSORSHIP-MT ADVERTURES CONF	
2/28/06	156850	JUNIOR ACHIEVEMENT OF THE BLUEGRASS INC		500.00	102337	Donation	
3/6/06	157205	LOWER HOWARD CREEK		15,000.00	102412	Donation	
3/16/06	157902	PRIDE		1,000.00	102753	DONATION	
3/14/06	157696	WINCHESTER LITTLE LEAGUE		600.00	102756	ADVERTISING	
3/14/06	157694	LOUISVILLE BASEBALL CLUB INC		778.00	102775	72 GAME FULL SEASON	
3/14/06	157695	STEPHEN FOSTER DRAMA ASSOCIATION INC		5,000.00	102777	SOUND OF MUSIC SPONSORSHIP	
3/16/06	157933	LOUISVILLE ZOO		20,000.00	102781	2006 EARTH DAY	
3/2/06	156946	UK ALUMNI ASSOCIATION		500.00	103214	2006 SPONSORSHIP	
3/29/06	158739	KENTUCKY ASSOCIATION OF ELECTRIC COOP		7,500.00	103322	2006 S LEGISLATIVE CONFERENCE	
3/29/06	158734	WESTERN KENTUCKY UNIVERSITY		1,500.00	103400	TOUCHSTONE ENERGY SUITE	
3/30/06	158839	LOUISVILLE BASEBALL CLUB INC		8,750.00	103708	2006 SPONSORSHIP	
4/13/06	159696	CLARK ENERGY COOPERATIVE INC		1,900.00	103768	PARTNERS PLUS 02/06	125.00
4/13/06	159718	JACKSON ENERGY COOPERATIVE		524.50	103856	PARTNERS PLUS 02/2006	20,000.00
4/17/06	159888	WESTERN KENTUCKY UNIVERSITY		20,000.00	103974	2006 Pledge (gasification proj)	
4/17/06	159901	CATCH A RAINBOW		500.00	103981	2006 DONATION	
4/19/06	160094	MASON COUNTY HIGH SCHOOL		500.00	104106	Donation	

49a - Revised 30c Attachment							Retain
Acctg Date	Voucher	Name 1	Amount	Check #	Description	Retain	
4/20/06	160111	MOSES DRILLING COMPANY	850.00	104121	FINAL BALANCE-BULLDOZER		
4/24/06	160157	AMERICAN CANCER SOCIETY	500.00	104227	2006 MASON CO RELAY FOR LIFE		
4/26/06	160359	CUMBERLAND VALLEY ELECTRIC	1,000.00	104319	2006 ENVIRONMENT ED GRANT		
4/26/06	160352	SOUTH KENTUCKY RECC	1,019.50	104358	PARTNIES PLUS 04/2006		
4/26/06	160361	MOREHEAD STATE UNIVERSITY	1,600.00	104377	2006 SPRING GALA	510.00	
4/26/06	160343	INTER COUNTY ENERGY	2,183.23	104379	PARTNERS PLUS 04/2006		
4/26/06	160350	BIG SANDY RURAL ELECTRIC COOP CORP	560.00	104382	PARTNERS PLUS 04/2006		
4/26/06	160353	SALT RIVER ELECTRIC	1,337.28	104392	PARTNERS PLUS 04/2006	125.00	
4/26/06	160351	LICKING VALLEY RURAL ELECTRIC COOP	1,125.00	104395	PARTNERS PLUS 04/2006		
4/26/06	160344	JACKSON ENERGY COOPERATIVE	674.00	104403	PARTNERS PLUS 04/2006		
4/28/06	160807	BIG BROTHERS BIG SISTERS	625.00	104508	2005 MINT Program		
4/28/06	160795	GEORGE ROGERS CLARK HIGH SCHOOL	715.00	104512	2005 MINT Program		
4/28/06	160802	BOY SCOUTS OF AMERICA	585.00	104518	2005 MINT Program		
4/28/06	160772	WINCHESTER YOUTH SOCCER LEAGUE	715.00	104520	2005 MINT Program		
4/28/06	160799	CLARK COUNTY BAND BOOSTERS	715.00	104522	2005 MINT Program		
4/28/06	160761	YMCA	715.00	104525	2005 MINT Program		
5/3/06	160970	KENTUCKY STATE TREASURER	1,500.00	104616	Support for Ky Env Educ Council		
5/4/06	161120	AMERICAN CANCER SOCIETY	750.00	104683	2006 DONATION		
5/8/06	161238	SISTERS OF CHARITY OF NAZARETH	500.00	104839	2006 BOOTH SPONSORSHIP		
5/15/06	161768	SHELBY ENERGY COOPERATIVE INC	1,155.00	105067	04/06 PARTNERS PLUS		
5/18/06	162053	SPECIAL OLYMPICS	650.00	105234	Athlete Sponsorship		
5/17/06	161853	GREENSPACE INC	500.00	105276	Partnersplus - Donation		
4/28/06	160728	KENTUCKY ASSOCIATION OF ELECTRIC COOP	1,000.00	105308	Leadership Ky 2006 Contributio	1,000.00	
5/31/06	162726	WARREN RURAL ELECTRIC COOPERATIVE CORP	2,500.00	105708	FOURTH OF JULY CELEBRATION		
5/30/06	162571	KENTUCKY HIGH SCHOOL ATHLETIC ASSOC	8,000.00	105717	SIGN AND TV SPOT		
6/19/06	163965	CLARK ENERGY COOPERATIVE INC	915.00	106311	05/06 Partners Plus		
6/19/06	163944	SOUTH KENTUCKY RECC	2,608.50	106341	05/06 Partners Plus		
6/19/06	163931	INTER COUNTY ENERGY	10,333.69	106350	05/06 Partners Plus		
6/19/06	163938	LICKING VALLEY RURAL ELECTRIC COOP	625.00	106360	05/06 Partners Plus		
6/19/06	163942	OWEN ELECTRIC COOPERATIVE INC	32,600.00	106363	05/06 Partners Plus		
6/19/06	163937	JACKSON ENERGY COOPERATIVE	1,114.20	106364	05/06 Partners Plus		
6/19/06	163937	JACKSON ENERGY COOPERATIVE	24,419.65	106364	05/06 Partners Plus	214.20	
6/19/06	163930	LOUISVILLE BASEBALL CLUB INC	8,750.00	106379	2006 LOUISVILLE BATS SPONSORSH		
6/22/06	164236	OWEN ELECTRIC COOPERATIVE INC	10,000.00	106505	2006 Ky Speedway Suite Fee		
6/20/06	164085	SOUTH KENTUCKY SERVICES CORPORATION	1,000.00	106526	DONATION-ROGERS SCHOLARS		
6/27/06	164491	KENTUCKY ASSOCIATION FOR ECONOMIC DEV	500.00	106755	TOURISM DEVELOPMENT WORKSHOP	500.00	

49a - Revised 30c Attachment						
Acctg Date	Voucher	Name 1	Amount	Check #	Description	Retain
6/27/06	164490	KENTUCKY ASSOCIATION FOR ECONOMIC DEV	600.00	106755	KAED SITE SELECTION WORKSHOP	600.00
6/27/06	164489	KENTUCKY ASSOCIATION FOR ECONOMIC DEV	1,000.00	106755	KAED SITE SELECTION WORKSHOP	1,000.00
7/13/06	165591	KENTUCKY STATE NATURE PRESERVES COMMISSI	750.00	107158	FEDERALLY ENDANGERED SPECIES M	
7/18/06	165784	BIG SANDY RURAL ELECTRIC COOP CORP	1,000.00	107448	ENVIRONMENTAL ED GRANT	
7/25/06	166067	FRANK OWEN BROCKMAN	1,500.00	107588	Sponsorship	
7/27/06	166324	THOMPSON CATERING & SPECIAL EVENTS INC	1,166.00	107771	100 Lunches - Governor Scholar	
7/28/06	166413	CLARK ENERGY COOPERATIVE INC	2,908.10	107804	06/06 Partners Plus	422.50
7/28/06	166409	GRAYSON RECC	1,695.45	107820	06/06 Partners Plus	
7/28/06	166415	JACKSON ENERGY COOPERATIVE	1,925.00	107836	06/06 Partners Plus	392.50
7/31/06	166773	KENTUCKY INSTITUTE FOR ECONOMIC DEVELOP	600.00	107984	KIED TRAINING PROGRAM	600.00
8/10/06	167423	THURSDAYS CHILD	500.00	108283	SPONSORSHIP-NIGHT W/ THE STARS	
8/23/06	168123	CLARK ENERGY COOPERATIVE INC	2,750.00	108667	07/06 Partners Plus	80.00
8/23/06	168123	CLARK ENERGY COOPERATIVE INC	2,817.50	108667	07/06 Partners Plus	
8/23/06	168115	FLEMING-MASON ENERGY COOPERATIVE	3,060.49	108734	07/06 Partners Plus	
8/23/06	168111	SHELBY ENERGY COOPERATIVE INC	1,800.00	108749	07/06 Partners Plus	
8/23/06	168060	LICKING VALLEY RURAL ELECTRIC COOP	1,400.00	108750	07/06 Partners Plus	
8/24/06	168208	MAYSVILLE ROTARY CLUB	500.00	108771	Horse Show Sponsor	
8/23/06	168091	KEENELAND ASSOCIATION INC	1,000.00	108783	10/19-20/06 SPONSOR-LEGISLATIV	
8/31/06	168568	SOUTHERN APPALACHIAN BOTANICAL SOCIETY	1,000.00	109062	DONATION-KY WOODY ATLAS	
9/13/06	169455	KENTUCKY COMMUNITY & TECHNICAL COLLEGE	2,000.00	109429	Sponsorship	
9/27/06	170260	CLARK ENERGY COOPERATIVE INC	575.00	109799	08/06 Partners Plus	
9/27/06	170270	SOUTH KENTUCKY RECC	4,671.75	109847	08/06 Partners Plus	
9/27/06	170277	GRAYSON RECC	3,500.00	109872	08/06 Partners Plus	
9/30/06	170591	AIKCU	2,000.00	110155	2006 DONATION	
10/12/05	00147796	KENTUCKY ACADEMY OF SCIENCE	2,000.00	096991	2005 TSE Sponsorship	
10/11/05	00147740	ROCKLEDGE PHOTOGRAPHY & DESIGN	675.00	097104	Paintings & Photos for Auction	
10/18/05	00148165	CLARK ENERGY COOPERATIVE INC	1,965.00	097159	PARTNERS PLUS 09/05	275.00
10/18/05	00148167	JACKSON ENERGY COOPERATIVE	4,590.00	097251	PARTNERS PLUS 09/2005	
10/19/05	00148248	KENTUCKY EDUCATIONAL TELEVISION INC	25,000.00	097256	Models that work	
10/19/05	00148196	BOY SCOUTS OF AMERICA	600.00	097258	GOLD SPONSOR-CITIZEN DINNER	
10/12/05	00147751	KENTUCKY ASSOCIATION OF ELECTRIC COOP	1,000.00	097513	Contribution - Leadership KY	1,000.00
10/26/05	00148715	MAYSVILLE ROTARY CLUB	1,000.00	097592	2005 DONATION-HOLIDAY SHOW	
11/3/05	00149373	KENTUCKY ASSOCIATION OF ELECTRIC COOP	1,000.00	098068	Contribution - Rural Journalis	1,000.00
11/17/05	00150125	SOUTH KENTUCKY RECC	5,306.00	098385	PARTNERS PLUS 10/2005	
11/17/05	00150117	BLUE GRASS ENERGY	3,728.40	098413	PARTNERS PLUS 10/05	500.00
11/17/05	00150136	JACKSON ENERGY COOPERATIVE	2,701.50	098424	PARTNERS PLUS 10/2005	150.00



49a - Revised 30c Attachment							Retain
Acctg Date	Voucher	Name 1	Amount	Check #	Description	Retain	
12/1/05	00150775	GEORGE ROGERS CLARK HIGH SCHOOL	1,000.00	098851	TOUCHSTONE HOLIDAY CLASSIC	500.00	
12/8/05	00151582	WINCHESTER CLARK CO CHAMBER OF COMMERCE	500.00	099135	2005 INDUSTRY APPREC LUNCH		
12/7/05	00151501	MAYSVILLE F O P	500.00	099152	2005 DONATION		
12/12/05	00151837	OPERATION HAPPINESS	500.00	099291	2005 DONATION		
12/16/05	00152062	UNITED WAY	2,000.00	099426	2005-06 PLEDGE	26.25	
12/16/05	00152125	FLEMING-MASON ENERGY COOPERATIVE	4,738.75	099620	Partners Plus 12/12/05		
12/16/05	00152122	SHELBY ENERGY COOPERATIVE INC	1,674.50	099632	Partners Plus 12/12/05		
12/31/05	00153003	SOUTH KENTUCKY RECC	3,909.50	100142	PARTNERS PLUS 12/31		
12/31/05	00153005	LICKING VALLEY RURAL ELECTRIC COOP	6,617.50	100164	PARTNERS PLUS 12/2005		
12/31/05	00153021	TAYLOR COUNTY RURAL ELECTRIC COOP CORP	2,530.00	100167	PARTNERS PLUS 12/2005		
12/31/05	00153442	OWEN ELECTRIC COOPERATIVE INC	7,205.86	100268	Partners Plus 12/2005		
12/31/05	00153843	HABITAT FOR HUMANITY	1,000.00	100607	BRONZE HAMMER CLUB SPONSOR		
12/31/05	00153841	LEXINGTON PHILHARMONIC SOCIETY	12,000.00	101323	2005 DONATION		
10/31/05	J Hohnman Exp	PPE @CHARIOT RUN PRO SHOP	1,272.00		Energy Advisor Gifts		
9/30/06		CFC Integrity Fund	13,112.63		CFC Integrity Fund		
			502,649.00			32,705.00	





**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07**

**REQUEST 50**

**RESPONSIBLE PERSON: Ann F. Wood**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 50.** Refer to the response to the Staffs First Request, Item 31. For each of the vendors below, explain the nature of the transaction and its expected duration. In addition, indicate whether the transaction is of an on-going, recurring nature.

- a. Christensen Associates Energy Consulting.
- b. Cooper Research, Inc.
- c. Execquest, Inc.
- d. Fellon McCord & Associates, Inc.
- e. Frost Brown Todd LLC.
- f. Fuller Mossbarger Scott & May.
- g. Gannett Fleming, Inc.
- h. Goodcents Solutions.
- i. Hunton & Williams.
- j. Jennings Strouss & Salmon PLC.
- k. John Farley Consulting LLC.
- l. Kentuckiana Engineering Co., Inc.
- m. Kenvirons Inc.
- n. MCR Performance Solutions LLC.
- o. Preston Osborne Research.
- p. Richard K. Byrne.

- q. RMB Consulting & Research Inc.
- r. Ronald L. Willhite.
- s. Stanley Consultants Inc.
- t. The Grizzle Company.

**Response 50.** Referring to the response to Staff's First Request, Item 31, for the vendors below, an explanation is given as to the transaction and its expected duration. In addition, the recurring nature of the transaction is given.

a. **Christensen Associates Energy Consulting**--Christensen Associates Energy Consulting provides regulatory and rate support, along with strategic planning support. EKPC uses this consulting firm on an "as needed" basis.

b. **Cooper Research**--Cooper Research provides support for satisfaction surveys. The consultant is responsible for calling consumers and providing data to EKPC. There are two projects: an on-going monthly survey and an annual survey, which is renewed each year.

c. **Execquest**--Execquest performs personnel placement services for professional type positions. EKPC has used Execquest on a limited basis over the last several years. Their consulting services are engaged on an "as needed" basis; Execquest is not performing services for EKPC at this time.

d. **Fellon McCord & Associates, Inc.**--Fellon McCord & Associates provides natural gas consulting services for EKPC. Their three-year agreement with EKPC expires in the fall of 2007.

e. **Frost Brown Todd** is on a monthly retainer and is working actively on the following projects:

Smith NEPA

USA v. EKPC (EPA lawsuit) - local counsel

Rowan-Cranston Transmission Line Appeal

Warren RECC Projects - Environmental Compliance (wind down)

Air Quality Permit for Spurlock Station - local counsel

Mulberry v. Eames & EKPC (auto accident)

Guaranteed Solid Waste Disposal (Cooper Power Station)

f. **Fuller Mossbarger Scott & May**

Smith Station – Geotechnical Exploration – On-Going

Cooper Station – Samples due to the Low Water Level – End of 2007

Spurlock Station – Substructure for Landfill – End of 2007

Dale Station – Ash – End of 2007

g) **Gannett Fleming, Inc.**--Gannett Fleming, Inc. provides depreciation studies. EKPC's depreciation study was required as part of the Commission Environmental Surcharge Order. The depreciation study is complete; no further services are required of Gannett Fleming, Inc.

h. **Goodcents Solutions**--GoodCents Solutions, an established energy management company, provides research, equipment, data collection, analysis and reporting for EKPC's direct load control pilot. Services will continue through December 31, 2007.

i. **Hunton & Williams** is working on EPA enforcement action in two federal lawsuits that involve issues related to acid rain and new source review regulations. They also review and advise on various contract matters related to this litigation and ongoing operational constraints under any settlement. They are working with EKPC and Kentucky Division for Air Quality on permitting issues related to the new Smith CFB (circulating fluid bed) unit at our site near Trapp, Kentucky.

j. **Jennings Strouss & Salmon** work on the MISO (Midwest Independent System Operator) project reviewing FERC decisions, preparing responses in the US Court of Appeals for the DC Circuit. They also are involved in TVA matters regarding the cancellation of Warren RECC to become a member of EKPC. There is ongoing work in the KU and LG&E v. EKPC - FERC Docket No. ER 02-2560-003 which proposes a restructuring of two agreements with EKPC - an interconnection agreement and a transmission agreement.

k. **John Farley Consulting LLC**--John Farley Consulting LLC, provides consulting services in the areas of demand-side management and EKPC's direct load control pilot. Services are on-going.

l. **Kentuckiana Engineering Company, Inc**

Smith Permit – On-Going

m. **Kenvirons, Inc**

Smith Permitting – On-Going

Spurlock – Landfill Expansion – On-Going

n. **MCR Performance Solutions LLC**--MCR provides strategic planning consulting services. Their services are on-going.

o. **Preston Osborne Research**--Preston Osborne Research provides satisfaction survey services. The consultant administers surveys by phone on a quarterly basis to commercial and residential consumers of EKPC member systems. The data is reported to EKPC. The projects are on-going.

p. **Richard K. Byrne**--Richard Byrne was engaged by the former President and CEO to perform an analysis of EKPC operations. Mr. Byrne is no longer performing consulting services for EKPC.

q. **RMB Consulting & Research Inc.**--RMB was used by EKPC to answer questions from our Kentucky Division for Air Quality (KDAQ) concerning our Spurlock 4 construction permit application. RMB provided answers to KDAQ questions

about Particulate Matter (PM) Continuous Emission Monitors (CEM). EKPC no longer uses RMB's services.

r. **Ronald L. Willhite**--Ronald Willhite provides rates and regulatory consulting on an on-going and as-needed basis. Mr. Willhite is on retainer with EKPC.

s. **Stanley Consultants, Inc.**

Engineering for Smith Station – On-Going

Engineering for Spurlock – Unit No. 4, Scrubber for Unit 1 and

Unit 2 – On-Going

Engineering for Cooper – Low Water Mitigation – End of 2007

t. **The Grizzle Company** is on a monthly retainer reviewing the status of the two EPA enforcement actions against EKPC and participating in settlement negotiations.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07  
REQUEST 51**

**RESPONSIBLE PERSON: Ann F. Wood**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 51.** Refer to the response to the Staff's First Request, Item 34(e), page 6 of 6. Provide an updated version of this response including the financial information for the propane operations as of December 31, 2006.

**Response 51.** Referring to the response to the Staff's First Request, Item 34(e), page 6 of 6, page 2 of 2 to this response reflects an updated version of the response as of December 31, 2006. Financial information for the propane companies is maintained by the respective member system cooperative.



Description	Farmers Energy Propane		Shelby Energy Propane		Jackson Energy Propane		Clark Energy Propane	
	Capital	Gain/Loss	Capital	Gain/Loss	Capital	Gain/Loss	Capital	Gain/Loss
12/31/05 Balance	260,000.00	(58,548.34)	460,000.00	(206,062.17)	448,000.00	(85,780.21)	398,000.00	(99,177.03)
01/31/06 AP00011671 Jackson Energy Coop-shares of stock					(50,000.00)			
AP00011697 Jackson Energy Coop-shares of stock					50,000.00			
02/28/06 AP00011795 Jackson Energy Coop-shares of stock					(50,000.00)			
AP00011797 Jackson Energy Coop-shares of stock								49,247.55
12/31/06 PROPANE Record Clark's 2006 Propane Income		33,178.42						
PROPANE Record Farmer's 2006 Propane Income				19,139.07				41,890.35
PROPANE Record Jackson's 2006 Propane Income								
PROPANE Record Shelby's 2006 Propane Income								
12/31/06 Balance	260,000.00	(25,369.92)	460,000.00	(186,923.10)	448,000.00	(43,889.86)	398,000.00	(49,929.48)
	234,630.08		273,076.90		404,110.14		348,070.52	



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07**

**REQUEST 52**

**RESPONSIBLE PERSON:** Ann F. Wood

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 52.** Refer to the response to the Staffs First Request, Item 41.

Concerning the Alliance for Cooperative Energy Services Power Marketing ("ACES Marketing"):

- a. Indicate when EKPC joined ACES Marketing.
- b. Identify the other members of ACES Marketing.
- c. Provide the amount of any initial investment EKPC made when it joined ACES Marketing:
- d. Describe EKPC's involvement in the operations or governance of ACES Marketing.
- e. Provide copies of the power marketing agreement referenced in the response on page 2 of 3.
- f. Does EKPC have any obligations or responsibilities for ACES Marketing other than what is provided in the power marketing agreement? If yes, provide a detailed description of all obligations or responsibilities.
- g. Provide a detailed schedule of the services EKPC has purchased from ACES Marketing. The schedule should, at a minimum, describe the service provided and the cost for each service. The schedule should show all transactions annually from the year EKPC joined ACES Marketing through the end of calendar year

2006. In addition, show separately the services provided and the cost for those services for the test year.

h. Does EKPC receive any dividends or income from its membership with ACES Marketing? Explain the response.

i. At the time it joined ACES Marketing, did EKPC conduct any evaluations or analyses to determine whether it could provide the same or similar services on an in-house basis?

(1) If yes, describe the results of those evaluations or analyses. Include copies of any written documentation.

(2) If no, explain in detail why evaluations or analyses were not undertaken.

j. At the time it joined ACES Marketing, did EKPC undertake any studies or analyses to determine if it could secure the same or similar services from another vendor?

(1) If yes, describe the results of those evaluations or analyses. Include copies of any written documentation.

(2) If no, explain in detail why evaluations or analyses were not undertaken.

k. Since joining ACES Marketing, has EKPC performed any reviews or studies to determine whether its membership in ACES Marketing is the most reasonable course of action?

(1) If yes, describe the results of the reviews or studies. Include copies of any written documentation.

(2) If no, explain in detail why reviews or studies have not been performed.

**Response 52.**

a. EKPC joined ACES Marketing in January 1999.

- b. ACES Members are:
  - Southern Illinois Power Cooperative
  - Old Dominion Electric Cooperative
  - Wabash Valley Power Association
  - Hoosier Energy
  - Big Rivers Electric Co
  - Buckeye Power, Inc.
  - Southern Maryland Electric Cooperative
  - North Carolina Electric Membership Corporation
  - Oglethorpe Power
  - Brazos Electric Cooperative
  - Western Farmers Electric Cooperative
  - Golden Spread Electric Cooperative
  - Sunflower Electric Power Cooperative
  - Arizona Electric Power Cooperative, Inc
  - East Kentucky Power Cooperative

c. EKPC made an initial investment of \$750,000 when joining ACES Marketing.

d. EKPC is a 6.7 percent owner as of December 31, 2006. Each of the members listed in part b has equal ownership.

e. A copy of the bilateral agreement is provided as Attachment 1.

f. No. EKPC has no other obligations.

g. A schedule showing a summary of transactions annually from 1999 to 2006 is provided as Attachment 2.

h. No. Because EKPC is only a 6.7% owner in ACES, no dividends or income are received.

h. (1) Yes. At the time EKPC joined ACES Marketing EKPC had six full time employees performing a portion of the tasks that ACES Marketing now

provides for EKPC. EKPC also had several other employees providing support services on a part time basis for the marketing function. FERC Order 888 was issued during this time period, which impacted how EKPC could perform its marketing function. EKPC needed to separate its transmission scheduling and operating functions from its power marketing functions. EKPC, along with the other founding members of ACES Marketing, qualitatively ascertained, with support from Coopers and Lybrand Consulting Services, that they could eliminate some marketing positions, as well as provide more market expertise by working jointly as opposed to individually. They also ascertained that compliance with Order 888 could be better implemented by moving the marketing function to the ACES Marketing group. A formal report documenting the findings is not available.

(2) NA

j. (1) Yes. As stated above, EKPC and the other members had Coopers and Lybrand Consulting perform a qualitative review of the potential development of ACES Marketing. Part of that review was an attempt to define other marketing alternatives. The study did not find any vendors that could provide a comparable or better service than what EKPC felt it could receive by joining ACES Marketing. No formal written report is available.

(2) NA

k. (1) Yes. EKPC continually evaluates its services from ACES Power Marketing and canvasses the market for alternative suppliers. Various marketing companies have come to EKPC and presented their service offerings; however, none have been considered a better value than the ACES Power Marketing provider as a whole. There is no written documentation available of these presentations.

(2) NA



March 29, 2006

**VIA FEDEX**

Dale Henley  
General Counsel  
East Kentucky Power Cooperative  
4775 Lexington Road  
Winchester, KY 40391

**Re: Bilateral Agreement Between East Kentucky Power Cooperative and  
Alliance for Cooperative Energy Services Power Marketing LLC**

Dear Mr. Henley:

Please find enclosed a fully executed original of the Bilateral Agreement between ACES Power Marketing and East Kentucky Power Cooperative for your files. Please be advised that all members have executed the Bilateral Agreement.

Thank you once again for your diligent efforts and assistance in completing this significant task.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Harris', is written over the typed name and title.

Wayne Harris  
Chief Counsel

Enclosure

**BILATERAL AGREEMENT**

---

This Bilateral Agreement (“Agreement”) entered into as of January 1, 2006 (the “Agreement Date”) is by and between Alliance for Cooperative Energy Services Power Marketing LLC (“APM”), a Delaware limited liability company and East Kentucky Power Cooperative, a Kentucky Electric Cooperative (“Member”). APM and Member are hereinafter individually referred to as a “Party” or collectively referred to as the “Parties”.

WHEREAS, Member is a signatory to the APM Operating Agreement dated as of January 26, 1999, as amended, (“Operating Agreement”) and is eligible to receive services from APM at or near cost; and

WHEREAS, Member desires that APM provide the services designated by Member in the attached exhibits; and

WHEREAS, APM agrees to provide such services to Member pursuant to the terms and conditions set forth in this Agreement and the attached exhibits.

NOW, THEREFORE, in consideration of the mutual promises and covenants made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**Article 1**

**Term; Services; Obligations**

1.1 **Member Term:** The term of this Agreement shall commence on the Effective Date for a period of twenty (20) years. Thereafter, this Agreement shall automatically renew for additional twenty (20) year terms. This Agreement may be terminated at any time during the initial or renewal terms as a result of (a) termination of the Member’s membership in APM, (b) termination by APM as a result of Member’s default of the covenants regarding the payment of service fees under this Agreement and the failure to remedy such default within thirty (30) days of written notice to Member from APM specifying such default, or (c) failure of APM to perform its obligations pursuant to this Agreement.

1.2 **Termination of APM Membership and Transition from APM:** In the event of the termination of this Agreement as provided above in Section 1.1(a) and (b), Member shall remain obligated for the payment of all Annual Service Fees (as defined in Exhibit A) under this Agreement through the end of the calendar year in which the termination of this Agreement becomes effective. After the early termination of this Agreement as provided in Section 1.1, APM shall work cooperatively with Member to transition the performance of Services (as defined in Section 1.3) to Member or a third-party designated by Member. APM will, so long as the Member is not in default of the payment of service fees, continue to provide Services to Member through the earlier of the end of the calendar year in which the termination of this Agreement becomes effective or the completion of the transfer of Member’s Services provided that such transition shall not exceed six (6) months. In the event that Member desires APM to continue to perform any or all of the selected Services for a period beyond the earlier of the end of the calendar year in which the early termination of this Agreement becomes effective or the



completion of the transfer of Member's Services, APM will negotiate in good faith with Member to establish the terms whereby APM will continue to perform the selected Services.

1.3 **Services:** APM shall make available to Member each of the services identified on Exhibit A. Member elects to purchase under this Agreement each service for which Member has checked the corresponding box on Exhibit A. All such services are referred to collectively as the "Services" or individually as "Service". APM's Services are described and defined in Exhibit A attached hereto and incorporated by reference into this Agreement. APM shall provide, and Member shall purchase, each Service described in the Exhibit A to this Agreement, if the box next to the desired Service is checked and Member and APM have executed such Exhibit A. Member, from time to time and in its sole discretion, may change its selection of Services as indicated on Exhibit A upon reasonable notice to APM and Exhibit A shall be amended accordingly. However, Member shall remain obligated to pay, absent the agreement of APM, the fee for such de-selected Services for the remainder of the current calendar year. The Parties will cooperate in good faith to report any change in the Services designated in Exhibit A for the upcoming calendar year by September 1<sup>st</sup>, and in no event later than October 1<sup>st</sup> of each year.

1.4 **Operational Obligations to APM:** To the extent necessary for APM to begin performing the Services, Member shall provide to APM the information identified in each of the following Appendices and any timely updates thereto: a) Appendix 1 - "Power Diagnostic Outline"; b) Appendix 2 - "Natural Gas Diagnostic Outline"; and c) Appendix 3 - "Continuously Updated Information" which all shall be deemed "Confidential Information," as defined in Article 3 of this Agreement.

## Article 2

### Designation of Agent; Coordination; Risk Controls

2.1 **Designation of APM as Agent:** APM shall act as agent and representative for Member, pursuant to and in accordance with the limited authority, if any, granted by Member to APM under the Exhibits and described in the Risk Controls (as defined in Section 2.4).

2.2 **Avoidance of Conflict:** Member may perform any of the Services on its own or utilize one or more third-parties for the performance of the Services upon provision of written notice to APM; such notice to indicate the specific transactions or classes of transactions that will be performed by Member or a third-party on behalf of Member. If Member elects to perform any of the Services provided by APM pursuant to this Agreement with Member's own staff or through a third-party, then Member and APM shall develop suitable controls and communication protocols to avoid overlaps and conflicts in the performance of such Services.

2.3 **Coordination:** While performing Services pursuant to this Agreement, APM shall coordinate its activities as necessary with Member or with any third-parties with whom such coordination is reasonably required.

2.4 **Risk Controls:** If Member grants APM agency authority under the Exhibits, prior to APM acting as agent and representative for Member in the performance of the Services, APM and Member shall develop and agree upon transaction trading controls, and a written and executed authority matrix establishing policies and limits (collectively the "Risk Controls") to which APM and Member shall adhere at all times during the performance of the Services. The designation of APM as Member's agent and representative to perform the Services shall at all

times be pursuant, subject to, and only to the extent authorized by the Risk Controls. If Member grants APM agency authority under the Exhibits, Member and APM shall develop, agree upon and execute a suitable agreement for use by APM to evidence its authority to act on behalf of Member with respect to actions involving third-parties.

### Article 3 Confidentiality

3.1 **Confidential Information Defined:** The Parties acknowledge that certain information and materials exchanged during the term of this Agreement contain proprietary and confidential information ("Confidential Information") of the disclosing Party. Confidential Information means written or other information concerning the Parties that is not generally known to the public, and includes but is not limited to:

- (i) Risk Controls,
- (ii) Historical financial statements,
- (iii) Financial projections and budgets,
- (iv) Historical and projected sales,
- (v) Member load data,
- (vi) Purchase and sales transactions, counterparties, quantity and pricing,
- (vii) Member resource costs, schedules and availabilities,
- (viii) Member resource MW and MWH data,
- (ix) Information set forth in the Appendices identified in Section 1.4, and
- (x) Bidding strategies with respect to physical resources and day-ahead and real time energy procurement.

Each Party further agrees that in addition to the types of information described above, all information, whether written or oral, provided by one Party to the other, which is marked or indicated as "confidential" or is otherwise designated as confidential in some comparable manner, shall constitute Confidential Information.

3.2 **Limitations on Use of Confidential Information:** Each Party to this Agreement agrees that it:

- (i) will hold the other Party's Confidential Information in strict confidence and will not disclose such Confidential Information to any person or entity, other than the receiving Party's officers, directors, trustees, employees, Member's distribution cooperatives, lenders, attorneys, advisors or representatives on a need to know basis, who agree to maintain the confidentiality of the Confidential Information in accordance with the terms of this Article 3;
- (ii) will use the Confidential Information for the sole purpose of supporting or performing the Services under this Agreement; and
- (iii) will not use the Confidential Information of the disclosing Party to the detriment of the disclosing Party or its affiliates.

Without limiting the foregoing, each Party will use no less than the same degree of care to protect the Confidential Information of the disclosing Party as it uses to protect its own Confidential Information.

### 3.3 Exceptions:

(i) Notwithstanding the foregoing, Confidential Information shall not include information that:

(a) is a matter of public knowledge at its disclosure or thereafter becomes a matter of public knowledge without breach of this Agreement or violation of another legal obligation of confidentiality;

(b) can be demonstrated by the receiving Party to have been independently developed by it without utilizing Confidential Information in breach of this Agreement; or

(c) can be demonstrated by the receiving Party to have been in its possession on a non-confidential basis before the disclosing Party provided such information, or is acquired by the receiving Party on a non-confidential basis after the disclosing Party provided such information.

(ii) The foregoing agreements in Section 3.2 shall not apply to the extent that the Confidential Information is disclosed by a Party to any governmental, judicial, or regulatory authority, or a state governmental entity responsible for representing the citizens of a state (where Member is regulated) before that state's public utility regulatory commission, or bond rating agency provided that:

(a) the Confidential Information is disclosed only to the extent necessary;

(b) prior to such disclosure, the Party who originally supplied the Confidential Information is given notice of the disclosure requirement;

(c) the Party subject to the governmental, judicial or regulatory authority or bond rating agency will undertake in good faith to have the disclosed information treated confidentially; and

(d) disclosure pursuant to subsection 3.3(ii) shall not constitute a breach of this Article.

(iii) Member authorizes APM to disclose the Confidential Information described in Section 12.4 pursuant to the terms contained in that Section.

3.4 **Return of Confidential Information:** Upon the earliest of (i) the termination of this Agreement, (ii) at the request of the disclosing Party, or (iii) the expiration of the receiving Party's records retention period for Confidential Information (according to the receiving Party's record retention schedule for such Confidential Information), the receiving Party shall, at the option of the disclosing Party, return or destroy all received Confidential Information. Receiving Party shall then confirm and certify such return or destruction of documents in writing.

Notwithstanding the foregoing, the receiving Party may, if required by law, retain one copy of such Confidential Information only for as long as required by such law, and shall notify the disclosing Party of such retention.

3.5 **Right to Remedies:** The Parties agree and acknowledge that in the event of a breach of this Article 3, the disclosing Party may not have an adequate remedy at law and accordingly, the disclosing Party shall, in addition to any other available legal or equitable remedies, be entitled to specific performance and/or an injunction against such breach without any requirement to post a bond as a condition of such relief. These remedies shall be available to the Parties consistent with Article 6.

3.6 **Duration of Obligation:** The obligations and commitments established by this Article 3 shall remain in full force and effect from the date of execution of this Agreement until two (2) years after the date of termination of this Agreement, or for such longer period as may subsequently be agreed upon in writing by the Parties.

#### **Article 4** **Force Majeure**

4.1 **Force Majeure:** Neither Party shall be considered to be in default of any obligations hereunder if failure of performance is due to an event of Force Majeure. The term "Force Majeure" shall mean any cause reasonably beyond the control of the Party claiming Force Majeure, including, but not limited to, the failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, terrorist act, war, riot, civil disturbance, labor dispute, sabotage, restraint by court order or public authority, or inability to obtain necessary licenses or permits. Nothing herein shall be construed to require a Party to settle any strike or labor dispute in which it may be involved. The Party claiming Force Majeure shall provide the other Party with written notice setting forth full details thereof as soon as practicable after the occurrence of such event and shall take all reasonable measures to mitigate or minimize the effects of Force Majeure and to resolve or end the Force Majeure. Economic hardship of either Party shall not constitute Force Majeure under this Agreement. Failure of a third party to provide services as contracted by either Party herein shall constitute Force Majeure for the purpose of this Agreement only if such failure is caused by force majeure as defined in the relevant contract between the third-party and the Party claiming Force Majeure.

#### **Article 5** **Limitation of Liability and Damages**

5.1 **Limitation of Liability:** Except as provided in Section 5.3, each Party (the "Releasing Party") shall release and hold harmless the other Party (the "Released Party") from and against any and all liability for negligence, claims, losses, damages, and expenses incurred by the Releasing Party arising or alleged to arise from, or in connection with the provision or receipt of Services under this Agreement, except however, if the Releasing Party incurs losses, damages or expenses due to the Released Party's gross negligence or willful misconduct, then the Released Party shall pay to the Releasing Party the amount of such losses, damages or expenses as limited hereinafter by Section 5.2.

5.2 **Limitation on Damages:** NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT FOR ANY DAMAGES OTHER THAN ACTUAL

DAMAGES. SUCH ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY HEREUNDER, AND ALL OTHER REMEDIES OR DAMAGES WHETHER AT LAW OR IN EQUITY ARE WAIVED, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS, LOST OPPORTUNITY COSTS, OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS IMPOSED HEREIN ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

5.3 **Exception for Service Fees:** Notwithstanding anything to the contrary in this Article 5, Member shall not be deemed released or held harmless from its obligation to pay APM any Service fees due and owing or coming due and owing under this Agreement.

#### **Article 6** **Arbitration**

6.1. **Arbitration:** Any dispute or need of interpretation arising out of this Agreement other than (i) the collection of fees for Services, or (ii) a Member seeking an injunction pursuant to Section 3.5 or Section 6.5, shall be submitted to binding arbitration by one arbitrator who has not previously been employed or retained by either Party and does not have a direct or indirect interest in either Party or the subject matter or outcome of the arbitration; provided, however, that prior to submitting any matter to binding arbitration, the Parties agree that a good faith attempt shall be made by a senior management employee of each of the Parties to resolve the dispute for not less than ten (10) calendar days from receipt of notice of a dispute. A Party seeking resolution of a dispute shall provide written notice of the dispute to the other Party. In the event that the good faith efforts of the senior management of the Parties does not resolve the matter, either Party may request arbitration by serving a written notice requesting arbitration to the other Party.

6.2. **Selection of Arbitrator:** The arbitrator shall either be: (i) as mutually agreed by the Parties within thirty (30) days after written notice from either Party requesting arbitration; or (ii) failing such agreement, selected in accordance with the then applicable expedited rules of the American Arbitration Association ("AAA").

6.3 **Location of Arbitration:** Unless otherwise agreed to by the Parties, all arbitration hearings will be held in either Indianapolis, Indiana or a location to be determined at Member's sole discretion and will alternate between the two as follows: all arbitration proceedings initiated by the Parties hereunder shall be numbered consecutively (e.g. Arbitration #1, Arbitration #2, etc.); all hearings for the odd-numbered arbitration proceedings initiated by the Parties shall be held in Indianapolis, Indiana; all hearings for even-numbered arbitration proceedings initiated by the Parties shall be held at the location selected by the Member.

6.4. **Rules of Arbitration:** The rules of the AAA shall apply to the extent not inconsistent with the rules herein specified. Either Party may initiate arbitration by written notice to the other Party and the arbitration shall be conducted according to the following: (i) not later than seven

(7) days prior to the hearing date set by the arbitrator, each Party shall submit a brief with a single proposal for settlement; (ii) the hearing shall be conducted on a confidential basis while both Parties work in good faith and according to a schedule created and enforced by the arbitrator to ensure completion by a mutually agreed upon date; (iii) the arbitrator's discretion shall not be limited by the two (2) proposals submitted by the Parties; (iv) the arbitrator shall apply New York law to the resolution of the dispute and provide a written opinion that shall include findings of fact and conclusions of law, including where applicable, citation to relevant case law; (v) each Party shall pay fifty percent (50%) of the cost of the arbitrator and the hearing and each Party shall be responsible for one hundred percent (100%) of its own expenses and those of its counsel and representatives; and (vi) no evidence shall be offered or admitted concerning the financial position or organizational make-up of the Parties, any offer made or the details of any negotiation prior to arbitration, and the cost to the Parties of their representatives and counsel. Further, the Parties agree to work in good faith and to proceed in accordance with any schedule ordered by the arbitrator to ensure completion of the arbitration by a mutually agreed upon date, not to exceed one (1) year from the date of selection of the arbitrator. Discovery shall be conducted in accordance with the Federal Rules of Civil Procedure, then enacted, and as interpreted and enforced by the arbitrator. An arbitrator may also issue orders to protect the confidentiality of proprietary information, trade secrets and other sensitive information disclosed in the course of the arbitration. Any monetary award of the arbitrator may be enforced in any court of competent jurisdiction by the Party in whose favor such monetary award is made. The arbitrator is not empowered to and shall not award any type of damages except as permitted by Section 5.2. The award of the arbitrator shall be rendered within thirty (30) days after the conclusion of the arbitration hearing.

6.5 **Temporary Equitable Relief:** Notwithstanding any provision of this Agreement to the contrary, in the event that prior to the appointment of an arbitrator a Party makes a good faith determination that an alleged breach of the terms of this Agreement by the other Party is such that immediate equitable relief is necessary under the circumstances, the Party may seek from a court of competent jurisdiction, any temporary equitable relief that may be necessary to protect the rights or property of that Party, pending resolution of the dispute by the arbitrator. During the pendency of the arbitration, the arbitrator shall comply with any temporary equitable relief granted by the court. This Section 6.5 is not intended to and shall not be interpreted as limiting an arbitrator from granting any remedy or relief, including but not limited to specific performance or other equitable relief, which is permissible under the terms of this Agreement and applicable laws.

## **Article 7**

### **Representations and Warranties**

7.1 **Representations and Warranties:** On the Effective Date, each Party represents and warrants to the other Party that: (i) it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation; (ii) it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement and any other documentation relating to this Agreement; (iii) the execution, delivery, and performance of this Agreement and any other documentation relating to this Agreement are within its powers, have been duly authorized by all necessary action, and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a Party, or any law, rule, regulation, order, or the like applicable to it; (iv) this Agreement and any other documents executed and delivered in accordance with this Agreement constitute its legally valid and binding obligation

enforceable against it in accordance with its terms; and (v) there is not pending or, to its knowledge, threatened against it or any of its affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under this Agreement or any other document relating to this Agreement to which it is a Party.

**Article 8**  
**Payments; Notices**

8.1 **Payments:** As consideration for the Services performed by APM, Member shall pay to APM the Annual Service Fees as established and approved by the APM Board for the APM Members (as defined in Section 12.3), from time to time, consistent with Section 8.5 of the APM Operating Agreement. Fees for consulting and other premium Services shall be established as agreed upon by the Parties. All fees for Services shall be due in advance and payable on the first calendar day of the month. There will be a five-day period considered a "Grace Period" for all Member payments to APM before they are considered late, as defined in Section 8.2. All payments by Member to APM shall be made by electronic wire transfer in immediately available funds to APM's account below, or to such other financial institution or other entity designated by APM in writing and attested to by at least two APM officers:

**MAKE PAYMENTS TO:**

Bank: Fifth Third Bank, Cincinnati  
ABA Routing #: 042000314  
Further Credit to: Fifth Third Bank, Indiana  
Account Name: ACES Power Marketing LLC  
Account Number: 7651716800

**OR**

ACH Instructions  
Bank Name: Fifth Third Bank, Indiana  
Routing #: 074908594  
Account Name: ACES Power Marketing LLC  
Account Number: 7651716800

**INVOICES, CREDIT AND COLLECTIONS:**

Attn.: Accounting Department  
FAX No.: (317) 344-7001  
Phone No.: (317) 344-7000

8.2 **Late Payments:** Any payment that is not received by APM by the close of business on the fifth day of the month, the official end of the Grace Period, shall incur a monthly late fee to reimburse APM for the cost of bookkeeping and other administrative services for the payments received after the fifth day of each calendar month. The late fee shall be calculated on the total outstanding balance due at an interest rate equal to the prime rate (as published in the *Wall Street Journal*) plus two percentage points (2%) per annum beginning the fifth day following the due date.

8.3 **Notices:** All notices, requests, or statements, required under this Agreement shall be made or given to the Parties as specified below. A Party may designate any change in position, address, telephone, or facsimile information by providing written notice of the same in accordance herewith:

**To ACES Power Marketing:**

**NOTICES & CORRESPONDENCE:**

Chief Executive Officer  
Alliance for Cooperative Energy Services Power Marketing LLC  
4140 West 99th Street  
Carmel, Indiana 46032  
Phone No.: (317) 344-7000  
FAX No.: (317) 344-7001

**To Member:**

**NOTICES & CORRESPONDENCE:**

Roy M. Palk  
President and Chief Executive Officer  
East Kentucky Power Cooperative  
4775 Lexington Road  
Winchester, Kentucky 40391  
Telephone: (859) 744-4812  
Facsimile: (859) 744-7053

**INVOICES:**

Laura Wilson  
Accounting Department  
East Kentucky Power Cooperative  
4775 Lexington Road  
Winchester, Kentucky 40391  
Telephone: (859) 744-4812  
Facsimile: (859) 744-7053

**Article 9**  
**Governing Law**

9.1 **Governing Law and Jurisdiction:** The validity, interpretation, and construction of this Agreement and the rights and duties of the Parties hereunder shall be governed by and construed, enforced, and performed in accordance with the laws of the State of New York, without regard to principles of conflicts of law. Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining lawful obligations that arise under this Agreement.

9.2 **Interpretation:** The Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission, or other event of negotiation, drafting, or execution hereof. The term "including" when used in this Agreement shall be by way of example only and



shall not be considered in any way to be in limitation. The headings used herein are for convenience and reference purposes only, shall not be deemed to be part of this Agreement, and are not to be used to interpret or define the provisions hereof. No interpretation or construction of this Agreement shall have any impact upon the interpretation or construction of the APM Operating Agreement. Further, the terms of the APM Operating Agreement shall prevail in any conflict between the interpretation of this Agreement and the APM Operating Agreement.

9.3 **Final Agreement:** This Agreement hereby supersedes and replaces the Member's Bilateral Agreement dated January 25, 2001, or any other prior agreement whether written or oral between APM and Member regarding the subject matter of this Agreement (excluding the Operating Agreement) as of the Effective Date. This Agreement, the Exhibits and Appendices attached hereto, and the Operating Agreement constitute the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersede all prior negotiations, agreements and understandings with respect thereto.

#### **Article 10**

##### **Amendment; Assignment**

10.1 **Amendment:** No amendment or modification to this Agreement shall be enforceable unless reduced to writing and executed by both Parties, and, if required, approved by the Administrator of the Rural Utilities Service ("RUS"), or his or her designee, and the boards of managers, trustees or directors of the Parties, as applicable.

10.2 **Assignment:** This Agreement shall inure to the benefit of, and be binding upon, the Parties and their respective successors and assigns; provided, however, that this Agreement shall not be assigned, wholly or in part, by either Party without the prior written consent of the other Party, except, Member without the approval of APM may assign, transfer, mortgage or pledge this Agreement to create a security interest for the benefit of the United States of America, acting through the Administrator of the RUS, or to create a security interest for the benefit of any other lender of Member. Thereafter, the RUS, without the approval of APM, may (i) cause this Agreement to be sold, assigned, transferred or otherwise disposed of to a third party pursuant to the terms governing such security interest, or (ii) if the RUS first acquires this Agreement pursuant to 7 U.S.C. §907, sell, assign, transfer or otherwise dispose of this Agreement to a third party; provided however, that in either case (a) Member is in default of its obligations to the RUS that are secured by such security interest and that RUS has given APM written notice of such default; and (b) the RUS has given APM thirty (30) days prior written notice of its intention to sell, assign, transfer or otherwise dispose of this Agreement indicating the identity of the intended third-party assignee or purchaser. No permitted sale, assignment, transfer or other disposition shall release or discharge Member from its obligations under this Agreement. APM will consent to an assignment by Member to other lenders on reasonable terms and conditions consistent with standards within the industry.

#### **Article 11**

##### **Implied Rights; Waiver; Third-Party Rights**

11.1 **No Implied Rights:** The Parties' rights under this Agreement are limited to the rights expressly granted herein, and no implied rights or benefits are granted to either Party. The Parties have executed this Agreement in multiple counterparts to be construed as one document effective as of the Effective Date.

11.2 **Waiver:** Any waiver by a Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be construed as a waiver with respect to any other default or other matter arising in connection herewith. No delay or omission on the part of either Party in exercising any right shall operate as a waiver of such right or any other right. A waiver by either Party of a provision of this Agreement in a particular time or circumstance shall not prejudice or constitute a waiver of such Party's right to otherwise demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by either Party, nor any course of dealing between Parties, nor any delay in asserting or enforcing any right, shall constitute a waiver of any of each Party's rights.

11.3 **Third-Party Rights:** This Agreement shall not impart any rights enforceable by any third-party (other than a permitted successor or assignee bound to this Agreement).

## Article 12 Miscellaneous

12.1 **Records of Accounts:** Each Party hereto shall keep accurate records and memoranda of its involvement in transactions hereunder, and shall maintain and retain such records for a period of at least four (4) years from the date of the transaction, unless a longer period is required by law, regulation, FERC or the RUS.

12.2 **Order 2004 Compliance:** If applicable, APM shall at all times abide by the Member's program of compliance with FERC Order 2004 on Standards of Conduct for Transmission Providers. Further, by this Agreement, APM expressly does not assume responsibility for: (a) the operation of any of the Member's generation resources, transmission resources or other power or natural gas facilities; (b) the Member's employees, (c) any debts or other financial obligations of Member; (d) the Member's natural gas or power purchase sales agreements.

12.3 **Effective Date and Agreements with Subsequent Members:** This Agreement shall become effective upon the date when all APM Members have executed their respective bilateral agreements which shall be in the form of this Agreement and on that date the Agreement shall be deemed effective as of January 1, 2006 (the "Effective Date"). Subject to the exception that the APM board retains all authority to establish fees for the Member and other members of APM (collectively the "APM Members"), APM agrees that any new APM Member joining APM after the Agreement Date, shall be offered these same terms and conditions. However, in the event that APM agrees to offer any change in terms to a subsequent or an existing APM Member, APM shall disclose and offer such terms and conditions to all other current APM Members.

12.4 **Reporting Transactions to Index Publishers:** On July 24, 2004, the Federal Energy Regulatory Commission ("FERC") issued a Policy Statement in Docket No. PL03-3-000, Price Discovery in Natural Gas and Electric Markets, 104 FERC ¶ 61, 121, ("Safe Harbor Policy"). To the extent such reporting does not violate or breach any duty of confidentiality undertaken by the Member, Member hereby authorizes APM to disclose information required for APM to comply with the FERC Safe Harbor Policy. APM, may report to market price index developers, with whom APM has a confidentiality agreement, each and every APM executed bilateral, arm's-length transaction at all trading locations for electricity, natural gas, or both, between non-affiliated companies in the physical (cash) markets in accordance with policies established by

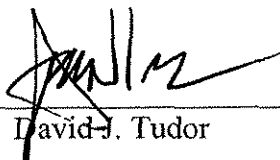
APM from time to time, except as restricted in this Section 12.4. Physical reporting shall not include financial hedges, financial transactions, or swaps or exchanges of gas or electricity. Data will be provided for each transaction separately. APM agrees that it will not report:

- a.) Transactions between the Member and an ISO/RTO;
- b.) Transactions between the Member and another APM Member, or any trade execution customer of APM;
- c.) Financial hedges, financial transactions, or swaps or exchanges of gas or electricity;
- d.) Transactions not executed by APM; and
- e.) The name of Member's counterparty to the transaction.

IN WITNESS WHEREOF, the Parties have caused this Bilateral Agreement to be executed and delivered by their respective duly authorized officers as of the above Agreement Date.

**ALLIANCE FOR COOPERATIVE ENERGY SERVICES POWER MARKETING LLC**

**EAST KENTUCKY POWER COOPERATIVE**

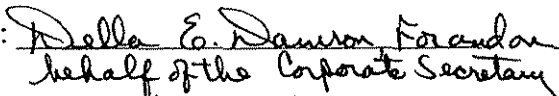
By:   
David J. Tudor

By:   
Roy M. Palk

Title: President and CEO

Title: President and Chief Executive Officer

Attest: 

Attest:   
behalf of the Corporate Secretary

Date: March 27, 2006

Date: March 8, 2006

**EXHIBIT A – APM Services**

The Agreement and this Exhibit A together constitute the understanding of the Parties with regard to the Services. Member hereby indicates, by checking the appropriate boxes, the Services APM will provide for Member. Member and APM may amend this Exhibit A, from time to time, to conform to the needs of Member and the Services provided by APM consistent with Section 1.3. Member and APM shall cooperate and provide sufficient notice of any pending change in the Services selected by Member or provided by APM. Notwithstanding anything to the contrary herein, the designation of APM as Member's agent and representative to perform the Services shall at all times be pursuant to, subject to, and only to the extent authorized by the Risk Controls.

**I. Trading and Counterparty Controls and Risk Policies:****A. Credit**

- 1) Credit Analysis and Counterparty Monitoring: APM will analyze and monitor the on-going financial viability of the Member's power, natural gas, and financial counterparties upon request. Periodic reports will be provided and credit watch information will be sent to selected Member staff via email and posted to the Member Only Website. Coal and emission allowance trading counterparties can be added at the Member's request.
- 2) Credit Exposure Monitoring and Management: APM will provide counterparty exposure monitoring; credit risk reporting; margining; and collateral management services consistent with approved credit limits.
- 3) Credit Negotiations: APM, as Member's agent, shall negotiate or assist in the negotiation of credit terms included in standardized or structured contracts. APM will serve as an active advocate of the Member in the credit community including contact coordinated with the Member with: counterparties, ISO/RTOs, credit rating agencies, the Committee of Chief Risk Officers, lenders and regulatory bodies, etc.

**B. Contracts**

- 1) Master Agreement Negotiations: APM, as Member's agent, will negotiate or assist in the negotiation of provisions between Members and counterparties for standardized contracts involving power, natural gas, and financial derivatives. APM will administer the process from initiation to contract execution on a timely basis, and provide periodic status reports as requested by Member. Within this service, APM facilitates the establishment of Member brokerage and NYMEX accounts.
- 2) Contract Administration – Master Agreements: APM will administer the terms of power, natural gas, and financial derivative contracts. Such administration includes developing procedures to ensure appropriate oversight and administration of the following provisions: contract execution, modification and termination, authorized signatories, default, assignments, and notices.

- 3) Contract Monitoring – Master Agreements: APM will monitor master agreements for compliance with APM delegated trading activities. This includes oversight and procedures for entering commercial provisions into APM’s risk system, confirmation processes, notifying traders of contractual relationships, and monitoring/mitigating and reporting trading violations of commercial contract terms.
- 4) Structured/Customized Contract Evaluations: APM, at the request of the Member, evaluates structured/customized contracts in their entirety including: pricing, delivery terms, contract flexibility, missing provisions, legal provisions, etc.

### **C. Trading Control**

- 1) Deal Capture and Validation: APM will capture all transactions, executed by APM and those that the Member requests APM to administer. These transactions will be captured in the APM risk management systems completely, accurately, and timely. For transactions executed by APM, confirmation of transactions as well as voice recordings will be maintained. The voice recordings and written confirmations serve to validate the existence and accuracy of all transactions. Trading control violations will be reported and addressed on a timely basis.
- 2) Limits and Authority Policy Compliance Monitoring: APM’s Trading Control Department will monitor all trading activity for compliance with both the Member’s trading authority policies and the internal APM Trading Authority Policy. Exceptions to the trading authority policies are reported to APM’s Risk Management Committee (RMC). The APM RMC determines the appropriate disciplinary action for all violations by APM’s personnel.
- 3) Mark-to-Market Valuations: APM will mark-to-market designated forward transactions on a daily basis. The mark-to-market gain/loss of forward positions is a component of the total credit exposure the Member has with each of its counterparties.
- 4) Reporting: APM will prepare various reports regularly and post such to the Members Only Website or provide them directly to the Member. These reports consist of transaction activity, mark-to-market data, forward pricing, historical pricing, and portfolio cost tracking. Other customized reports will be prepared at the Member’s request and, at APM’s option, at Member’s cost.

### **D. Risk Management and Training**

- 1) Risk Management Policy Development: APM will assist and facilitate the process of policy development for the Member. Policies include: energy risk management, credit, trading authority, trading sanction, and hedging. The overall development process involves various APM groups.
- 2) Enterprise Risk Management Program Development: APM, through its enterprise risk management alliance with MCR Performance Solution, offers complete services for Members to develop an enterprise risk management program. An enterprise risk management diagnostic is the recommended phase 1 in the process. Phase 2 includes implementation of the tools, data, education and processes. And finally phase 3 is the on-

going support, as necessary, of the program. APM will provide such service to the Member.

- 3) Education and Training (within limits): APM offers training and education for various different risk management and trading subject areas ranging in suitability for Board of Directors, Executive Staff, Management and Staff. APM will offer the Member one free training course per year from its alliance courses with NRECA and one free customized course. A complete training program brochure is available upon request.

## II. Portfolio Management and Operations:

The Portfolio Management and Operations Services will be performed pursuant to the trading controls, processes, or procedures established by the Parties. By checking a box under this Section II - Portfolio Management and Operations, Member hereby grants APM authority to act and make decisions on behalf of Member (both according to the Risk Controls established between APM and Member, and consistent with the underlying contracts between Member and the Member's counterparties) to perform the selected Services pursuant to the following designation of authority to APM:

- (a) The planning, negotiating, purchasing, and selling of electric power and energy or any natural gas that is authorized to be purchased and/or sold by APM;
- (b) The entering into, making, executing, delivering, and performing such necessary and proper agreements, writings, or other things that may be necessary or proper to be entered into, made, executed, delivered, or performed;
- (c) The utilization of any other agent or broker APM may deem necessary or desirable for the purpose of purchasing and selling any electric power and energy or short-term natural gas that is authorized to be purchased and sold by indication in the boxes in this Section II;
- (d) The buying or arranging of natural gas transportation services or capacity in order to effectuate delivery or sale, from a receipt or delivery point to or from Member's facility, of natural gas that is authorized to be purchased and sold by APM; and
- (e) The negotiation and resolution of any disputes which may arise in the normal course of business between APM and any agent, broker, or entity selling or purchasing short-term electric power and energy or natural gas as a result of this Agreement, provided that any disputes shall not be settled without the prior consent of Member.

### A. Portfolio Management

- 1) Portfolio Execution Strategy Development and Administration: Execution strategies involve creating and implementing an action plan for managing the collective energy risks of the Member. APM will perform this Service based on the time horizon and responsibilities it has been granted by the Member. Execution strategies may involve power, gas, financial transmission rights (FTRs), transmission positions, and load management operations for periods from the next operating hour to 5 years forward. The

Member's internal risk management committee approves specific execution strategies and risk tolerance and APM is delegated responsibility to oversee, execute, and administer the strategies in the short-term, mid-term, and long-term markets in accordance with the established Risk Controls.

- 2) Short-Term Trading, Operations, and Portfolio Optimization (1hr. to 30 days): APM will set up and execute short-term trading and operating strategies designed to optimize the Member's portfolio and within the authority and responsibility delegations given to APM by the Member through the Risk Controls. This Service includes the optimization of contracts, unit dispatch, and power and natural gas spot market activity. By selecting this Service, Member hereby grants APM authority to act and make decisions on behalf of Member (both according to the Risk Controls established between APM and Member, and consistent with the underlying contracts between Member and its counterparties), as its agent, to sell the short-term electric power and energy made available pursuant to this Agreement and to purchase short-term electric power and energy on behalf of Member upon Member's request. Member shall specify its purchase and sale requirements of short-term electric power and energy in a "Schedule of Available Resources", which shall include: (i) period(s); (ii) time; (iii) quantities; (iv) delivery point(s); and (v) minimum selling prices, if appropriate. Such Schedule of Available Resources shall be delivered in advance by Member, by facsimile transmission or other electronic means prior to eight o'clock (8:00) a.m. Eastern Standard Time on the day before such electric power and energy will be purchased or sold, and at such other times as Member may deem appropriate. Member and APM shall mutually agree, in writing, on the means of altering or changing the Schedule of Available Resources. If Member revises (on a timely basis, pursuant to standard utility practices for the region the Member operates within), for any hour or hours, a Schedule of Available Resources previously delivered by Member to less than the level that APM has scheduled, then APM shall attempt, on Member's behalf, to purchase from the market, for those hours, replacement power to cover the shortfall caused by the revision to the extent that such shortfall would prevent the performance of any firm transaction. If Member revises (on a timely basis, pursuant to standard utility practices for the region the Member operates within), for any hour or hours, a Schedule of Available Resources previously delivered by Member to more than the level that APM has scheduled, then APM shall attempt, on Member's behalf, to sell to the market, for such hour or hours, such excess electric power and energy.

By selecting this Service, Member hereby grants APM authority to act and make decisions on behalf of Member (both according to the Risk Controls established between APM and Member, and consistent with the underlying contracts between Member and its counterparties), as its agent, to sell the natural gas and natural gas derivatives and to purchase natural gas and natural gas derivatives in accordance with Member's direction and the Risk Controls. Further, APM will be responsible for implementing strategies to minimize gas pipeline imbalance costs. Where applicable, Member shall specify in a "Daily Notice" the purchase or sale requirements of natural gas, which include the (i) period(s); (ii) time; (iii) quantity(ies); and (iv) delivery and/or receipt points. Such Daily Notice shall be delivered in advance by Member. Such delivery shall be by facsimile transmission or other electronic means prior to eight o'clock (8:00) a.m. Eastern Standard Time on the day before such natural gas will be available, and at such other times Member may deem appropriate. Member and APM shall mutually agree, in writing, on the means of altering or changing the Daily Notice. If Member revises (on a timely basis,

pursuant to standard pipeline practices for the region the Member operates within), for any twenty-four (24) hour period, a Daily Notice previously delivered by Member, to less than the level that APM has scheduled, APM shall attempt, on Member's behalf, to purchase from the market, for those twenty-four (24) hour periods, replacement natural gas to cover the shortfall caused by the revision to the extent that such shortfall would prevent the performance of any firm transaction. If Member revises (on a timely basis, pursuant to standard pipeline practices for the region the Member operates within), for any twenty-four (24) hour period, a Daily Notice previously delivered by Member, to more than the level that APM has scheduled, then APM shall attempt, on Member's behalf, to sell in the market, for those twenty-four (24) hour periods, such excess natural gas.

- 3) Mid-Term Trading (1 month to 2 years): APM will execute and administer mid-term trading strategies within the delegations given to APM by the Member. This may include counterparty negotiations, requests for proposals (RFPs), etc.
- 4) Long-Term Trading (2 years plus): APM will execute and administer long-term trading strategies within the delegations given to APM by the Member through the Risk Controls. This may include counterparty negotiations, RFP's, etc. By selecting this Service, Member hereby grants APM authority to act and execute Member's decisions on behalf of Member, as its agent, to sell the long-term electric power and energy and to purchase long-term electric power and energy on behalf of Member upon Member's request; provided, however, that APM shall sell and/or purchase only such power and energy as authorized by Member. Further, APM shall have authority to act and execute Member's decisions on behalf of Member, as its agent, to sell the long-term natural gas and natural gas derivatives and to purchase long-term natural gas and natural gas derivatives on behalf of Member upon Member's request; provided, however, that APM shall sell and/or purchase only such natural gas as authorized by Member.
- 5) Physical Gas Trading and Scheduling: APM will trade and schedule physical gas supply and manage supply imbalances.
- 6) Demand-Side or Load Management Operations: APM will execute and administer certain specified operations such as; water heater, air conditioner, or irrigation control, real time retail pricing notification or buy through programs, or behind the meter generation operations.
- 7) Short-Term Load Forecasting: APM will perform and provide load forecasting for next hour, day, and week to support short-term portfolio optimization and dispatch model input.
- 8) Native Load Scheduling: APM will provide native load scheduling as a premium Service for a Member whose portfolio is constructed in a manner that virtually each and every resource must be scheduled and tagged for each and every hour.
- 9) Native Load Following: APM will provide native load following service to minimize hourly deviations between supply and demand so as to minimize imbalance costs.



- 10) Unit Dispatching, Generation Offering, and Dynamic Scheduling: APM will provide unit dispatch orders, generation offer strategies, and managing dynamic scheduling arrangements. Page 19 of 32
- 11) Dispatch Modeling: APM will custom-build proprietary dispatch models to assist in the short-term optimization of the Member's portfolio.
- 12) Real Time Data Management: Real time data acquisition is a critical component of short-term optimization. The data comes from the Member's SCADA or EMS system, but its accuracy must be maintained in order to support accurate optimization of resources. APM will provide this Service to validate data accuracy and notify the Member of data inaccuracies. APM shall not be responsible or obligated to do physical meter or SCADA/EMS repairs to correct inaccuracies.

### **B. Financial Trading**

- 1) Financial Trading: APM will provide execution services for financial natural gas trading and other exchange traded commodities such as fuel oil. Trading will be based on APM's delegated trading authority pursuant to the Risk Controls and consistent with the overall portfolio execution strategies developed under the Portfolio Execution Strategy Development and Administration Service above in Section II. A.
- 2) Gas Service Consulting: APM will provide consulting services, to include a variety of general services including gas transportation decision making, issues around new plants, transportation contract negotiations, pipeline offers, supply RFP services, etc.
- 3) Coal and Emission Trading: APM will provide coal and emission risk management including strategy and transaction execution services.

### **C. Transmission and Market Development**

- 1) Power Transmission Scheduling and Tagging (Energy Execution Service): APM will provide physical scheduling and tagging of trading activities.
- 2) Transmission Analysis (Non-FTR): APM will provide physical transmission analysis of availability for the short, mid, and long-term planning horizons in connection with the Member's energy strategy. Analyses include the review of transmission availability posting on OASIS (or similar system), secondary offerings from owners of confirmed transmission rights, and the optionality of existing transmission rights.
- 3) Regulatory Participation: APM will participate, on behalf of the Member, in the rules making process with existing and emerging RTO's/ISOs. Committee representations range from credit issues to treatment of grandfathered transmission agreements.
- 4) Reporting: All APM departments providing Services in this Section II will be responsible for reporting trading and operational activities, market trends, ISO/RTO developments, and other Member specific information to meet the Member's needs. Other customized reports will be prepared at the Member's request and, at APM's option, at Member's cost.

### III. Settlements:

#### A. Settlements

- 1) **Bilateral Power and Transmission Settlements:** APM will perform the back office settlement services including verifying/confirming with each external counterparty the total units and dollar value of transactions on all purchases and sales that are to be billed during the month for power or transmission service. This process will be performed for physical energy, transmission transactions, broker fees, capacity, and financial transactions. The process will be completed with the preparation of invoices and reporting of the information to the Member.
- 2) **Bilateral Natural Gas, Transportation Settlements:** APM will perform back office settlements that will include verifying/confirming with each external counterparty the total units and dollar value of transactions on all purchases and sales that are to be billed during the month for natural gas or transportation service. This process will be performed for physical gas, transportation transactions, broker fees, capacity, and financial transactions. The process will be completed with the preparation of invoices and reporting of the information to the Member.
- 3) **RTO/ISO Pool Settlements:** APM will provide ISO/RTO settlement services, which is a process that assigns financial charges and credits to the Member as a "Market Participant" (MP) and /or as an "Asset Owner" (AO) based upon the Member's specific participation in the day-ahead energy, real time and financial transmission rights (FTR) markets. APM's process will enable the Member to review and validate the charges and credits the Member will be billed on future invoice statements. It will provide the Member with an opportunity to file disputes on potential disputed amounts. It will provide a mechanism for the Member to compare charges and credits to its own shadow settlement system. The settlements will be performed pursuant to each ISO/RTO's unique operating requirements and rules.
- 4) **Energy Imbalance Validation:** APM will provide energy imbalance validation services including analysis and verification of energy imbalance invoices from non-ISO/TRO transmission providers.
- 5) **Reporting:** APM will provide standardized reports to meet the Member's needs. Other customized reports will be prepared at the Member's request and, at APM's option, at Member's cost.

### IV. Portfolio Modeling and Risk Analytics Cluster:

#### A. Portfolio Modeling and Transaction Analysis

- 1) **Standard Portfolio Modeling and Risk Analytics:** APM will provide a portfolio model as a tool designed to provide the Member with a comprehensive analysis of key power supply risk drivers. The model will provide risk analytics and quantification in order to:
  - i) Demonstrate cost and risk tradeoffs associated with hedging strategies;
  - ii) Assist in determining the best fit for various portfolio products (base,

intermediate, or peaking);

iii) Identify risk exposure to normal and stress events;

iv) Support management and board of director risk reporting responsibilities;

v) Support budgeting and communicating uncertainties around the budget; and

vi) Assist in establishing the risk tolerance of the organization.

Risks currently incorporated into the model include: unit outages, power price volatility, natural gas price volatility, native load variability, and sales obligations. Risks that are being added to the model include coal price volatility, emission allowance price volatility, hydro and wind generation characteristics, and congestion price risk. The model can be used for periods of 1 to 5 years, depending on the Member's use and APM's integration with the Member's power supply planning process.

- 2) FTR/CRR Evaluations: APM will evaluate financial transmission rights or congestion revenue rights for the Member that participates in an ISO/RTO pool market that offers these hedging tools. APM will utilize a fundamental supply and demand model linked to a transmission simulation model to develop FTR/CRR evaluations and hedging strategies.
- 3) Pricing Evaluation – Standard/Structured Products: APM will provide analysis from its proprietary models developed by or for APM to value standard and structured products. These evaluations are typically for terms of 5 years or less. Lack of market liquidity and the extensive use of complex structured products create the need to evaluate the pricing terms of transactions. Pricing evaluations are used to assist in contract negotiations.
- 4) Integration with Enterprise Risk Management: APM in conjunction with its enterprise risk management alliance partner, MCR Performance Solutions, will offer the tools to support an enterprise risk management program. MCR offers a financial forecasting model that provides risk measurement and analytics around the financial metrics of the Member. These metrics include probabilistic measures of meeting budgets, margins, TIER, DSCR, rates, working cash flow, etc. APM's portfolio model output serves as an important input into MCR's financial forecasting model.
- 5) Member Planning Model Reconciliation: APM will perform this Service for a Member that would like to reconcile APM's portfolio model with the Member's long-term planning models. There can be numerous differences based on inputs and assumptions and the fee for this Service is based on the difficulty and time required on behalf of APM to determine any differences.
- 6) Long-Term Generation and Transmission Planning Studies: APM will provide evaluations and risk analytics for long-term generation and transmission projects on an as requested basis. Various models including a fundamental locational marginal pricing (LMP) load flow supply/demand price-forecasting model, forward price curves, and proprietary simulation models support generation evaluations. APM utilizes a fundamental supply and demand model linked to a transmission simulation model to develop FTR/CRR evaluations and hedging strategies.
- 7) Reporting: APM will develop numerous written reports providing recommendations, advice, information or evaluations, data requests, monthly risk reports and other

consultation as necessary to meet the Member's needs. Other customized reports will be prepared at the Member's request and, at APM's option, at Member's cost.

**V. Ad Hoc Consulting, State Regulatory Participation and Other Services:**

- 1) Ad Hoc Consulting: Upon request, and subject to its expertise, APM can perform consulting services for Member. All consulting services provided by APM, whether on a fixed fee, monthly, hourly, or gratuitous basis, that are not specifically outlined in this Exhibit A shall nevertheless be performed under the terms and conditions of this Agreement. All consulting services will be charged at APM's current consulting rates or as otherwise agreed upon between APM and Member.
- 2) State Regulatory Participation: APM will participate in State regulatory proceedings, rate cases, etc. upon the request of Member and at APM's standard consulting rates, as applicable.
- 3) Other Services: APM will perform for Member such other services as agreed upon by Member and APM and as described below:

[Particular Service Name]: [Description]

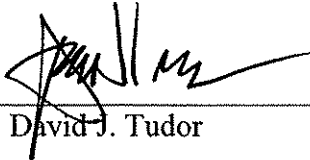
**VI. Member Annual Service Fees:**

**Annual Member Service Fees:** During 2006, Member shall pay to APM Annual Services Fees in the amount One Million Eight Hundred Forty-Six Thousand Ten Dollars (\$1,846,010) payable in equal monthly installments of One Hundred Fifty-Three Thousand Eight Hundred Thirty-Four Dollars and Seventeen Cents (\$153,834.17) each due and payable on the first day of the month. Thereafter, before October 1<sup>st</sup> of each year, Member and APM shall reach an agreement on the next year's Annual Service Fees. After Member and APM have agreed upon the next year's Annual Service Fees, such fees, as well as the fees for all other APM Members, shall be approved by the APM Board of Managers. Upon approval by the APM Board of Managers, Member shall pay to APM the Annual Services fees as established for the next year in accordance with the terms of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Exhibit A to the Bilateral Agreement to be executed and delivered as of March 8, 2006, by their respective duly authorized officers.

**ALLIANCE FOR COOPERATIVE ENERGY SERVICES POWER MARKETING LLC**

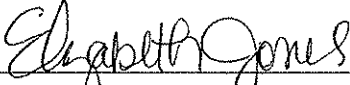
**EAST KENTUCKY POWER COOPERATIVE**

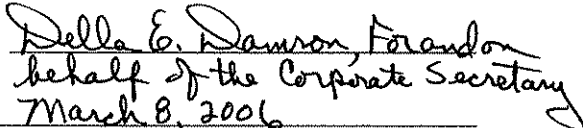
By:   
David J. Tudor

By:   
Roy M. Palk

Title: President and CEO

Title: President and Chief Executive Officer

Attest: 

Attest:   
Della E. Dawson Forandon  
behalf of the Corporate Secretary

Date: March 29, 2006

Date: March 8, 2006

**Appendix 1****Power Diagnostic Outline**

Listed below is the Diagnostic Outline that will be used to evaluate Member's electricity structure, operations, purchases, sales, and systems.

**Organization**

- Management
  - Organization Charts (current)
  - Biographies
  - Transaction Authority

**Commercial Operations**

- Generation Units (All info, By unit; By Month)
  - Monthly capacity rating and minimum operating conditions
  - Description of unit type and fuel source
  - Heat rate(s) (by output if necessary)
  - Planned maintenance schedule
  - Forced outage history data (and projections if available)
  - Description of variable fuel costs
  - Variable Emission costs
  - Variable Operation and Maintenance costs
  - Unit start up costs
- Power Purchase Agreements (including options)
  - Copies of all existing purchase contracts/agreements
  - Provide explanations, if any, of conditions where contract terms are relaxed (e.g. system firm treated as LD Firm, minimum takes relaxed, etc.)
  - Description of purchase agreements being considered
- Power Sales Agreements (including options)
  - Copies of all existing sales contracts/agreements
  - Provide explanations, if any, of conditions where contract terms are relaxed (e.g. system firm treated as LD Firm, minimum takes relaxed, etc.)
  - Description of sales agreements being considered
- Fuel Agreements (e.g. coal, gas, oil)
  - Costs per unit (e.g. \$/Dth, \$/MMBTU)
  - Allocation/use of each fuel contract by generating unit
  - Fuel purchase or sale agreements (include physical, financial, or derivative transaction agreements)
  - List fuel needs that are satisfied with spot market purchases

- Demand side management programs
  - Brief description of each program
  - Monthly estimates of demand reduction by program
  - Description of whether load forecast includes or excludes demand reduction
  
- Generating Unit Insurance Policies
  - Copy of policies in force
  - Description of policies being considered
  
- Other derivatives or insurance policies used to hedge your portfolio
  - For example - Weather Derivatives, SWAPS, etc.
  - Copies of all existing contracts/agreements
  - Description of transactions/agreements being considered
  
- Load Forecast and data
  - Hourly, if available; otherwise monthly, demand and energy forecast
    - By control area if native load is split
    - Any sensitivity analysis/forecasts of extreme peak conditions
  - 1-3 years of historical hourly load data (by control area if necessary)
  
- Transmission
  - Brief explanation of transmission service (By control area)
    - Tariffs
      - List of companies where open access tariff is used for native load service (we can get these on line)
      - Provide any grand fathered transmission agreements
    - Treatment of losses
      - Explanation of loss treatment in:
        - Load forecast (at metered or transmission level)
        - Purchase and Sales contracts/agreements (w/ or w/out losses; e.g. point of delivery if not explicit in contract)
  - Brief description of transmission constraint concerns
    - Specific areas of concern
    - History of experienced problems
  
- Fixed costs/revenues by month (if necessary for client needs)
  - Line item projection of all fixed costs/revenues incorporating:
    - O&M excluding variable costs (as provided above)
    - Capacity or option premiums (For all existing transactions)
    - Cost of losses (depending on treatment may be added to fixed cost)
  - Net monthly fixed cost/revenue of all necessary items
  
- NERC area or control area reserve requirements
  - Copy of agreement
  - Description of dispatch method to satisfy reserves

- List of Counterparties
  - Purchase and Sales Rankings
  - Credit Maximum \$
  
- Power Scheduling Practices
  - E-tag (process, timing, coordination with dispatch)
  - OASIS (process, timing, coordination with dispatch)
  - Trading Controls
  - Deal Capture and input
  - Credit analysis and monitoring
  - Trader limits (size, term, products, value)
  - Reporting
  - Data Communications
  - Transaction Confirmations

### **Information Systems**

- Hardware utilized for Trade Group
  
- Software utilized for Trade Group
  - Back-Up Process
  - Maintenance Program
  
- Security
  - System
  - Files
  - Offices
  
- SCADA Capabilities
  - Generation Output and Unit Systems
  - Load Requirements
  - Data Feeds
  
- Satellite/Cell Phones/ Telephone/Recording

### **Financial**

- Historical Power Trading Activities
  - Two Prior Years Sales and Associated Profits
  - Two Prior Years Purchases and Associated Savings
  
- Energy Accounting
  - check-out procedures
  - Billing cycles (monthly, other)
  - Invoicing (Accounts Receivable)
  - Accounts Payable



- Current Financials
  - Annual Report
  - RUS Form 12

**Contract Administration**

- Process with Legal Department
- Filing Process

**Appendix 2****Natural Gas Diagnostic Outline**

Listed below is the Diagnostic Outline that will be used to evaluate Member's Natural Gas operations, purchases, sales, and systems.

**Organization**

- Management
  - Organization Charts (current)
  - Biographies
  - Transaction Authority

**Operations**

- Fuel Usage (Gas)
  - Historical usage by average MMBTU/ day, actual month (24 Months)
  - Forecasted usage MMBTU/Day (12 months)
  - Historical monthly energy consumption forecast versus actual (18 months)
  - Forecasted monthly energy consumption (24 Month)
  - Storage Utilization
- Procurement Strategy
  - Natural Gas
  - Alliance Terms and Conditions
- Current Purchase and Sale Contracts
  - Natural Gas Supply (supplier, term, price, delivery/receipt point)
  - Natural Gas Sales (supplier, term, price, delivery/receipt point)
  - Options (physical & financial)
  - NYMEX Contracts
  - Basis Contracts
  - Future Purchase and Sale Contracts
- Storage Contracts
- Transportation Contracts
  - Customers
  - Customers' Counterparties
  - Third Party Agreements
  - Receipt/Delivery Points and Capacity
  - Balancing Agreements
  - SCADA Feeds by Meter
- List of Counterparties

- Purchase and Sales Rankings
- Credit Maximum \$
  
- Natural Gas Scheduling Practices
  - Trading Controls
  - Deal Capture and input
  - Credit analysis and monitoring
  - Trader limits (size, term, products, value)
  - Reporting
  - Transaction Confirmations

### **Information Systems**

- Hardware utilized for Trade Group
  
- Software utilized for Trade Group
  - Back-Up Process
  - Maintenance Program
  
- Security
  - System
  - Files
  - Offices
  
- SCADA Feeds
  
- Satellite/Cell Phones/ Telephone/Recording

### **Financial**

- Historical Natural Gas Trading Activity
  - Two Prior Years Purchases
  - Two Prior Years Sales and Associated Profits (if any)
  
- Energy Accounting
  - check-out procedures
  - Billing cycles (monthly?)
  - Invoicing (Accounts Receivable)
  - Accounts Payable
  - Current Over/Short by location
  
- Current Financials

### **Contract Administration**

- Process with Legal Department

- Filing Process

Appendix 3

**Continuously Updated Information Provided to APM**

A next day hourly load and temperature forecast by 7 A.M. Eastern Standard Time delivered electronically to APM via fax, e-mail, or other mutually acceptable method to designees to be determined by APM.

Generation availability for the next day by 7 A.M. Eastern Standard Time delivered electronically to APM via fax, e-mail, or other mutually acceptable method to designees to be determined by APM.

An online real-time hourly load signal of your company's native load responsibility.

Hourly notification of changes in generation unit status and the expected duration and scope of such changes, delivered in writing to APM by fax or e-mail to designees to be determined by APM.

Copies of on-going transaction contracts to enable APM to execute any options or other instruments available as needed for economic operation.

Notice of any transactions involving the sale or purchase of electric or natural gas capacity and energy that your company intends to execute—such notice shall be given prior to execution, as early as practical, delivered in writing to APM by fax or e-mail to designees to be determined by APM.

Economic dispatch data for all units to allow APM to properly evaluate purchase and sale costs for incremental loading of units, delivered in writing to APM by fax or e-mail to designees to be determined by APM.

Updated unit outage data to include amount, duration and type of outage for the next twelve (12) month period delivered in writing to APM by fax or e-mail to designees to be determined by APM.

Updated counterparty agreement status listing, to include: company name and acronym, type of agreement, effective date, expiration date, and current status, delivered in writing to APM by fax or email to designees to be determined by APM.

Updated telephone list for operations, contract, credit, and accounting personnel, including fax numbers.

A copy of emergency operation procedures for your company, including any actions required of APM, delivered in writing to APM by fax or email to designees to be determined by APM.

Current list of tradable products for each your company enabling agreement delivered in writing to APM by fax or e-mail to designees to be determined by APM.

Previous ninety (90) days' accounts receivable by month.

Adoption of a documented credit policy and approval of a collateral guaranty form.

1999	
ACES FEES	128,077
Agency Fee	490,719
Fixed Fee	<u>153,417</u>
	<u><u>772,213</u></u>

2000	
Agency Fee	1,753,521
Fixed Fee	396,917
Energy Execution Services Fee	57,500
National Service Center Fee	79,167
Accounting Fees	<u>1,200</u>
	<u><u>2,288,304</u></u>

2001	
Variable Service Fee	151,206
Consulting Agreement Fee	25,000
Energy Execution Services Fee	666,000
National Service Center Fee	<u>949,996</u>
	<u><u>1,792,202</u></u>

2002	
Variable Service Fee	44,532
Consulting Agreement Fee	24,668
Energy Execution Services Fee	407,167
National Service Center Fee	950,004
CGEN Fee	<u>20,000</u>
	<u><u>1,446,371</u></u>

2003	
Member Fee Adjustment	60,000
Energy Execution Services Fee	425,333
National Service Center Fee	870,833
CGEN Fee	<u>(1,272)</u>
	<u><u>1,354,894</u></u>

2004	
ACES Fees	127,583
CCRO Fee	10,000
Energy Execution Services Fee	516,534
National Service Center Fee	890,167
CGEN Fee	89
New Market Design	14,917
	<u>1,559,290</u>

2005	
CCRO Fee	
Energy Execution Services Fee	530,200
National Service Center Fee	909,333
New Market Design	164,087
	<u>1,603,620</u>

2006	
Service Fee	1,846,010
CCRO Fee	5,000
	<u>1,851,010</u>

Test Year	
Energy Execution Services Fee	144,600
National Service Center Fee	247,997
New Market Design	44,751
Service Fee	1,538,342
CCRO Fee	5,000
	<u>1,980,690</u>





**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2006-00472**

**THIRD DATA REQUEST RESPONSES**

**COMMISSION STAFF'S THIRD DATA REQUEST DATED 05/01/07  
REQUEST 53**

**RESPONSIBLE PERSON: Ann F. Wood**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 53.** Refer to the response to the Staffs First Request, Item 41, page 2 of

3. Concerning Envision Energy Services, LLC ("Envision"):

- a. Indicate when Envision was formed.
- a. Identify the other cooperatives that are part of the Envision partnership.
- c. Provide the amount of any initial investment EKPC made when it formed Envision.
- d. Describe EKPC's involvement in the operations or governance of Envision.
- e. Provide copies of any contracts, memoranda of agreement, or other documents that outlines EKPC's obligations and/or responsibilities for Envision.
- f. Provide a schedule listing the number of employees, office space, fleet vehicles, telephone services, and office equipment shared with Envision. This information should be provided for the test year and calendar years 2003 through 2005. Also, provide the costs allocated by EKPC to Envision for these items.
- g. Provide the total number of clients of Envision for calendar years 2003 through 2005 and the test year.

h. At the time EKPC entered into partnership to form Envision, were studies or analyses performed to determine the need for the services Envision could provide and whether other providers were already in the market?

(1) If yes, describe the results of those studies or analyses.

Include copies of any written documentation.

(2) If no, explain in detail why studies or analyses were not undertaken.

**Response 53.**

- a. Envision was formed on June 2, 1997.
- b. Other cooperatives that are part of Envision are:
  - Blue Grass Energy
  - Cumberland Valley Electric
  - Farmers RECC
  - Inter-County Energy Cooperative
  - Jackson Energy Cooperative
  - Nolin RECC
  - Owen EC
  - Salt River Electric
  - Shelby Energy Cooperative
- c. EKPC's initial investment in Envision was \$25,000.
- d. EKPC is an equal member of Envision with the nine member distribution cooperatives. The CEO of EKPC is usually the *Chairman of Envision's Board of Partners*.
- e. A copy of Envision's Operating Agreement is attached.
- f. Employees shared with Envision are:
  - Jim Worley
  - Dan Playforth
  - Chuck Caudill
  - David Berry (contract employee)

Fleet Vehicles shared with Envision are Company Numbers 383, 272, and 333.

Office Equipment shared with Envision are: Desks, Chairs, Laptop computers.

Reimbursements made to EKPC for time spent on for-profit services:

Year	Reimbursement for labor and other costs	Management fee	Partner's Margin Share
2003	\$18,193		\$1,263
2004	\$14,603		\$2,893
2005	\$33,027	\$2,000	\$4,565
2006	\$29,892	\$2,000	\$1,235

g. Total number of clients are:

Year	Core/no cost	For-profit
2003	160	19
2004	170	13
2005	180	10
2006	190	19

Note: The number of for-profit customers served is actual. The number of core/no cost customers served is a conservative estimate.

h(1)(2). There were no studies performed to determine the need for the services Envision could provide. The employee responsible for organizing Envision had, at that time, 15 years of experience in working with commercial and industrial consumers. Based on his experience Envision was started.

The for-profit service provided by Envision was only one of three reasons that Envision was started. Its primary reason was to put all the services, both those considered core/no cost and those for which there was a charge, that the cooperatives provide their C&I consumers in one package. This was seen as a marketing measure the distribution systems could use to show their customers what they had to offer and as a way for EKPC to promote to the Member Systems the services they had available. 95% of what Envision does is no cost services.

*Although the for cost services Envision provides, mostly infrared surveys, are technically available in the marketplace, in practice they are not available to the small C&I customers to which they are aimed. The majority of the customers who receive these services are small. The providers in the marketplace require a day of work as a minimum. Most of these customers only have two or three hours of work and consequently would not take advantage of these services because of the high minimum charge. Because of Envision's ability to keep its employees occupied full time with both core services and for-profit services, it is able to charge only for the time on site plus a flat fee for travel and report writing.*

**Operating Agreement for**

**Envision Energy Services, LLC**

**As Approved by the Partners on April 23, 2001**

**Signature Copy**

**OPERATING AGREEMENT  
FOR ENVISION ENERGY SERVICES, L. L. C.**

**THIS OPERATING AGREEMENT** is made and entered into as of this the 23<sup>rd</sup> day of April, 2001, by and between **East Kentucky Power Cooperative, Inc.** (hereinafter referred to as "EKPC"), having its principal place of business at 4775 Lexington Road, P.O. Box 707, Winchester, Kentucky 40392-0707; **Blue Grass Energy Cooperative Corporation** (hereinafter referred to as "Blue Grass"), having its principal place of business at 1201 Lexington Road, P.O. Box 990, Nicholasville, KY 40340-0990; **Cumberland Valley Electric, Inc.** (hereinafter referred to as "Cumberland Valley"), having its principal place of business at Highway 25E, Gray, KY 40734; **Farmers Rural Electric Cooperative Corporation** (hereinafter referred to as "Farmers"), having its principal place of business at 504 South Broadway, P.O. Box 1298, Glasgow, KY 42142-1298; **Jackson Energy Cooperative Corporation** (hereinafter referred to as "Jackson"), having its principal place of business at Highway 421 South, P.O. Box 307, McKee, KY 40447; **Nolin Rural Electric Cooperative Corporation** (hereinafter referred to as "Nolin"), having its principal place of business at 612 East Dixie, Elizabethtown, KY 42701; **Owen Electric Cooperative Corporation** (hereinafter referred to as "Owen"), having its principal place of business at 510 South Main Street, P.O. Box 400, Owenton, KY 40359-0400; **Salt River Electric Cooperative Corporation** (hereinafter referred to as "Salt River"), having its principal place of business at 111 West Brashear Avenue, P.O. Box 609, Bardstown, KY 40004-0609; and **Shelby Energy Cooperative, Inc.** (hereinafter referred to as "Shelby"), having its principal place of business at 620 Old Finchville Road, Shelbyville, KY 40065-0309; all of which are hereinafter collectively referred to as "Members", for the purpose of forming **Envision Energy Services, L.L.C.** (hereinafter referred to as "Envision"), a Kentucky limited liability company, organized pursuant to Chapter 275 of the Kentucky Revised Statutes in accordance with the provisions hereinafter set forth.

**WITNESSETH:**

**WHEREAS,** EKPC generates, transmits and otherwise provides electric energy and related services to its member distribution cooperatives;

**WHEREAS,** The other Members sell, distribute electric energy and other related services to their member/customers; and

**WHEREAS,** It is the desire of the Members to create a separate limited liability company under the laws of the Commonwealth of Kentucky which may provide energy and services as market conditions may allow;

**NOW, THEREFORE,** in consideration of the mutual agreements, promises, and undertakings hereinafter set forth, the Members agree as follows:

**ARTICLE I**

**Definitions**

The following terms, as used herein, shall have the following respective meanings:

- 1.1 "ADR" as used herein shall mean "Alternative Dispute Resolution" as defined and described in Article IX herein.
- 1.2 "Agreement" as used herein means this Operating Agreement, as amended or restated from time to time.
- 1.3 "Associated Agreement(s)" as used herein shall mean the following contracts (each as the same may be amended or supplemented from time to time):

**a. Personnel Services Agreement Between EKPC and Envision**

- 1.4. "Authorized Individuals" as used herein shall have the meaning assigned to it in Section 9.1.
- 1.5 "Bankruptcy Law" as used herein means Title 11, US Code, or any similar Federal or State law for the relief of debtors.
- 1.6 "Capital Account" as used herein shall mean the capital account maintained for each Member in accordance with Section 5.2 of this Agreement.
- 1.7 "Capital Contribution" as used herein shall mean, with respect to any Member, the amount of capital contributed by such Member to Envision in accordance with Article IV or Article V of this Agreement.
- 1.8 "Articles of Organization" as used herein shall mean the certificate of formation of Envision, as amended or restated from time to time, filed in the Office of the Secretary of State of the Commonwealth of Kentucky in accordance with the Kentucky Act.
- 1.9 "Close Relative" as used herein shall mean a spouse, child, grandchild, brother, sister, parent, grandparent, or any Member of the family residing in the same household.
- 1.10 "Company" as used herein shall mean Envision.
- 1.11 "Kentucky Act" as used herein means the Kentucky Limited Liability Company Act, (Kentucky Revised Statutes, Chapter 275), as amended from time to time.
- 1.12 "Interest" as used herein shall mean the ownership interest of a Member in Envision (which shall be considered personal property for all purposes), consisting of (i) such Member's Percentage Interest in Net Profits, Net Losses, allocations of other items of income, gain, deduction, and loss, and distributions, (ii) such Member's right to vote or grant or withhold consents with respect to company matters as provided herein or in the Kentucky Act, and (iii) such Member's other rights and privileges as herein provided.
- 1.13 "I.R.C." as used herein means the Internal Revenue Code of 1986, as amended.
- 1.14 "Liquidator" as used herein shall have the meaning assigned to it Section 8.1 (b).
- 1.15 "Majority in Interest of the Members" as used herein shall mean a number of Members whose combined percentage interest as set forth in Article IV herein shall exceed 50%.
- 1.16 "Manager" as used herein shall mean the person designated by the Members pursuant to Section 6.1 hereof and all other persons who may from time to time be duly elected or appointed to serve as Manager in accordance with the provisions hereof, in each case so long as such person shall continue in office in accordance with the terms hereof, and reference herein to a Manager or the Managers shall refer to such person or persons in his, her, or their capacity as Managers hereunder.
- 1.17 "Member Non-recourse Debt" as used herein shall have the same meaning as the term "partner non-recourse debt" in Regulations Section 1.704-2(b)(4) as may be amended from time to time.
- 1.18 "Member Non-recourse Debt Minimum Gain" as used herein shall have the same meaning as the term "partner non-recourse debt minimum gain" in Regulations Section 1.704-2(i)(2) and shall be determined in the manner set forth in Regulations Section 1.704-2(i)(3) as such regulations may be amended from time to time.
- 1.19 "Members" as used herein shall mean the companies identified in the initial paragraph hereof and all other persons who may from time to time become Members as herein provided.
- 1.20 "Minimum Gain" as used herein shall have the same meaning as the term "partnership minimum gain" in



Regulations Section 1.704-2(b)(2) and (d) as may be amended from time to time.

1.21 "Net Profits" or "Net Losses" as used herein shall mean for each fiscal year Envision's taxable income or loss determined under I.R.C. Section 703(a) as may be amended from time to time, and adjusted as follows:

- (a) Tax exempt income of Envision shall increase Net Profits and shall decrease Net Losses.
- (b) Expenditures described in Regulations Section 1.704-1(b)(2)(iv)(i) as may be amended from time to time, shall decrease Net Profits and increase Net Losses.
- (c) If the value of property of Envision reflected in the Members' Capital Accounts is adjusted in accordance with Sections 5.2(c)(1) or (2) or 5.2(d) hereof, the amount of such adjustment shall be treated as a gain or loss in determining Net Profits or Net Losses.
- (d) If the value of property of Envision reflected in the Members' Capital Accounts is adjusted pursuant to Section 5.2(c) or (d), Envision disposes of such property, and such disposition results in a gain or loss that is recognized for federal income tax purposes, then such gain or loss shall be computed by using the value of such property as it is reflected in the Members' Capital Accounts in lieu of the tax basis of such property.
- (e) If the value of property of Envision as reflected in the Members' Capital Accounts is adjusted in accordance with Section 5.2(c), the amount of depreciation, depletion, or amortization for such property shall be the Revised Depreciation.
- (f) If an adjustment of the Members' Capital Accounts is required by Regulations Section 1.704-1(b)(2)(iv)(m) as may be amended from time to time, because of a distribution to a Member other than a distribution in liquidation of such Member's Interest, the amount of such adjustment shall be treated for purposes of determining Net Profits or Net Losses as gain, if it increases the tax basis of property of Envision, or as a loss, if it decreases the tax basis of such property of Envision.
- (g) None of the allocations set forth in Sections 5.4 through 5.11 shall be taken into account in determining Net Profits and Net Losses.

1.22 "Neutral" as used herein shall have the meaning assigned to it in Section 9.3.

1.23 "Non-recourse Deductions" as used herein shall have the same meaning as in Regulations Section 1.704-2(b)(1) as may be amended from time to time.

1.24 "Percentage Interest" as used herein shall mean a Member's share of the Net Profits and Net Losses of Envision and the Member's right to receive distributions of Envision's assets. The Percentage Interest of each Member shall initially be the percentage set forth opposite such Member's name in Section 4.1(c). The combined Percentage Interest of all Members shall at all times equal 100 percent.

1.25 "Regulations" as used herein shall mean the Treasury Regulations, including Temporary Treasury Regulations, promulgated under the I.R.C., as may from time to time be amended or in effect.

1.26 "Related Company(ies)" as used herein shall mean any corporation or other legal entity which (a) owns a majority interest in or controls any Member; (b) is controlled by, or the majority interest of which is owned by, any Member; or (c) owns a majority interest in, controls, is controlled by, or the majority interest of which is owned by, any corporation or other legal entity described in clause (a) or (b) of this sentence.

- 1.27 "Revised Depreciation". If the value of property of Envision as reflected in the Capital Accounts of the Members differs from its adjusted basis for federal income tax purposes because of an adjustment pursuant to Section 5.2(c) or (d), in lieu of the amount of depreciation, cost recovery deduction, or amortization prescribed under the I.R.C. for any period, such depreciation, cost recovery deduction, or amortization shall be the amount that bears the same relationship to the adjusted value of such property as reflected in the Capital Accounts of the Members as the depreciation, cost recovery deduction, or amortization computed for federal income tax purposes with respect to such property for such period bears to the adjusted tax basis of such property. If such property has a zero adjusted tax basis, Revised Depreciation may be determined under any reasonable method selected by Envision.
- 1.28 "Seller" as used herein shall have the meaning assigned to it in Section 7.6.
- 1.29 "Third Party Appraiser" as used herein shall have the meaning assigned to it in Section 7.7(c).
- 1.30 "Transfer" as used herein shall have the meaning assigned to it in Section 7.3.
- 1.31 "Withdrawing Member" as used herein shall have the meaning assigned to it in Section 9.6(a).

## ARTICLE II

- 2.1 **Company.** Subject to the terms and conditions of this Agreement, the Members hereby form and agree to jointly operate a limited liability company to be named Envision, L.L.C., which shall engage in the business described herein.
- 2.2 **Articles of Organization.** Concurrently with or as soon as possible after the execution of this Agreement, the Manager shall cause Articles of Organization, in the form attached hereto as Exhibit A to be filed in the Office of the Secretary of State of the Commonwealth of Kentucky in accordance with the requirements of the Kentucky Act. From time to time, the Manager shall cause to be filed, and the Members agree to execute, such further certificates of formation, qualifications to do business, fictitious name certificates, or like filings in such jurisdictions as may be necessary or appropriate in connection with the conduct of Envision's business or to provide notification of the limitation of liability of Members and Managers under applicable law.
- 2.3 **Purpose.** The business and purposes of the Company shall be to sell or otherwise provide energy, and any energy-related services, equipment or products, and to conduct any other lawful business or business activities that may be undertaken by a limited liability company under the Kentucky Act as the Members may from time to time mutually determine.
- 2.4 **Place of Business.** The principal place of business of Envision shall be located at 480 West Lexington Avenue, P.O. Box 1351, Danville, KY 40422, and the registered agent of the Company for service of process at such address shall be James C. Worley (or such other registered office and registered agent as the Manager may from time to time select).
- 2.5 **Term.** The term of Envision shall begin upon the filing of the Articles of Organization with the Kentucky Secretary of State and shall continue until such time as dissolved as hereinafter provided.

ARTICLE III

Representations and Warranties

3.1 *Representations and Warranties of Members.* Each Member hereby represents and warrants only as applicable to itself as follows (such representations and warranties on the date of this Agreement being true correct in all material respects):

- (a) That it is a corporation duly organized, validity existing and in good standing under the laws of the Commonwealth of Kentucky. It has the corporate power and authority to own, lease, and operate its assets, properties, and businesses, and to enter into this Agreement, and to carry out its obligations hereunder. The execution, delivery, and performance of this Agreement by each Member has been duly authorized by all necessary corporate action on the part of each Member, and, this Agreement is legally binding upon each Member in accordance with its terms.
- (b) The execution, delivery, and performance by each Member of this Agreement and the transactions contemplated hereby will not (i) violate the provisions of any order, judgment, or decree of any court or other governmental agency or any arbitrator applicable to such Member or its Articles of Incorporation, (ii) result in a material breach of or constitute (with due notice or lapse of time or both) a material default under any contract or agreement to which a Member is a party or by which it is bound; or (iii) violate any provision of law of the United States of America or any state thereof, the violation of which is likely to have a material adverse effect on the business, operations or condition (financial or otherwise) of the Member or Envision.

ARTICLE IV

4.1 *Members' Percentage Interests and Capital Contributions.*

- (a) Blue Grass has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (b) Cumberland Valley has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (c) EKPC has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (d) Farmers has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (e) Jackson has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (f) Nolin has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (g) Owen has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (h) Salt River has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (i) Shelby has contributed \$25,000.00 in cash to Envision on or prior to the date hereof.
- (j) The Percentage Interests assigned to each Member in respect of their initial Capital Contributions under Sections 4.1(a) through 4.1(g), respectively, are as follows:

<u>Member</u>	<u>Percentage Interest</u>
Blue Grass	11 1/9%

Cumberland Valley	11 1/9%
EKPC	11 1/9%
Farmers	11 1/9%
Jackson	11 1/9%
Nolin	11 1/9%
Owen	11 1/9%
Salt River	11 1/9%
Shelby	11 1/9%

The Members shall amend the foregoing identification of Members and Percentage Interests from time to time as necessary to reflect the transfer of Interests and the admission of additional or substituted Members, in each case as herein provided.

4.2 **Additional Capital Contributions.** No Member shall be required or permitted to make additional Capital Contributions to Envision except as consented to by the Members pursuant to Sections 5.1(c) and 6.2(g) hereof.

#### ARTICLE V

5.1 **Future Financing.** The Members anticipate that in the future the company may require additional funds for capital expenditures or working capital requirements, and any such additional funding shall be obtained from any of the following sources as may be approved by a majority in interest of the Members:

- (a) cash reserved of the company;
- (b) loans to be obtained from banks and other such independent sources, in which event, the Members shall exert reasonable efforts to assist the company in obtaining any such loans;
- (c) additional Capital Contributions made to the company by the Members;
- (d) loans to be made to the company by (i) the Members and/or (ii) a related company of any of the Members; or
- (e) any other funding source mutually agreed upon by the Members.

5.2 **Capital Accounts; Maintenance Generally.** A single separate Capital Account shall be maintained for each Member.

- (a) Each Member's Capital Account shall be increased by (i) the amount of money contributed by such Member to the company, (ii) the fair market value of property contributed by such Member to the company (net of liabilities secured by such contributed property that the company is considered to assume or take subject to under I.R.C. Section 752), and (iii) the allocations to such Member of Net Profits and the amount of any items of income and gain allocated to such Member under Sections 5.6 through 5.10 hereof.
- (b) Each Member's Capital Account shall be decreased by (i) the amount of money distributed to such Member by the company, (ii) the fair market value of property distributed to such Member by the company (net of liabilities secured by such distributed property that such a partner is considered to assume or take subject to under I.R.C. Section 752), and (iii) such Member's distributive share of Net Losses and the amount of any items of deduction or loss allocated to such Member under Sections 5.8 through 5.10.
- (c) The value of all items of property reflected in the Capital Accounts of the Members shall be adjusted to their fair market values and such adjustments shall be reflected in the Capital

Accounts of the Members as part of Net Profits or Net Losses or under Section 5.10 hereof, as the case may be, as of the following times:

- (1) in connection with a contribution of money or other property (other than a *de minimis* amount) to the company by a new or existing Member as consideration for an Interest in the company;
  - (2) in connection with a liquidation of the company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) or a distribution of money or other property (other than a *de minimis* amount) by the company to a retiring or continuing Member as consideration for an interest in the company;
  - (3) in connection with adjustments to the basis of property of the partnership pursuant to I.R.C. Sections 734(b) or 743(b), but only to the extent that the Capital Accounts of the Members are adjusted as required in Regulations Section 1.704-1(b)(2)(iv)(m).
- (d) The value in the Capital Accounts of the Members of an item of property of the company that is distributed to a Member shall, immediately prior to such distribution, be adjusted to its fair market value and such adjustment shall be reflected in the Capital Accounts of the Members as part of Net Profits or Net Losses.
- (e) Any Member who shall receive an interest (or whose interest shall be increased) by means of a transfer to it of all or part of the interest of another Member, shall have a Capital Account which reflects the Capital Account of the transferred interest (or the applicable percentage thereof in the case of a transfer of a part of an interest).
- (f) Notwithstanding any provision of this agreement to the contrary, the Members intend that each Member's Capital Account shall be maintained and adjusted in accordance with the I.R.C. and the Regulations, including without limitation, (i) the adjustments permitted or required by I.R.C. Section 704(b) and, to the extent applicable, the principles expressed in I.R.C. Section 704(c) and (ii), the adjustments required to maintain Capital Accounts in accordance with the "substantial economic effect test" set forth in the Regulations under I.R.C. Section 704(b).

**5.3 Allocation of Net Profits and Net Losses.** After the allocations required by Sections 5.4 through 5.10 hereof have been made, Net Profits and Net Losses shall be allocated among the Members in accordance with their respective percentage interests.

**5.4 Minimum Gain Chargeback.** If there is a net decrease in Minimum Gain for a fiscal year, to the extent required in Regulations Section 1.704-2(f), each Member shall be allocated items of income and gain for such fiscal year, and if necessary, for subsequent fiscal years in accordance with Regulations Section 1.704-2(j)(2)(iii), equal to the Member's share of the net decrease in Minimum Gain within the meaning of Regulations Section 1.704-2(g)(2). The items of income and gain to be allocated pursuant to this section shall be those items described in Regulations Section 1.704-2(f)(6) and (j)(2)(i). This Section 5.4 is intended to constitute a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f).

**5.5 Member Non-recourse Debt Minimum Gain Chargeback.** If there is a net decrease in Member non-recourse debt minimum gain for a fiscal year, to the extent required in Regulations Section 1.704-2(i)(4), each Member with a share of that Member non-recourse debt minimum gain, determined in accordance with Regulations Section 1.704-2(i)(5), as of the beginning of such fiscal year shall be allocated with Regulations Section 1.704-2(j)(2)(iii), equal to the Member's share of the net decrease in Member non-recourse debt minimum gain, determined in accordance with Regulations Section 1.704-2(i)(4). The items of income and gain to be allocated pursuant to this Section shall be those items described in Regulations Section 1.704-2(i)(4) and (j)(2). This

Section 5.5 is intended to constitute a "partner non-recourse debt minimum gain chargeback" within the meaning of Regulations Section 1.704-2(i)(4).

- 5.6 *Qualified Income Offset.*** If a Member unexpectedly received an adjustment, allocation, or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6), such Member shall be allocated items of income and gain (consisting of a pro rata portion of each item of the income, including gross income, and gain of the company for such fiscal year) in an amount and manner sufficient to eliminate as quickly as possible and to the extent required by the Regulations, the deficit Capital Account balance of such Member in excess of the amounts that such Member is deemed obligated to restore pursuant to Regulations Section 1.704-2(g)(1) and § 1.704-2(i)(5). The allocations made pursuant to this Section 5.6 shall be made after all other allocations pursuant to Sections 5.3 through 5.5 and 5.8 through 5.10 have been made. This Section 5.6 constitutes a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d).
- 5.7 *Gross Income Allocation.*** In the event that any Member has a deficit Capital Account at the end of any fiscal year in excess of the amount that such Member is deemed obligated to restore pursuant to Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be allocated items of income and gain in the amount of such excess. The allocations made pursuant to this Section 5.7 shall be made after all other allocations pursuant to Sections 5.3 through 5.6 and 5.8 through 5.10 have been made.
- 5.8 *Allocation of Non-recourse Deductions.*** Non-recourse deductions for each taxable year shall be allocated among the Members in accordance with their respective percentage interests.
- 5.9 *Allocation of Member Non-recourse Deductions.*** Member non-recourse deductions shall be allocated to the Members that bear the economic risk of loss with respect to the Member non-recourse debt in accordance with Regulations Section 1.704-2(i)(1).
- 5.10 *Allocation of Regulations Section 1.704-1(b)(2)(iv)(M) Adjustments.*** If an adjustment to the Capital Accounts of the Members is required by Regulations Section 1.704-1(b)(2)(iv)(m)(2) or (4) because of a distribution in complete liquidation of a Member's interest, the amount of such adjustment shall be treated as an item of gain, if it increases the tax basis of property of the company, or as an item of loss, if it decreases the tax basis of property of the company. If Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies to the adjustment to the Capital Accounts, such items of gain or loss shall be allocated to the Members in accordance with their percentage interests. If Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies to the adjustment to the Capital Accounts, such items of gain or loss shall be allocated to the Member receiving the distribution.
- 5.11 *I.R.C. Section 704(c) Tax Allocations.*** Solely for tax purposes, and in accordance with I.R.C. Section 704(c), income, gain, loss, and deductions with respect to property contributed to the company by a Member shall be shared among the Members so as to take account of the variation between the basis of the property to the company for federal income tax purposes and its fair market value at the time of its contribution. If the value of any property of the company reflected in the Members' Capital Accounts is adjusted pursuant to Section 5.2(c)(1) or (2), thereafter, allocations of depreciation, depletion, amortization, and gain or loss with respect to such property shall be determined so as to take into account the variation between the adjusted tax basis and the adjusted value of such property as reflected in the Members' Capital Accounts in the same manner as under I.R.C. Section 704(c).
- 5.12 *Distributions.*** Notwithstanding anything in this Agreement to the contrary, no distribution shall be made to any Member in the event that such Member has defaulted in the performance of any of the terms, conditions, covenants, undertakings, or obligations set forth in this Agreement and such default shall not have been remedied within sixty (60) days after written notice thereof from the other Members. So long as any such default is continuing, the defaulting Member shall assign to the other Members its right to receive, and its interest in, distributions to the extent necessary to compensate each other Member for its losses, damages, costs, and expenses resulting directly or indirectly from such default. If the defaulting Member shall dispute whether a default has occurred, or the amount of the loss, damage, cost, or expense incurred by the non-defaulting

Member as a consequence of a default, the matter shall promptly be submitted to the dispute resolution procedure set forth in Article IX hereof.

**5.13 Return of Capital.** Except as herein provided with respect to distributions during the term of the company or following dissolution, no Member has the right to demand a return of such Member's Capital Contribution (or the balance of such Member's Capital Account). Further, no Member has the right (i) to demand and receive any distribution from the company in any form other than cash or (ii) to bring an action of partition against the company or its property. The Manager shall have no personal liability for the repayment of the capital contributed by Members.

## ARTICLE VI

### Management of Envision

#### **6.1 The Manager.**

- (a) Except as otherwise provided herein or if not otherwise addressed herein, and subject to the approval rights of the Members hereunder or if not covered herein, the Kentucky Act, (i) the business and affairs of Envision shall be managed by or under the direction of a Manager and (ii) the power to act for or to bind Envision shall be vested exclusively in the Manager, subject to the Manager's authority to delegate powers and duties to employees and others as set forth herein. Subject to obtaining any necessary approvals hereunder, the Manager shall have the power and authority to execute and deliver contracts, instruments, filings, notices, certificates, and other documents of whatsoever nature on behalf of Envision (including, without limitation, the Articles of Organization, any amendments thereto and any other certificates required or permitted to be filed by or on behalf of Envision pursuant to the Kentucky Act or like law of any other jurisdiction). Except as otherwise required by applicable law, any such contract, instrument, certificate, or other document shall require the signature of only the Manager or the signature of such officer, employee, or agent to whom authority has been delegated.
- (b) The Manager need not be a Member and shall be selected by a majority in interest of the Members. The Manager shall serve at the pleasure of the Members, and may be removed with or without cause by a majority in interest of the Members.
- (c) The initial Manager shall be James C. Worley who shall serve in such capacity until his resignation or removal by the Members as set forth in paragraph 6.1(b) above.
- (d) Only the Manager and employees or agents of the company authorized by the Manager shall have the authority to bind the company. No Member who is not a Manager or otherwise authorized as an agent shall take any action to bind the company, and each Member shall indemnify the company for any costs or damages incurred by the company as a result of the unauthorized action of such Member.
- (e) The Manager shall possess and exercise any and all powers that are reasonably necessary, convenient or implied to conduct, direct, or carry out any business or enterprise of the company, including but not limited to, the following:
  - (1) decisions as to any expenditure (whether by purchase, lease or otherwise) less than Five Thousand Dollars (\$5,000.00);

Exception: Where the expenditure is directly related to a valid purchase order received from a customer, the manager is authorized to spend up to the value of the purchase order on equipment and services required to fulfill the requirements of the purchase order.

- (2) loans in amounts less than Five Thousand Dollars (\$5,000.00);
- (3) decisions as to giving credit in amounts less than Ten Thousand Dollars \$10,000.00);
- (4) decisions as to the giving of any guarantee or indemnity to secure the liabilities or obligations of any other person or entity which are in the amount of less than Five Thousand Dollars (\$5,000.00);
- (5) decisions as to the disposition of assets;
- (6) material decisions regarding the initiation, defense, conduct, or settlement of litigations, arbitrations, or other disputes involving amounts less than Two Thousand Dollars (\$2,000.00);
- (7) determination of the number of employees of Envision and their selection, removal, and compensation agreements.

**6.2 Member Approval.** Notwithstanding the general authority of the Manager under Section 6.1, the following matters shall require the approval of a majority in interest of the Members:

- (a) any amendment of this Agreement;
- (b) any merger or consolidation of or involving Envision;
- (c) any lease, sale, exchange, conveyance, or other transfer or disposition of all or substantially all, of the assets of Envision;
- (d) a change of the name of Envision;
- (e) engaging in a business other than as specifically provided for by this Agreement;
- (f) payment of distributions to the Members except in connection with the dissolution and winding up of Envision;
- (g) the contribution of additional capital by the Members to Envision;
- (h) the assignment of any of the property of Envision in trust for the benefit of creditors, or the making or filing, or acquiescence in the making or filing by any other person, of a petition or other action requesting the reorganization or liquidation of Envision under the Bankruptcy Laws;
- (i) selection of any independent auditors;
- (j) the issuance of any additional Interests or, except as otherwise provided in Article VII in connection with the transfer of an Interest, the admission of additional or substituted Members; and
- (k) any other matter that is subject to the agreement, consent, or approval of the Members hereunder.



(l) any action not specifically delegated to the Manager by 6.1(e).

**6.3 Disagreement.** In the event the Members are unable to make a determination on any matter requiring the approval of the Members, or in the event any other disagreement of the Members, such disagreement shall promptly be submitted to the dispute resolution procedure set forth in Article IX hereof.

**6.4 Meetings of Members.** Meetings of the Members shall be held as determined by the Members.

**6.5 Operation of the Company.** Each Member agrees to make its employees and resources reasonably available on a contract basis to Envision (or to cause a Related Company to make the same available) as determined by the Manager. Employees of each Member (or their Related Companies) providing services to Envision shall be compensated directly by the Member with the Member being reimbursed for the salary and benefits costs of such employees by Envision. Each Member covenants and agrees to indemnify, hold harmless, and release Envision and the other Members from and against any and all claims and demands arising out of or relating to any injury or loss or damage to persons, property or business of whatsoever kind or nature to the extent arising out of or relating to the conduct or negligence of the indemnifying Member (or its Related Companies) or that of its employees in providing the services and resources referenced in this Section.

**6.6 Limitation on Liability of Manager.** The Manager shall not have any liability to Envision or the Members for any losses sustained or liabilities incurred as a result of any act or omission of such Manager if (i) the Manager acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the interests of Envision and (ii) the conduct of the Manager did not constitute actual fraud, gross negligence, or willful misconduct.

**6.7 Liability to Third Parties.** The Debts, obligations, and liabilities of Envision, whether arising in contract, tort, or otherwise, shall be solely the debts, obligations, and liabilities of Envision, and the Manager shall not be obligated personally for any such debt, obligation, or liability by reason of his or her acting as a Manager of Envision.

## ARTICLE VII

### Rights and Obligations of Members

**7.1 Limited Liability.** No Member shall be personally liable for any debts, liabilities, or obligations of Envision; provided that each Member shall be responsible (i) for the making of any Capital Contribution required to be made to Envision by such Member pursuant to the terms hereof and (ii) for the amount of any distribution made to such Member that must be returned to Envision pursuant to applicable law.

**7.2 Voting Rights of Members.** Each Member's vote shall be weighted in proportion to the interest of that Member in Envision.

**7.3 Participant in Management.** No Member, as such, shall take any part in the day-to-day management of the business of Envision nor shall any Member, by reason of its status as such, have any right to transact any business for Envision or any authority or power to sign for or bind Envision. Notwithstanding the foregoing, Members shall have the right to approve or disapprove or otherwise consent or withhold consent with respect to such matters as are specified in this Agreement or if not specified therein, the Kentucky Act; and provided that Members may take such actions on behalf of Envision and execute documents or otherwise bind Envision to the extent, if any, that such powers are delegated to any such Member by the Manager from time to time.

**7.4 Restrictions on Transfer.** Each Member agrees not to sell, assign, pledge, encumber, or otherwise transfer (collectively "Transfer") its Interests, or any portion thereof or interest therein, or to withdraw from Envision, except as provided in this Article VII without consent of each Member. Any Transfer or attempted withdrawal other than as permitted by this Article VII shall be null and void. Upon the Transfer by a Member of all of its

Interest in a manner permitted or required pursuant to the provisions of this Article VII, such Member shall be deemed to have withdrawn as a Member and shall have no further rights as a Member hereunder.

**7.5 *Transfer Between Members.*** Any Member may Transfer all or any part of its Interest to another Member upon such terms as may be agreed between them.

**7.6 *Merger of Members.*** In the event of a merger or consolidation of two or more Members, the surviving or successor entity shall be admitted as a substituted Member and succeed to the combined interests of the merging or consolidating Members.

**7.7 *Third Party Transfer Procedures.***

(a) In the event a Member wishes to Transfer all or part of its Interest to a third party (any such Member being herein referred to as "Seller"), it shall first obtain the approval of a two-thirds (2/3) majority in interest of the remaining Members. After such approval, the Seller shall offer to Transfer such Interest to the other Members at the price and on the terms and conditions offered by the third party by providing written notice thereof, which notice shall include a copy of the written offer made by such third party including all terms and conditions thereof. Within forty-five (45) days of the receipt of Seller's notice, the other Members may either (i) accept the Seller's offer and purchase the Seller's Interest at the price and on the other terms set forth in the third party offer, (ii) decline such offer or (iii) require Seller to obtain from the third party an irrevocable written offer to purchase such other Members' Interests at a price equal to the third party offer price, divided by Seller's Percentage Interest, and multiplied by the combined Percentage Interest of the other Members. In the event that the other Members do not take any such action in response to the notice, they shall be deemed to have declined the offer.

(b) If the other Members accept the offer of the Seller pursuant to the clause (i) of Section 7.7(a), then the other Members, or a Related Company designated by them, shall purchase the offered Interest pursuant to the terms of the third party offer (and, as applicable, may cause the Related Company purchaser to be admitted as a substituted Member and continue the business of Envision without dissolution). If the other Members decline the offer or are deemed to have declined the offer, the other Members shall, within six (60) days of Seller's notice, consent to the Transfer of Seller's Interest to the third party, in which case Seller shall have the right to Transfer its Interest to such third party at a price, not less than that included in Seller's notice, and otherwise on the terms and conditions set forth in the Seller's notice, within ninety (90) days of the date of Seller's notice (and at the time of closing of the Transfer, the transferee shall be admitted as a substituted Member with respect to the transferred Interest and the business of Envision shall be continued). If the other Members take the action referenced in clause (iii) of Section 7.5(a) and the third party makes and irrevocable written offer to purchase the other Members' Interests as therein provided within thirty (30) days, then the other Members and Seller shall jointly sell their respective Interests to the third party within one hundred and twenty (120) days of the date of Seller's notice. If the third party does not make such an offer, then Seller shall have no right to make the Transfer.

**7.8 *Withdrawal From Company.***

(a) In the event that a Member wishes to withdraw from Envision any such Member being herein referred to as a ("Withdrawing Member") it shall notify the other Members in writing of such desire at least 120 days prior to the effective date of such proposed withdrawal, and shall offer to sell its Interest to the other Members at a price and on such other terms as are specified in such notice.

- (b) Within thirty (30) days of the date of receipt of such notice the other Members shall do one of the following: (i) notify the Withdrawing Member of their acceptance of the Withdrawing Member's offer (individually or on behalf of a Related Company) at the price and on the other terms specified, (ii) notify the Withdrawing Member of their intent to purchase (or to cause a Related Company to purchase) the Withdrawing Member's Interest at its fair market value determined in accordance with Section 7.8(c) below, or (iii) decline such offer in which case the Withdrawing Member may elect to dissolve Envision pursuant to Section 8.1(a)(3). In the event the non-withdrawing Members elect to purchase (or to cause a Related Company to purchase) the Interest of the Withdrawing Member pursuant to clause (i) above, payment for the Withdrawing Member's Interest shall be due within sixty (60) days. In the case of a purchase pursuant to clause (ii) above, payment shall be due thirty (30) days after the fair market value has been determined. If the Withdrawing Member's Interest is acquired by a Related Company of a non-withdrawing Member or Members, then, at the time of closing, the Related Company shall be admitted as a substituted Member with respect to the transferred Interest and the business of Envision shall be continued.
- (c) In order to determine the fair market value of the Withdrawing Member's Interest, an independent appraiser appointed by mutual agreement of the Members ("Third Party Appraiser") shall be retained to determine the price that a willing buyer would pay a willing seller (under no compulsion to sell) in an "arms length" transaction for the Withdrawing Member's Interest by determining the value of Envision as a going concern and applying the Withdrawing Member's Percentage Interest to that value. Such amount shall be the fair market value of the Withdrawing Member's Interest. The Third Party Appraiser shall be permitted access to such records and information relating to Envision, and its business and markets, as it deems relevant to its inquiry, and it shall sign a nondisclosure agreement acceptable to the Members. The Third Party Appraiser shall be requested to render its decision in writing to the Members within sixty (60) days of the date it is retained. The Third Party Appraiser's fees, as approved in advance by the Members, shall be shared equally by the Members.

**7.9 Default.** In the event that any of the Members should default in the performance of any of the terms, conditions, undertakings, covenants, or obligations set forth in this Agreement and such default shall not have been remedied within sixty (60) days after written notice thereof from the other Members, such other Members may, without prejudice to any other remedies available to them at law or in equity, deliver written notice to the defaulting Member electing, either (i) to dissolve Envision pursuant to Section 8.1 (a) or (ii) to purchase the defaulting Member's Interest at the fair market value determined pursuant to Section 9.6(c), less the amount of any loss, damage, cost, or expense incurred by the non-defaulting Members as a consequence of the default. If the defaulting Member shall dispute whether a default has occurred, or the amount of the loss, damage, cost, or expense incurred by the non-defaulting Member as a consequence of a default, the matter shall promptly be submitted to the dispute resolution procedure set forth in Article IX hereof. In the event that the other Members determine to purchase the interest of the defaulting Member pursuant to clause (ii) above, then the Member whose interest is to be acquired shall be deemed to be a Withdrawing Member for purposes of Section 7.7 and to have given notice of an offer to sell its Interest to the other Member at the fair market value determined under Section 7.7(c), and the operative provisions of Section 7.7(b), and (c) shall be applicable.

**7.10 Bankruptcy.** In the event of the bankruptcy (as defined in the Kentucky Act) of a Member, such Member shall be deemed to be a Withdrawing Member for purposes of Section 7.7 and to have given notice of an offer to sell its Interest to the other Members at the fair market value determined under Section 7.7(c), and the operative provisions of Section 7.7(b) and (c) shall be applicable, except that if the other Members do not elect to purchase the Interest of the bankrupt Withdrawing Member or if a third party purchaser cannot be found, Envision shall dissolve.

**7.11 Survival of Obligations.** Dissolution of Envision and any termination of the Associated Agreements for any cause shall not release any party from any liability which at the time of dissolution or termination has already

accrued to any party, nor affect in any way the survival of the rights, duties, and obligations of any party provided for in Article VII of this agreement.

**7.12 Substituted Members.** Any transferee acquiring the Interest of a Member as permitted under Sections 7.5, 7.6, 7.7, 7.8, 7.9 or 7.10 shall be deemed admitted as a substituted Member with respect to the Interest transferred concurrently with the effectiveness of the Transfer (provided that such transferee, unless already a Member, shall, as a condition to such admission, execute a counterpart of this Agreement, agreeing thereby to be bound by all of the terms and conditions thereof), and such substituted Member shall be entitled to all of the rights and benefits under this Agreement of the Transferor of such interest. No purported Transfer of any Interest, or any portion thereof or interest therein, in violation of the terms of this Agreement (including any Transfer occurring by operation of law) shall vest the purported transferee with any rights, powers, or privileges hereunder or have any right to vote or consent with respect to Envision matters, to inspect Envision records to maintain derivative proceedings, to maintain any action for an accounting or to exercise any other rights of a Member hereunder or under the Kentucky Act.

**7.13 Additional Members.** Additional Members may be admitted to Envision only with the approval of the Members pursuant to Section 6.2(j). The Capital Contribution and the Percentage Interest of any additional Member shall be as determined by the Members approving the admission (and the Percentage Interest of all other Members shall be adjusted to reflect the Percentage Interest granted to the additional Member, pro rata based on relative Percentage Interests immediately prior to the admission of the additional Member). Any additional Member shall execute a counterpart of this Agreement, agreeing thereby to be bound by all of the terms and provisions hereof.

## ARTICLE VIII

### Dissolution

#### **8.1 Dissolution.**

(a) Envision shall be dissolved upon the following:

- (1) The written consent of the Members; or
- (2) The occurrence of any event which, according to this Operating Agreement, shall cause dissolution.
- (3) Failure of Envision and a withdrawing Member to agree on the value of the Member's share as described in 7.8.

(b) Upon dissolution of Envision, the Manager, or if there is no remaining Manager, such person as is designated by the Members (the remaining Manager or such person being herein referred to as the "Liquidator") shall proceed to wind up the business and affairs of Envision in accordance with the terms hereof and the requirements of the Kentucky Act. A reasonable amount of time shall be allowed for the period of winding up in light of prevailing market conditions and so as to avoid undue loss in connection with any sale of Envision assets. This Agreement shall remain in full force and effect during the period of winding up.

(c) In connection with the winding up of Envision, before the later to occur at the end of the fiscal year of Envision or the ninetieth day after the liquidation of Envision within the meaning of Regulations Section 1.704-1 (b)(2)(i)(g), the assets of Envision shall be distributed as follows:

- (1) to creditors, including Members and Managers who are creditors (other than by reason of the operation and effect of KRS 275.235), to the extent otherwise permitted by law, in satisfaction of liabilities of Envision (whether by payment or the making of reasonable provision for payment thereof);
  - (2) to Members in satisfaction of liabilities for distribution under KRS 275.235; and
  - (3) thereafter to Members in proportion to their respective positive Capital Account balances under Sections 5.2 through 5.10 through the date of distribution.
- (d) Each Member shall have a first right to purchase the assets of Envision upon dissolution. If only one Member wishes to exercise such right of purchase with respect to particular assets, then the terms of the purchase shall be as agreed upon among the Members, provided that if mutually acceptable terms cannot be so agreed upon, the assets shall be sold by the Liquidator on the best available terms and any Member may submit a bid. If the Members wish to purchase all, or the same part, of Envision's assets, and no agreement can be reached among the Members as to which is to purchase the assets, any Member may submit a bid for the assets to the Liquidator, and the Liquidator shall approve the sale of the assets to the Member offering the higher cash price. In lieu of the foregoing purchase procedures, assets of Envision remaining after satisfaction of the claims of third party creditors may be distributed in kind to the Members in such manner as may be agreed upon among all Members.
- (e) Subject to Section 7.10, upon dissolution of Envision, the Associated Agreements shall terminate or be extended in accordance with their respective terms.
- (f) If distributions are insufficient to return to any Member the full amount of such Member's Capital Contributions, such Member shall have no recourse against any other Member or the Manager. No Member shall have any obligation to restore, or otherwise pay to Envision, any other Member, or any third party, the amount of any deficit balance in such Member's Capital Account upon dissolution and liquidation. Following the completion of the winding up of the affairs of Envision and the distribution of its assets, Envision shall be deemed terminated and the Liquidator shall file Articles of Dissolution in the Office of the Secretary of State of the Commonwealth of Kentucky as required by KRS 275.315. The provisions of Section 6.3 (as applicable), and Article VII (to the extent subject to the survival provisions of Section 7.10) shall survive termination of Envision.

## ARTICLE IX

### Dispute Resolution

- 9.1 **Invoking Procedure.** In the event of a dispute between or among the Members arising out of or related to this Agreement, any Member may invoke the procedures specified in this Article by giving written notice to the other Members. Such written notice will describe briefly the nature of the dispute and shall identify an individual with authority to settle the dispute on behalf of that Member. The Member receiving such notice shall have ten (10) days within which to designate an individual with authority to settle the dispute on its behalf and to notice the other Members of its designation (the individuals so designated shall be referred to as the "Authorized Individuals").
- 9.2 **Investigation.** The Authorized Individuals shall make whatever investigation each deems appropriate and promptly thereafter, but no later than thirty (30) days from the date of the original notice invoking these procedures, shall commence discussions concerning resolution of the dispute. If the dispute has not been resolved within sixty (60) days from the date of the original notice invoking these procedures, the Members shall submit the matter to ADR in accordance with the following procedure.

- 9.3 **Neutral.** The Members shall have ten (10) days from the expiration to the sixty (60) day period referred to in Section 9.2 or the agreement of the Members to submit the matter to ADR, whichever occurs first, within which to agree upon a mutually acceptable person not affiliated with any party ("Neutral"). If no Neutral has been selected within that time period, the Members agree to request the American Arbitration Association, the Center for Public Resources, or other mutually agreed-upon organization, to supply within ten (10) days a list of at least three (3) potential Neutrals with qualifications as specified by the Members in the joint request. Within seven (7) days of receipt of the list, the Members shall rank the proposed candidates independently, exchange rankings and select as the Neutral the individual who received the highest combined ranking who is available to serve.
- 9.4 **Schedule.** In consultation with the Neutral, the Members shall designate a mutually convenient time and place for the ADR, and unless circumstances require otherwise, such time shall be not later than forty-five (45) days after the selection of the Neutral.
- 9.5 **Discovery.** In the event any Member has substantial need for information in the possession of another Member or a need to take certain limited depositions and/or production of principal documents in order to prepare for the ADR, the Members shall attempt in good faith to agree on a plan for the expeditious exchange of such information. Should they fail to reach agreement, any Member may request a meeting with the Neutral who shall assist them in reaching an accommodation.
- 9.6 **Written Submission.** One week prior to the first scheduled session of the ADR, each Member shall deliver to the Neutral and to the other Members a written summary of its views on the matter in dispute. The summary shall be no longer than twenty double-spaced pages unless the Members agree otherwise.
- 9.7 **Representatives.** In the ADR, each Member shall be represented by the Authorized Individual and by counsel. In addition, each Member may bring additional persons as necessary to respond to questions or contribute information as needed. The number of such additional persons to be allowed shall be mutually agreed by the Members with the assistance of the Neutral, if necessary.
- 9.8 **Structure.** The Neutral is authorized to conduct joint and separate meetings with the Members and to help the Members structure whatever form of presentation of the matter in dispute is most likely to facilitate resolution. Notwithstanding the form of the presentation, it is the intent of the Members to provide an opportunity for their Authorized Individual, with or without the assistance of counsel, and with the assistance of the Neutral, to negotiate a resolution of the matters in dispute. In the event the Neutral holds separate private caucuses with either Member, he or she shall keep confidential all information learned in such private caucuses unless specifically authorized to make disclosure of the information to the other Member. There shall be no stenographic, visual, or audio record made of the ADR.
- 9.9 **Mandatory.** The Members agree to participate in the ADR to its conclusion as designated by the Neutral and not to terminate negotiations concerning resolution of the matters in dispute until at least two (2) weeks thereafter. Each Member agrees not to commence a lawsuit or seek other remedies prior to the conclusion of the two-week post-ADR negotiation period, provided that any Member may commence litigation on any date after which the commencement of litigation could be barred by an applicable statute of limitations or in order to request an injunction to prevent irreparable harm. In such event, the Members agree (except as prohibited by court order) to continue to participate in the ADR to its conclusion.
- 9.10 **Fees.** The fees of, and authorized costs incurred by, the Neutral shall be advanced by Envision and shared equally by the Members who shall reimburse Envision. The Neutral shall be disqualified as a witness, consultant, expert, or counsel for any Member with respect to the matters in dispute and any related matters.

**9.11 *Later Proceedings.*** The ADR is a compromise negotiation for purposes of the Federal Rules of Evidence and the Kentucky Rules of Evidence. The entire procedure is confidential. All conduct, statements, promises, offers, views, and opinions, whether oral or written, made in the course of the ADR by any of the Members, their agents, employees, representatives, or other invitees to the ADR and by the Neutral, who is the parties' joint agent for the purposes of these compromise negotiations, are confidential and shall, in addition and where appropriate, be deemed to be work product and privileged. Such conduct, statements, promises, offers, views, and opinions shall not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the Members and shall not be disclosed to anyone not an agent, employee, expert, witness, or representative for any of the Members. Evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the ADR.

## ARTICLE X

### Conflicts of Interest

- 10.1 *Due Diligence.*** It shall be the duty of Members, Manager, employees and agents of the company to faithfully and diligently administer the business of the company as would diligent and prudent persons acting in their own behalf; to keep accurate and correct records of all business transacted; and to exercise prudence and economy in the business of the company; to act in good faith, and only in the best interests of the company.
- 10.2 *Acceptance of Gifts.*** No Member, Manager or employee or any Close Relative thereof shall accept or keep any gifts, fees, loans or favors from suppliers, contractors, consultants, financial institutions or any person or entity with which the company does business, which is of significant value and which would tend to obligate or induce them to compromise their duty and responsibility to conduct all affairs of the company solely with the best interests of the company uppermost in mind, unless disclosed to and approved by a majority interest of the Members.
- 10.3 *Confidentiality of Business Information.*** Members, Managers, employees and agents shall at all times maintain the complete confidentiality of the company's business information.

## ARTICLE XI

### Financial Matters

- 11.1 *Books and Records.*** The books and records of Envision shall be maintained on an accrual basis in accordance with generally accepted accounting principles. These and all other records of Envision shall be maintained at the principal office of Envision (or at such other locations approved by the Members) and shall be available for examination by the Members.
- 11.2 *Financial Reports.*** The Manager shall cause to be prepared (i) as of the end of each fiscal year of Envision, (ii) as of the date of dissolution of Envision, and (iii) as of such additional dates as the Manager may direct, in accordance with generally accepted accounting principles consistently applied, appropriate financial statements showing the assets, liabilities, capital, profits, expenses, losses, and recovered and unrecovered capital expenditures of Envision and a statement showing all amounts credited and debited to each Member's Capital Account and of each Member's distributive share, for federal income tax purposes, of income, gains, deductions, losses; and credits (or items thereof) arising out of Envision operations, as required by law, and a further statement reconciling any difference between the Member's respective Capital Accounts as shown in such financial statements and their Capital Accounts as determined in accordance with the provisions of this Agreement. A copy of each report shall be delivered to each Member within 90 days after each such applicable date.
- 11.3 *Fiscal Year.*** The fiscal year of Envision shall end on December 31.

**11.4 Company Funds.** Pending application or distribution, the funds of Envision shall be deposited in such bank accounts, or invested in such interest-bearing or non-interest-bearing investments, including without limitation, federally insured checking and savings accounts, certificates of deposit, government issued or backed securities, or mutual funds investing primarily in such types of securities, as shall be designated by the Manager. Such funds shall not be commingled with the funds of any other person. Withdrawals therefrom shall be made upon such signatures as the Manager may designate.

**11.5 Tax Matters Partner.** Envision and each Member hereby designates EKPC as the "tax matters partner" for purposes of I.R.C. Statute 6231 and the Regulations promulgated thereunder. Copies of all notices received by the tax matters partner shall promptly be sent to the Manager. All returns, required filings, and other correspondence to be submitted to any taxing authority shall be furnished to the Members for review and approval at least thirty (30) days prior to the date on which such matters are required to be filed or otherwise submitted.

**11.6 Tax Returns.** The Manager shall cause all tax returns for Envision to be prepared and timely filed with the appropriate authorities and, within sixty (60) days after the end of each fiscal year, shall provide to the Members such information as shall be necessary for the preparation by the Members of their federal income tax returns.

## ARTICLE XII

### Miscellaneous

**12.1 Notices.** All notices and other communications required or permitted to be given or made under this Agreement shall be given or made in writing. Such notices shall be delivered by hand delivery, by telecopy, or similar electronic means, by nationally recognized overnight courier, or by certified or registered mail, return receipt requested, addressed as follows:

<b>If to EKPC:</b>	East Kentucky Power, Inc. Attention: Roy M. Palk, Chief Executive Officer 4775 Lexington Road P.O. Box 707 Winchester, Kentucky 40392-0707 Telephone: (859) 744-4812 Fax: (859) 744-6008
<b>If to Blue Grass:</b>	Blue Grass Energy Cooperative Corporation Attention: Dan Brewer, President and Chief Executive Officer 1201 Lexington Road P.O. Box 990 Nicholasville, Kentucky 40356 Telephone: (859) 885-4191 Fax: (859) 885-2854
<b>If to Cumberland Valley:</b>	Cumberland Valley Electric, Inc. Attention: Ted Hampton, Manager Highway 25E Gray, Kentucky 40734 Telephone: (606) 528-2677 Fax: (606) 528-8458



**If to Farmers:** Farmers Rural Electric Cooperative Corporation  
Attention: Jackie B. Browning, President and Chief Executive Officer  
504 South Broadway  
P.O. Box 1298  
Glasgow, Kentucky 42142-1298  
Telephone: (270) 651-2191  
Fax: (270) 651-7332

**If to Jackson:** Jackson Energy Cooperative, Inc.  
Attention: Donald R. Schaefer, President and Chief Executive Officer  
Highway 421 South  
P.O. Box 307  
McKee, Kentucky 40447  
Telephone: (606) 287-7161  
Fax: (606) 287-7168

**If to Nolin:** Nolin Rural Electric Cooperative Corporation  
Attention: Michael L. Miller, President and Chief Executive Officer  
411 Ring Road  
Elizabethtown, Kentucky 42701-8701  
Telephone: (270) 765-6153  
Fax: (270) 735-1053

**If to Owen:** Owen Electric Cooperative  
Attention: Robert M. Marshall, President and Chief Executive Officer  
510 South Main Street  
P.O. Box 400  
Owenton, Kentucky 40359-0400  
Telephone: (502) 484-3471  
Fax: (502) 484-2661

**If to Salt River:** Salt River Electric Cooperative Corporation  
Attention: J. Larry Hicks, General Manager  
111 West Brashear Avenue  
Bardstown, Kentucky 40004  
Telephone: (502) 348-3931  
Fax: (502) 348-1993

**If to Shelby:** Shelby Energy Cooperative, Inc.  
Attention: Dudley Bottom, Jr., President and Chief Executive Officer  
620 Old Finchville Road  
Shelbyville, Kentucky 40065-1714  
Telephone: (502) 633-4420  
Fax: (502) 633-2387

Any party may change its address for the purpose of this Section 12.1 by notice to the other given in the manner set forth above.

12.2 **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky in a like manner as an agreement made and wholly to be performed in the Commonwealth of Kentucky.

- 12.3 *Headings.* The Article and Section headings of this Agreement are for convenience only, do not form a part of this Agreement, and shall not in any way affect the interpretation thereof.
- 12.4 *Construction and Amendment.* No oral explanation of or oral information relating to this Agreement offered by either party hereto shall alter the meaning or interpretation to this Agreement. Except as otherwise provided in Section 4.1 (g), no amendment of the terms of this Agreement shall be binding on either party hereto unless reduced to writing and duly executed by each of the Members.
- 12.5 *Successors and Assigns.* Subject to the restrictions on Transfer set forth in Article VII, this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.
- 12.6 *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.
- 12.7 *Entire Agreement.* The terms and conditions contained herein and in the Associated Agreements constitute the entire agreement between the Members concerning the subject matter thereof, and shall supersede all previous communications, either oral or written, between the parties hereto, and no agreement or understanding varying or extending this Agreement shall be binding upon each Member unless in writing, signed by a duly authorized officer or representative of each Member.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first set forth above.

MEMBERS

EAST KENTUCKY POWER COOPERATIVE, INC.

By: Ray M. Palk

Title: Pres. & CEO

BLUE GRASS ENERGY  
COOPERATIVE CORPORATION

By: [Signature]

Title: Pres/CEO

CUMBERLAND VALLEY ELECTRIC, INC.

By: [Signature]

Title: Manager

FARMERS RURAL ELECTRIC COOPERATIVE  
CORPORATION

By: Jackie B. Browning  
Title: President & CEO

JACKSON ENERGY COOPERATIVE

By: Donald R. Slusher  
Title: PRESIDENT & CEO

NOLIN RURAL ELECTRIC COOPERATIVE  
CORPORATION

By: Michael L. Mills  
Title: President + CEO

OWEN ELECTRIC COOPERATIVE CORPORATION

By: Donald J. [Signature]  
Title: ~~President~~ / CEO

SALT RIVER RURAL ELECTRIC COOPERATIVE  
CORPORATION

By: [Signature]  
Title: General Manager

SHELBY ENERGY COOPERATIVE, INC.

By: Dwight Bottom Jr.  
Title: President & CEO