

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION **RECEIVED**

FEB 23 2007

In the Matter of:

PUBLIC SERVICE
COMMISSION

**AN INVESTIGATION INTO EAST KENTUCKY)
POWER COOPERATIVE, INC.'S CONTINUED) CASE NO.
NEED FOR CERTIFICATED GENERATION) 2006-00564**

**PREPARED TESTIMONY OF JAMES C. LAMB
ON BEHALF OF
EAST KENTUCKY POWER COOPERATIVE, INC.**

- Q1. Please state your name and address.
- A1. James C. Lamb, Jr., East Kentucky Power Cooperative, Inc., 4775 Lexington Road,
P.O. Box 707, Winchester, Kentucky 40392-0707.
- Q2. By whom are you employed, and in what capacity?
- A2. I am employed by East Kentucky Power Cooperative, Inc., ("EKPC") and I am Senior
Vice President of Power Supply.
- Q3. What are your responsibilities at EKPC in that position?
- A3. I am responsible for Resource Planning, Transmission Planning, Mid-Term Planning,
Market Forecasting & Analysis, Generation Dispatch, Strategic Planning, Fuels &
Emissions, Rates & Regulatory Filings, and Financial Forecasts.
- Q4. What was your role in the preparation of information that has been provided to the
Commission by EKPC in this proceeding?
- A4. I was responsible for coordinating and reviewing information.
- Q5. Were you involved in EKPC's re-evaluation of its power supply needs in response to
the decision of Warren Rural Electric Cooperative Corporation ("Warren RECC") to
terminate its future power supply arrangement with EKPC?

A5. Yes. My resource planning staff was responsible for that re-evaluation of EKPC's entire capacity expansion plan, in light of the Warren RECC decision.

Q6. How did the Warren RECC decision impact EKPC's plans to construct Spurlock Station Unit No. 4 ("Spurlock 4")?

A6. When Warren announced its return to the Tennessee Valley Authority ("TVA") for power supply, EKPC had already incurred around \$230 million of expenses for Spurlock 4. Given that amount of investment in the generating unit that was identified as the lowest cost baseload capacity option in EKPC's 2004 Request for Proposals ("RFP"), EKPC made an immediate assessment of whether EKPC's member systems could utilize the generator as a part of their least cost resource portfolio.

EKPC found that Spurlock 4 should continue on its current timeline, since its energy and capacity will be fully required by EKPC member systems for baseload demand as of the commercial operation date of April 2009, and will represent the most cost-effective capacity available to meet that identified need. No excess capacity or energy will result from Spurlock 4's commercial date of April 2009.

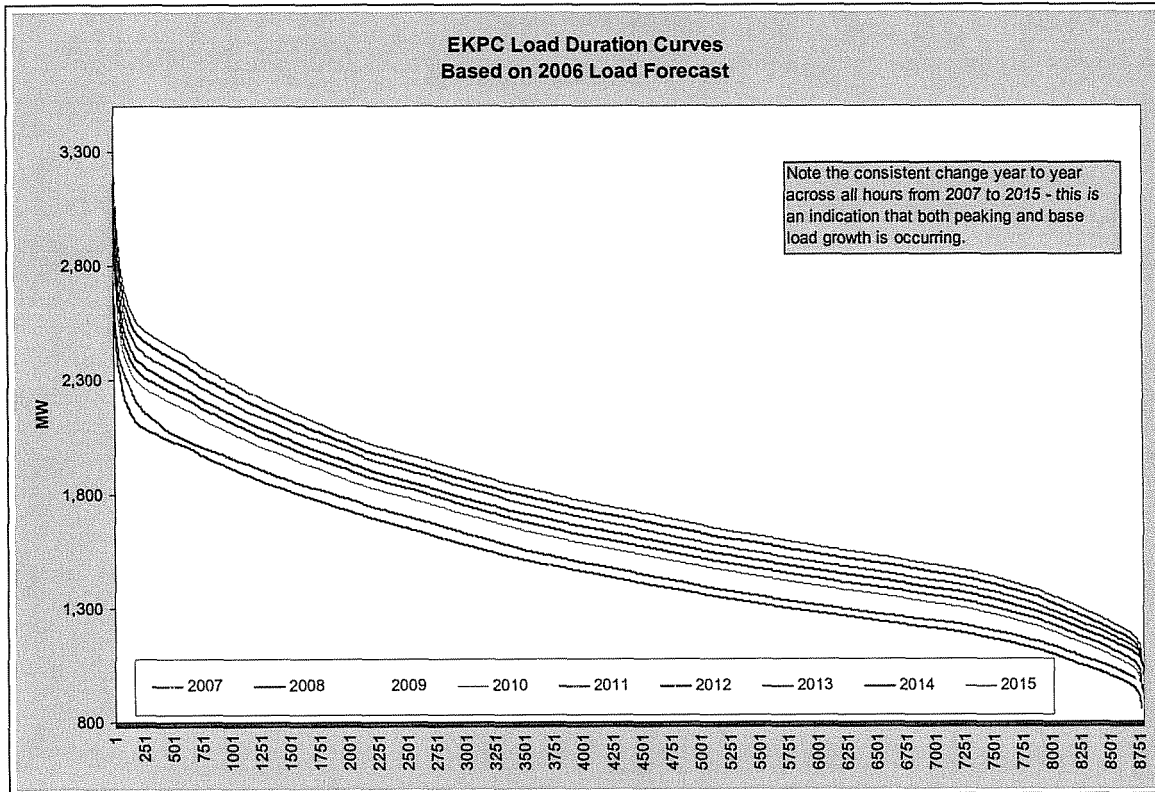
There are two reasons why EKPC reached the above conclusions. First, the company is currently in an energy and capacity deficit, and is having to rely, sub-optimally, on market purchases. Second, Spurlock 4 construction costs are helped by virtue of existing infrastructure in place at Spurlock Station.

Q7. If the Spurlock 4 plant will be used to meet the needs of the existing EKPC system, is the construction and operation of the proposed Smith Station Circulating Fluidized Bed ("Smith CFB") Unit 1 by 2009 reasonable and necessary to meet additional EKPC base load capacity requirements?

A7. EKPC had planned for commercial operation of the Smith CFB 1 unit by 2009, when the unit was originally intended to meet EKPC system needs in that timeframe, along with the construction of the Spurlock 4 unit to serve Warren RECC. Due to delays in obtaining necessary approvals and permits, the feasible schedule for the construction of that unit had already extended to August, 2010, by the time the Warren RECC decision was announced, in December of 2006. In its re-evaluation of its capacity expansion plan, EKPC determined that the operation of Smith CFB 1 unit in 2010 was the least cost alternative for baseload capacity, and was, therefore, reasonable and necessary to meet additional EKPC baseload capacity requirements.

Q8. Please explain your analysis of EKPC system demand that led to this conclusion.

A8. The chart below reports EKPC's projected load duration curve for each year from 2007 – 2015. Such curves are used to describe the overall loadshape of electric utilities. The area under the load duration curve, for example represents load factor. The curves shown below point out (a) the relatively large amount of residential sales made by EKPC member systems, and (b) the relatively high amount of electric heat on the system. The chart illustrates that base load growth is occurring, in addition to peaking load growth. This can be seen by looking at the middle of the chart. Because all points on the load duration curve are growing, the probability exists that a baseload generator will prove to be the least cost power supply option. Upon further analysis by EKPC, Smith CFB 1 was determined to be part of an overall least cost resource portfolio.



EKPC used the above load information, with other load information, and conducted a rigorous supply side analysis. Please refer to EKPC Response 3, PSC Case No. 2006-00471, Commission Staff's Request Dated 12/20/06, as well as EKPC Response 14, PSC Case No. 2006-00564, Commission Staff's Request Dated 1/26/07, for a more detailed description of how EKPC calculated its revised capacity expansion plan.

Q9. Did your revised analysis show any changes in projected baseload capacity needs for the EKPC system, compared to previous analyses?

A9. Baseload generation tends to have high fixed costs and low operating costs. Peaking generation tends to have the opposite cost characteristics. EKPC's expansion planning models search for the right mixture of both, such that total cost to meet the load duration curves in the chart are minimized.

Please note, for example, that EKPC modeled 3,500 possible expansion plans, from which it chose the best least cost plan. Smith 1 CFB, with updated capital cost information, was selected by the model as a least cost resource option to meet EKPC's projected load growth.

It is likely that had the load duration curves looked differently, the least cost expansion plan would have been a different set of resources.

Q10. Did EKPC make any assumptions about the construction of the planned baseload and peaking units when it conducted its re-evaluation of its expansion plan?

A10. The table below reports EKPC demand and energy projections, with or without Warren. Using this information, EKPC prepared a resource portfolio to serve its expected peak demands and energy requirements.

Season	Firm Winter Peak Demand With Warren (MW)	Total Requirements With Warren (MWh)	Load Factor (%)	Season	Firm Winter Peak Demand Without Warren (MW)	Total Requirements Without Warren (MWh)	Load Factor (%)
2008	2,848	14,793,556	59%	2008	2,848	13,399,136	54%
2009	3,346	15,716,559	54%	2009	2,938	13,769,433	54%
2010	3,439	16,133,913	54%	2010	3,021	14,138,674	53%
2011	3,520	16,499,166	54%	2011	3,094	14,461,695	53%
2012	3,595	16,879,983	53%	2012	3,162	14,799,211	53%
2013	3,694	17,261,436	53%	2013	3,251	15,140,383	53%
2014	3,775	17,621,408	53%	2014	3,326	15,465,143	53%
2015	3,856	17,981,314	53%	2015	3,398	15,787,203	53%
2016	3,931	18,370,418	53%	2016	3,468	16,138,823	53%
2017	4,031	18,744,186	53%	2017	3,560	16,477,304	53%
2018	4,118	19,129,686	53%	2018	3,638	16,823,792	53%
2019	4,209	19,539,698	53%	2019	3,722	17,204,211	53%
2020	4,299	19,977,370	53%	2020	3,804	17,601,161	53%
2021	4,408	20,408,388	53%	2021	3,904	17,985,946	53%
2022	4,503	20,837,354	53%	2022	3,992	18,377,759	53%
2023	4,597	21,258,006	53%	2023	4,078	18,760,769	53%
2024	4,678	21,683,180	53%	2024	4,153	19,148,972	53%
2025	4,781	22,086,886	53%	2025	4,248	19,519,545	52%
2026	4,869	22,475,651	53%	2026	4,329	19,874,324	52%

Note: 2008 includes Warren peaks and energy beginning April 1, 2008.

Please refer to EKPC Response 3, PSC Case No. 2006-00471, Commission Staff's Request Dated 12/20/06, as well as EKPC Response 14, PSC Case No. 2006-00564, Commission Staff's Request Dated 1/26/07, for a detailed description of how EKPC computed its resource plan.

Please note that once Warren announced it would return to TVA for power supply (in early December 2006), EKPC immediately began to reexamine its future capacity needs. Smith CFB 1 and the 5 planned combustion turbines were not assumed as future generation. Rather, EKPC took the opportunity to review and/or update key assumptions such as capital cost, interest rates, etc. Its expansion planning model was then re-run. EKPC understood before the model was run that without Warren, it would no longer need all of the 800 MW of capacity and energy that it had in its previous plan. EKPC did not know, however, which of the generators would be either moved further out in time, or permanently removed from the resource plan by the model. The results of the modeling were as follows:

- Two of the five combustion turbines were kept in 2009
- 3 of the five combustion turbines were moved to the 2012 – 2014 time slot
- Smith CFB 1 was kept in 2010

In summary, the commercial operation of Smith CFB 1 in 2010 was not an assumption in the resource plan analysis, rather it was an outcome of the analysis.¹

Q11. Has EKPC evaluated delaying the construction of Smith CFB Unit 1?

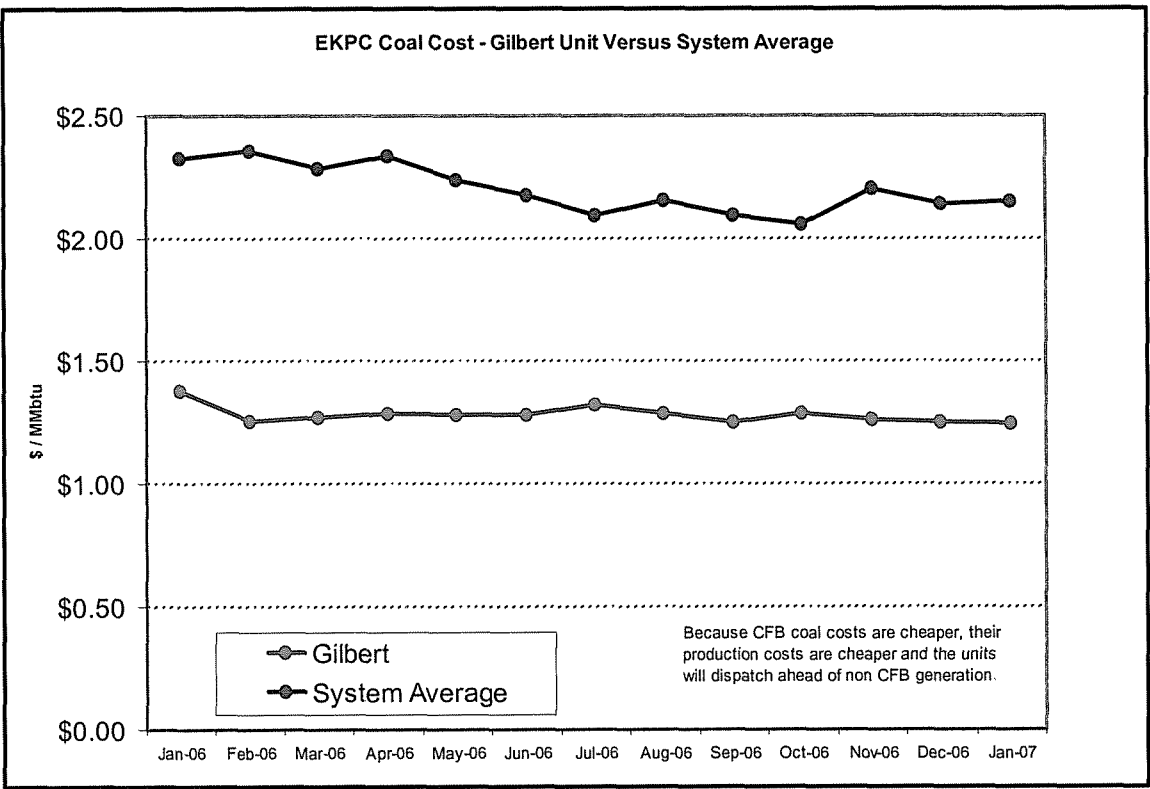
A11. When EKPC modeled its future expansion plan, it looked at over 3,500 possible plans.

Many of those plans included Smith CFB 1 being constructed further out in time.

¹ EKPC now believes that June 2011 is a more practical on-line date for Smith 1 CFB. Such a commercial operation date would not result in a wasteful duplication of facilities or excessive investment in facilities.

However, the best, least cost expansion plan included Smith 1 CFB in 2010. The expansion planning model's least cost solution, relating to the exit of Warren RECC, was to delay 300 MW of proposed combustion turbines, while keeping the 278 MW Smith 1 CFB in its original time slot.

When EKPC looks at the relatively inexpensive cost of energy that Smith 1 CFB will generate for the next 30 years or so, the generator's value to the overall EKPC resource portfolio is high. The chart below compares EKPC's Gilbert CFB Unit coal costs with EKPC's average coal cost.



Now, however, even though delay of the unit has not been shown to be justified from an economic standpoint, EKPC has determined that an August 2010 commercial operation date will not be possible, and that June 2011 is a more practical commercial date. This

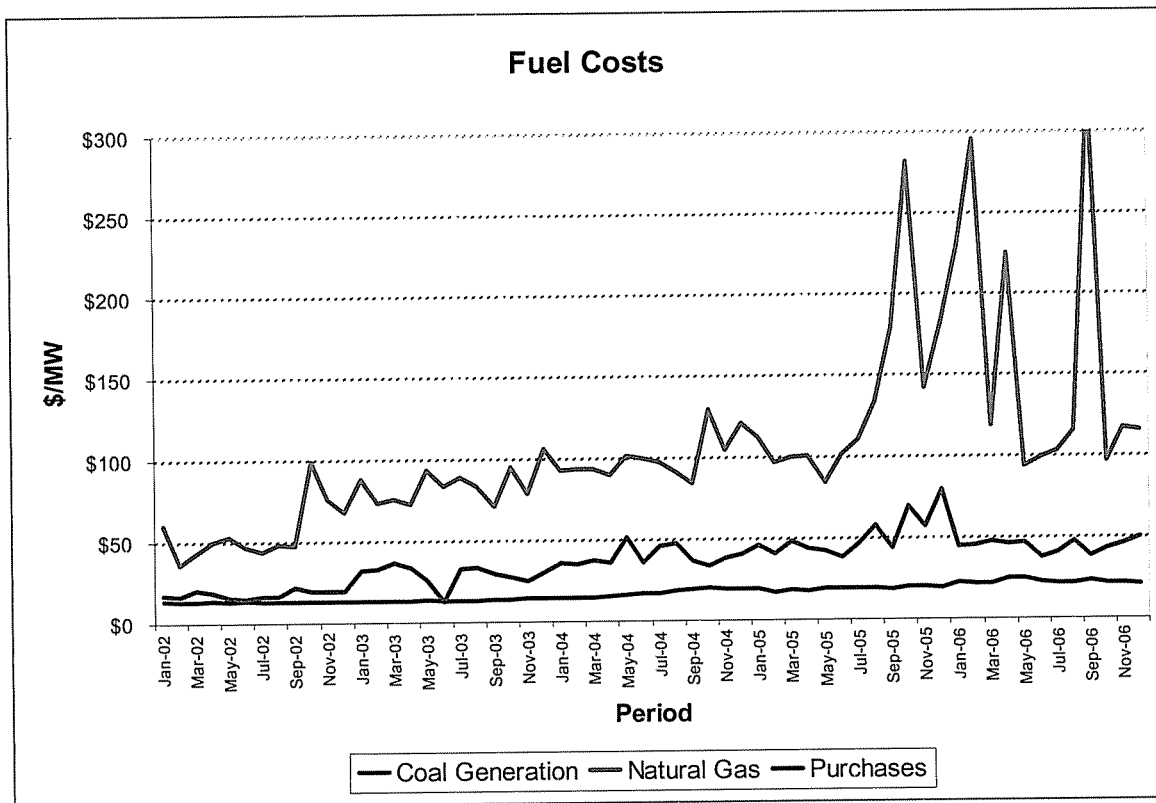
additional delay is necessitated by the cumulative effects of delays in securing the operating permit for the unit from the Kentucky Division of Air Quality, and in the completion of environmental reviews required in advance of Rural Utilities Service (“RUS”) approval of the project.

Q12. Would any further delay in the commercial operation of that unit, beyond this new commercial date, be in the best interests of EKPC’s members?

A12. Any delay in the commercial operation of Smith CFB 1 beyond June 2011 would not be in the best interests of EKPC’s members, for two reasons:

First, Smith CFB 1 is a least cost resource option for the identified baseload needs of the EKPC system, taking Warren RECC’s exit into account. Please refer to EKPC Response 3, PSC Case No. 2006-00471, Commission Staff’s Request Dated 12/20/06, as well as EKPC Response 14, PSC Case No. 2006-00564, Commission Staff’s Request Dated 1/26/07, for a detailed description of how EKPC calculated a capacity expansion plan once Warren announced that it would return to TVA for power supply.

Second, Smith CFB 1 is not only a least cost resource option, it is coal-fired. The chart below reports EKPC’s historical fuel cost by type, in \$/MWh. Note that coal prices are both (a) relatively low, and (b) relatively less volatile than either natural gas or purchased power.



EKPC believes that it is in the best interests of its 16 member systems to have in place a robust resource portfolio that can stand up to an uncertain future. The chart above, which goes back to 2002, points out that coal, tends to be low cost and less volatile than alternatives such as natural gas and purchases. Once EKPC's analysis showed that its growing load could support the relatively higher fixed cost of coal-fired generation, Smith 1 CFB represents a least cost resource for EKPC's member systems.

In summary, Smith CFB 1 is a least cost resource option for EKPC's baseload generation needs in 2011 and beyond. Smith CFB 1 will also have the effect of decreasing fuel cost volatility. Both of these conditions indicate that further delay in the commercial operation of Smith CFB 1 would not be in the best interests of EKPC members.

Q13. As a result of the Warren RECC decision, has EKPC re-evaluated its plans to add five new combustion turbine units at the Smith Station site?

A13. The Warren decision to not take power supply from EKPC resulted in a reexamination of all aspects of the capacity resource plan for the future. This has been documented in EKPC Response 14, PSC Case No. 2006-00564, Commission Staff's Request Dated 1/26/07.

EKPC reviewed the need for Smith CFB 1 and for the planned 5 combustion turbines.

The results of the analysis were that Smith CFB 1, and 2 combustion turbines represented the best, least cost power supply solution. The remaining 3 combustion turbine commercial on-line dates were pushed out into the 2012 – 2014 time frame.

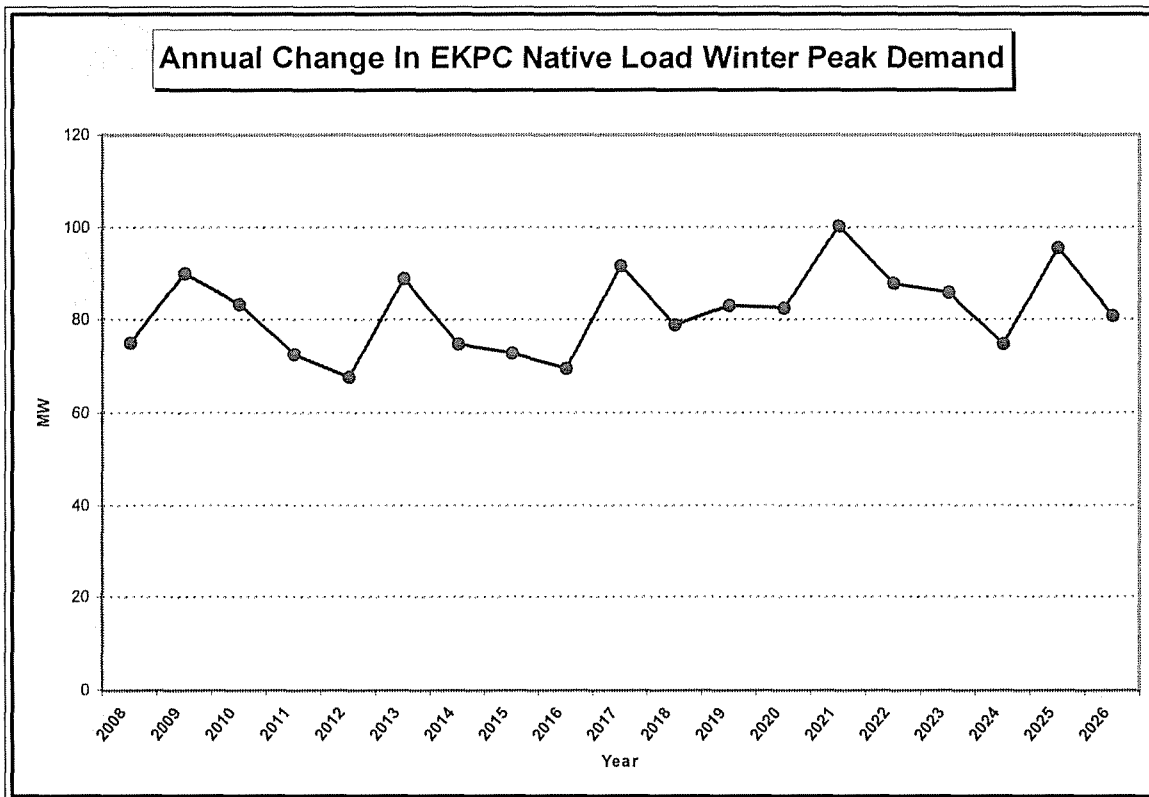
Please see EKPC Response 8, PSC Case No. 2006-00564, Appendix B, Commission Staff's Request Dated 1/5/07, for a table that shows relatively high reserve margins, should combustion turbines 10-12 become commercial before they are needed for load.

It was possible that the revised expansion plan could have kept more peaking capacity and delayed or cancelled Smith CFB 1, but that did not happen. Due to the fact that EKPC already has a fair amount of gas-fired peaking capacity installed, and due to the very high price volatility seen in natural gas, the least cost option as determined by EKPC's expansion model was to defer peaking capacity rather than Smith CFB 1.

The analysis delivered the following message to EKPC – with 800 MW of natural gas fired combustion turbines already in place, the addition of 500 MW of additional natural gas fired combustion turbines, while feasible, was not optimal for the EKPC loadshape.

Q14. Do EKPC's present demand requirements justify the construction of Smith CT Units 8 and 9, with commercial operation by 2009, or would such a commercial operation date result in a wasteful duplication of facilities or excessive investment in facilities?

A14. The commercial operation of Smith CT Units 8 and 9 by June 2009 will not result in a wasteful duplication of facilities or excessive investment in facilities. Please see Lamb Testimony Exhibits 1 and 2 for a description of EKPC's reserve margin. The chart below shows the projected change in EKPC's winter peak demand.



Note that winter peak demand is projected to grow by around 80 to 100 MW each year. Given EKPC's current capacity deficit as illustrated in Lamb Testimony Exhibit 2, the addition of Smith CT Units 8 and 9 by June 2009 is not a wasteful duplication.

Regarding excessive investment, EKPC's 2004 RFP analysis concluded that the General Electric ("GE") LMS-100 combustion turbine was the number one choice. Since then, however, costs for this particular model have risen dramatically. In 2004, the cost per unit was in the range of \$50,000,000 – now, however, GE has advised EKPC that the per unit cost is around \$70,000,000. Based on this large change in cost, and based on recent performance information, EKPC now proposes to utilize its number 2 choice from the 2004 RFP, the General Electric 7EA combustion turbine. The cost to purchase and install the GE 7EA combustion turbine is in the range of \$33,000,000 per unit.

EKPC originally justified the higher LMS100 capital cost from the standpoint that these combustion turbines would be much more efficient than any others in its fleet, and they would tend to be dispatched first and to operate more hours than other available combustion turbines. In fact, when natural gas prices were low enough, they could conceivably be dispatched ahead of some less efficient coal generators. Analysis showed that, given EKPC system characteristics, the LMS100 machines would run somewhere around 2,000 hours a year. Such a relatively high number of hours would justify their relatively high capital cost, similar to how relatively expensive baseload generation is justified. However, now that the LMS100 cost has increased by \$20,000,000 per machine, the break-even number of hours has increased to 3,000 hours per year, a number that EKPC considers unreasonably high, given its system loadshape.

Please see Lamb Testimony Exhibit 3 for a chronology of events relating to the Smith combustion turbines, including the recent desire by EKPC to move from LMS100 technology to 7EA technology.

Q15. If Smith CFB Unit 1 were delayed or cancelled, would the Smith CT Units 8 and 9 still be needed to meet EKPC system needs in 2009?

A15. Should Smith 1 CFB be delayed or cancelled, Smith CT Units 8 & 9 will still be needed to meet system needs in 2009. EKPC's projected January 2009 firm peak demand is 2,938 MW, which is greater than the installed capacity of EKPC's generation. Please refer to Lamb Testimony Exhibit 2 – it reports a reserve margin in January 2009 of negative 7 percent.

In January 2009, in order to meet this peak, given that it does not have enough generating capacity, EKPC must attempt to (a) reserve anywhere from 500 to 700 MW of firm transmission service (at a cost of around \$2 million for the winter season), and (b) utilize the wholesale market in order to meet such relatively high peak demands. This approach will work but it is not optimal, and it will cause some market price volatility to be experienced by EKPC's member systems.

This reliance on purchased power is increasingly risky as well. EKPC is finding it increasingly more difficult to reserve firm transmission, particularly through MISO. Without firm transmission, EKPC risks its market purchases being cut.² On February 15, 2007, EKPC found itself with all its generation operating, and no ability to purchase power beyond its firm transmission limits. On that day, the loss of any one of EKPC's generating units would have put EKPC into an emergency situation. Fortunately such an event did not happen, but the lack of an adequate EKPC reserve margin in the near term is risky.

In other words, EKPC will not have enough capacity to meet its projected January 2009 peak demand. Once Spurlock Unit 4 becomes commercial in April 2009, and CTs 8 & 9 come on-line in June 2009, EKPC's reserve margin becomes positive, but well below its planning reserve margin of 12%.

² Note that since 1999, 20% of all TLRs in the U.S. have occurred in Kentucky.

Q16. Would a delay or cancellation of the commercial operation of Smith CFB Unit 1 make the immediate construction of the Smith CT Units 8 and 9 unreasonable?

A16 A delay or cancellation of the commercial operation of Smith 1 CFB would accelerate the need for Smith CT Units 8 & 9, due to EKPC's current need for capacity. Please see Lamb Testimony Exhibit 1.

While Smith CFB 1 and Smith CT Units 8 & 9 share the same site, they share little else. They differ in technology and fuel, as well as vendor. They do not share common facilities other than the Smith site.

A delay or cancellation of the commercial operations of Smith CFB 1 would enhance the need for Smith CT Units 8 & 9, from a capacity standpoint. A delay or cancellation of the commercial operations of Smith 1 CFB would result in EKPC combustion turbines generating more energy, and would result in an increase in purchased power.

Q17. Since EKPC is now planning to delay the construction of Smith CT Units 10–12, should the Commission rescind its authorization for the construction of those units?

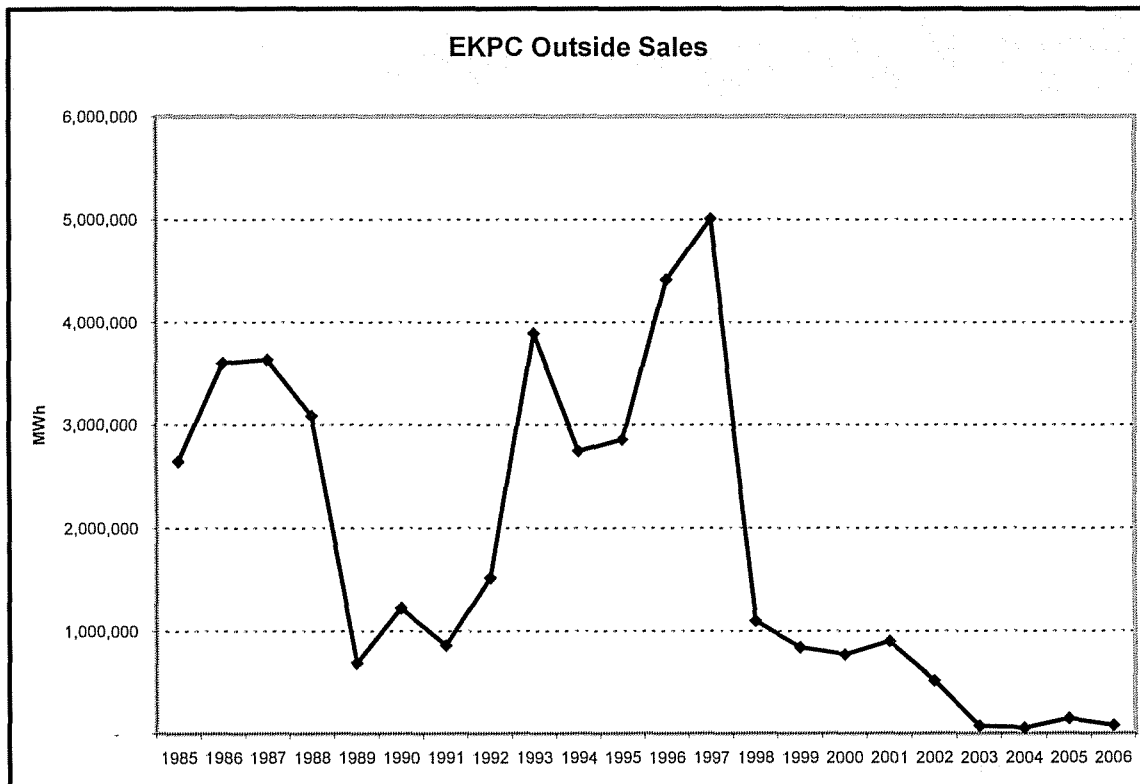
A17. EKPC is not now seeking authorization for any combustion turbines other than Smith CT Units 8 & 9, and would agree that the Commission should rescind its authorization for Smith CT Units 10, 11, and 12. EKPC believes that the relative certainty about the availability of peaking generation means that EKPC can respond to future peaking needs in a quicker, more predictable manner.

The market for combustion turbines is more developed than other types of generation – lead times are shorter, equipment is more available, construction schedules are more certain, etc. Such certainty in the combustion turbine market means that EKPC has more confidence about the timing for them than for baseload coal-fired generation.

EKPC will closely monitor its load growth and the shape of its load duration curve – when the company’s peaking needs require additional resources, it will act to meet them.

Q18. If EKPC finds itself with significant excess capacity as a result of constructing these new generating facilities, is there a reasonable plan for selling such excess power that is not needed to serve native load?

A18. While EKPC does not believe that it will find itself with significant excess capacity as a result of constructing these new generating facilities, the company nonetheless has the established ability to participate in the wholesale market, and could efficiently market any excess capacity or energy that might exist in the future. The chart below reports historical outside sales by EKPC – note the magnitude of sales during the 80s and 90s, when EKPC had excess capacity and energy. Also note the recent lack of sales, as EKPC’s coal-fired capacity is virtually always dedicated to native load.



Furthermore, EKPC uses ACES Power Marketing as its agent for making wholesale transactions. They are one of the largest companies in the U.S. in terms of physical power transactions. For information about ACES Power Marketing, please go to their website at www.acespower.com. They regularly provide EKPC with advice and direction regarding wholesale market transactions, and would be utilized by EKPC in the unlikely event of excess generating capacity.

Q19. If the construction of the new generating facilities should produce such excess generating capacity, should any portion of the costs of these new units be excluded from recovery in EKPC's general rates?

A19. No. EKPC strongly believes that its judgment, that it will not have any significant amounts of excess capacity or energy, for any significant period of time, as a result of the construction of the Smith CFB 1 and Smith CT 8 and 9 units on the currently

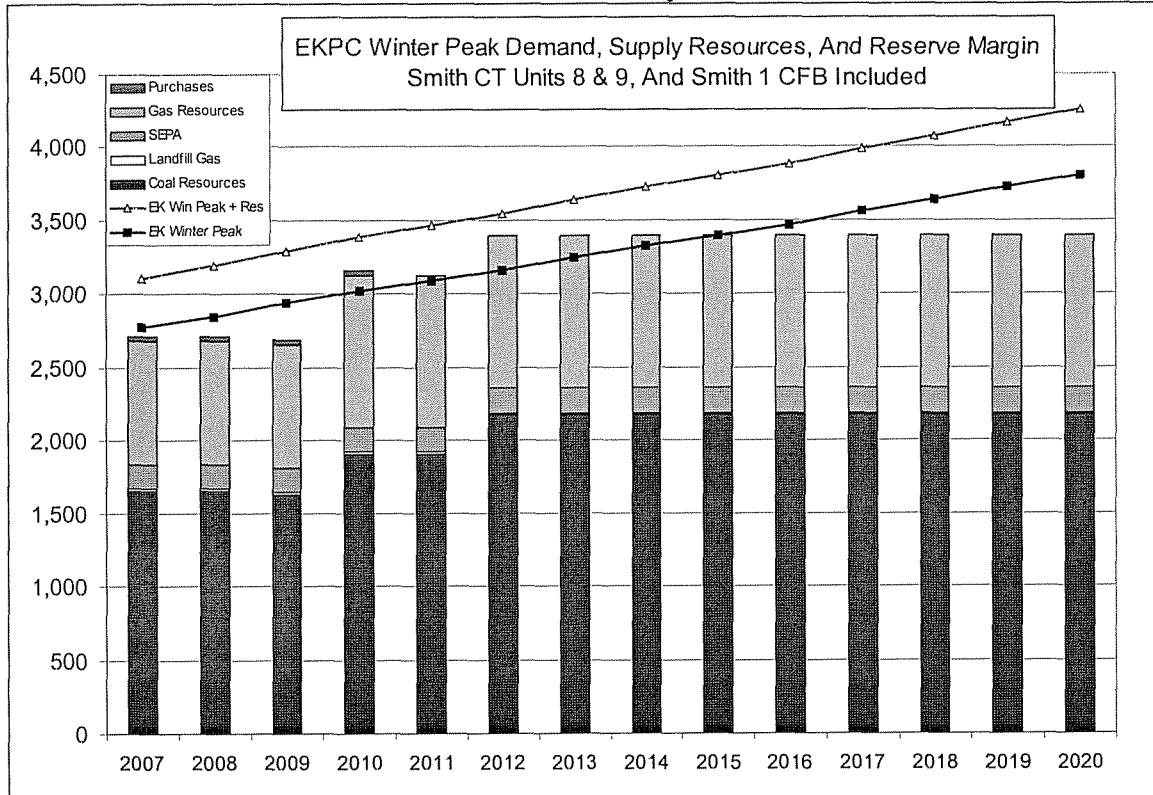
proposed schedules, is supported by sound and reasonable planning decisions that are in the best interests of its member systems. Furthermore, as noted above, EKPC can effectively market any excess capacity or energy that might conceivably result from the addition of these units, and the revenues from any such sales of capacity or energy will go directly to the benefit of the member system owners of EKPC. Finally, EKPC believes that it has used prudent planning procedures in both its demand forecasting, and its supply modeling, in making reasonable determinations that the subject generating units are needed by the EKPC system and will not represent wasteful duplication of facilities.

While the future cannot be predicted with certainty, EKPC is confident that it has used all reasonable efforts in the planning for these units, and contends that any prudent investment in new, needed generating facilities, should not be subject to exclusion from rate recovery as a result of future uncontrollable events.

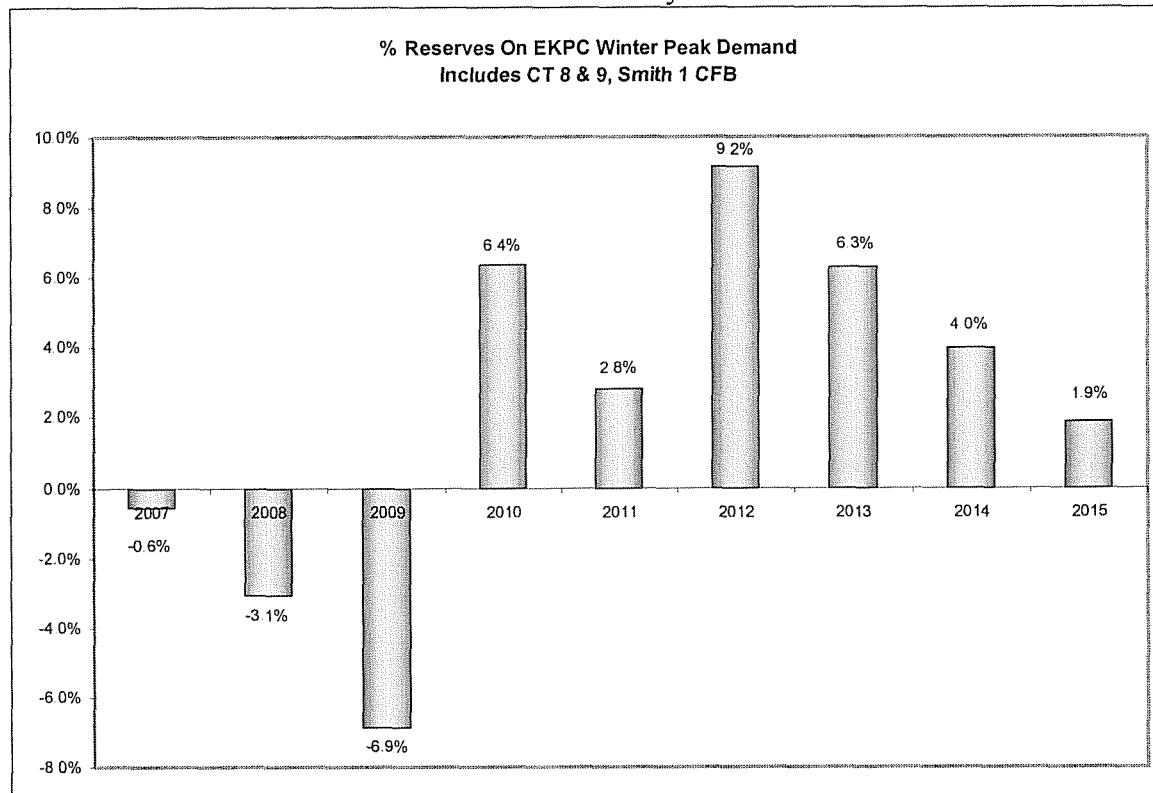
Q20. Does this conclude your testimony?

A20. Yes.

Lamb Testimony Exhibit 1



Lamb Testimony Exhibit 2



April 2, 2004 RFP 2004 Issued

July 16, 2004 Notice to RFP Bidders (Scheduled)

January 31, 2005 PSC CPCN Application Filed

– “Application included copies of environmental assessment reports prepared for Smith Site for submission to RUS to demonstrate compliance with NEPA. Those reports were filed here to support EKPC’s request for a Certificate of Site Compatibility based on NEPA compliance in lieu of filing a site assessment report as described in KRS 278.216(2). The application stated that RUS approval under NEPA was anticipated.”

March 4, 2005 GE Proposal for LMS100s

April 18, 2005 GE Contract Signed

March 10, 2005 GE Contract Signed

- Original Smith Combustion Turbines (CTs) Contract with General Electric (GE)
 - 5 GE LMS100s
 - 10 minute start time
 - Better load following capability
 - No maintenance impacts with cycling
 - 46% efficiency – 10% more efficient than existing CTs
 - Summer rating matches winter rating (100MW)
 - Lower emissions

Signed March 10, 2005

Furnished & Installed \$236,865,000

Price per unit \$47,373,000 (average)

- CT Package approximately \$25M
- BOP equipment & all installation approximately \$22M

First Unit COD May 1, 2007, last May 1, 2008

Contract based on KY PSC CPCN and FNTP by September 1, 2005

September 1, 2005 GE Contract Date for Full Notice to Proceed

November 29, 2005 Public Hearing Held

March 27, 2006 PSC Data Request

- EKPC Responds the NEPA/RUS Process still ongoing.

April 18, 2006 PSC holds case in “abeyance...”

- “abeyance until such time as EKPC would file documentation of compliance with NEPA or, alternatively, a site assessment report pursuant to KRS 278.216(2).”

May 8, 2006 EKPC Files Site Assessment Report

- “prepared by its own employees.”

June 26, 2006 EKPC notifies PSC that:

“EKPC had commenced taking bids on major equipment needed to construct the proposed generating facilities, that a number of those bids were about to expire, and that EKPC would incur significant and escalating cost increases if a CPCN was not issued by July 1, 2006.”

July 5, 2006 PSC holds informal conference:

to discuss EKPC’s Site Assessment Report and equipment bids. EKPC agrees to submit a revised site assessment report prepared by an independent consultant.

July 25, 2006 Site Assessment Report filed

July 28, 2006 Supplemental information filed

relating to mitigation of increased traffic flows filed

August 29, 2006 KY PSC CPCN Received

- KY PSC CPCN not received until August 29, 2006
- Project-to-date expenses
 - Approximately \$2M for GE
 - Approximately \$675K for miscellaneous

September 1, 2006 GE Contract original 1st Unit Ship Date

November 10, 2006 GE Change Authorization Request

- GE Request for CAR after PSC CPNC but prior to WRECC Decision
 - New furnish & install price \$288,967,562
 - Price per unit \$57,793,512
 - CT Package approximately \$28M
 - BOP equipment & all installation approximately \$29M
 - Represents 22% increase in total contract
 - 12% CT Package
 - 32% BOP equipment & all installation
 - Cost modeling results show LMS100s still least cost option for CTs

November/December 2006 WRECC Decides to Leave EKPC

- New (post WRECC) expansion plan
 - 2 LMS100s in January 2009
 - Next CTs out in 2011 or later

December 15, 2006 PSC Informal Conference to Discuss WRECC Decision

January 5, 2007 PSC Establishes Case No.2006-00564 and 1st Data Request

February 5, 2007 GE Provides Budgetary Pricing for 2 LMS100s

- \$140,000,000 +/- 5%
- early Spring 2009 COD for both units

February 6, 2007 Fuel & Power Supplied Brought Up to Date on Smith CTs

- Negotiations with GE on price and manufacturing dates ongoing

KY PSC CPCN expected in March 2007
RUS Approval expected in August 2007

February 13, 2007 PSC Case No. 2006-00564 2nd Data Request

February 15, 2007 EKPC Starts Discussions on Switching to GE 7Eas

- Internal cost estimates of \$38,000,000 per unit, compared to \$70,000,000 for LMS100

February 16, 2007 EKPC Sends Letter Requesting Formal Proposal for 2 7EAs

- Proposal Due Date March 16, 2007
- Price Based on FNTP 1/1/08
- Price Based on COD 6/1/09

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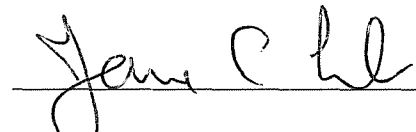
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AFFIDAVIT

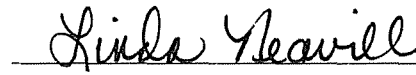
**STATE OF KENTUCKY)
)
COUNTY OF CLARK)**

James C. Lamb, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



James C. Lamb

Subscribed and sworn before me on this 23rd day of February, 2007.



Notary Public Exp: 1/27/08