

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

SECOND DATA REQUEST OF COMMISSION STAFF
TO EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 20, 2006. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If any documents responsive to either these data requests or the Commission's Order dated October 27, 2006, are unavailable for production, explain the reason why said documents are not

available for production. EKPC should update or supplement its answers to these data requests and the Commission's Order dated October 27, 2006 as additional information becomes available.

1. Refer to page 1 of your response to the Commission's October 27, 2006 Order, Item 5. Provide a copy of the Restated and Consolidated Mortgage and Security Agreement with the Rural Utilities Service ("RUS") and National Rural Utilities Cooperative Finance Corporation ("CFC") and any amendments thereto (hereinafter, the "Mortgage Agreement"). The Mortgage Agreement may be produced in electronic format.

2. Provide a copy of all correspondence, notices, and/or other communications (whether written or electronic) since December 1, 2005 between EKPC and RUS, CFC, or Federal Financing Bank regarding EKPC's compliance or non-compliance with the terms of, or its ability or inability to meet its obligations under, the Mortgage Agreement.

3. Refer to page 2 of your response to the Commission's Order of October 27, 2006, Item 5. Provide a copy of the \$650 Million Unsecured Credit Agreement with 16 Financial Institutions and all amendments, revisions, or modifications thereto (hereinafter, the "Credit Agreement").

4. Provide the following information relating to the Credit Agreement:

- a. the total amount drawn on the Credit Agreement for each month since inception of the Credit Agreement and the applicable interest rate for each draw.
- b. the total amount repaid on the Credit Agreement for each month since inception of the Credit Agreement.

c. the current balance outstanding on the Credit Agreement as of November 15, 2006.

d. the current amount available to be drawn on the Credit Agreement as of November 15, 2006.

e. a schedule of anticipated draws to be made on the Credit Agreement between November 15, 2006 and December 31, 2007, including the anticipated amount(s) of the draw(s) and the anticipated date(s) of the draw(s).

5. Provide a copy of all correspondence, notices, and/or communications (whether written or electronic) since December 1, 2005 between EKPC and any of the parties to the Credit Agreement regarding EKPC's compliance or non-compliance with the terms of, or ability or inability to meet its obligations under, the Credit Agreement.

6. Refer to page 3 of your response to the Commission's Order of October 27, 2006, Item 4. Explain the note to the unaudited Projected 2007 EKPC and Subsidiary Interim Consolidated Statements of Cash Flows which states, "Subject to its continued availability, this cash flow projection includes \$200 million of loan advances from the unsecured credit facility. Also included is \$100 million of loan advances related to loans yet to be granted final approval by RUS." The explanation should include the anticipated dates and amounts of advances under the Credit Agreement, the Mortgage Agreement, and any other loan from RUS.

7. Refer to page 3 of your response to the Commission's Order of October 27, 2006, Item 4. Identify each and every action that has been taken or is anticipated to be taken during the next 12 months by EKPC's directors, officers, and/or management to ensure that EKPC continues to have access to the "unsecured credit facility."

8. Refer to page 3 of your response to the Commission's Order of October 27, 2006, Item 4. Identify all "loans yet to be granted final approval by RUS" and for each such loan, provide:

- a. the requested amount of the loan.
- b. the anticipated rate of the loan, and whether said rate will be fixed or variable.
- c. the term or maturity date of the loan.
- d. whether the loan is secured or unsecured and, if secured, the security for the loan.
- e. the purpose for which the proceeds of each loan will be used.
- f. the date an application for the loan was filed with RUS.
- g. the date when RUS is anticipated to grant final approval of the loan application.

9. Refer to page 3 of your response to the Commission's Order of October 27, 2006, Item 4. Provide a copy of all documents submitted to RUS in support of gaining final approval of the loan(s).

10. Identify all outstanding notes, loans, guarantees, or other debt obligations owed or incurred by EKPC to any financial institution or an EKPC member distribution cooperative, and for each such creditor, provide:

- a. the address of the creditor.
- b. the number of notes, loans, guarantees or other debt obligations existing between EKPC and the creditor.

c. the current amount owed by EKPC to the creditor for each note, loan, guarantee, or other debt obligation.

d. the interest rate for each note, loan, guarantee, or other debt obligation, and whether said rate is fixed or variable.

e. the term and maturity date of each note, loan, guarantee, or other debt obligation.

f. the purpose for which the proceeds of each note, loan, guarantee, or other debt obligation will be used.

g. the person(s) principally responsible on behalf of each creditor for managing each note, loan, guarantee, or other debt obligation with EKPC.

11. Identify all past notes, loans, guarantees, or other debt obligations owed or incurred by EKPC from January 1, 2004 to November 15, 2006 to any financial institution or an EKPC member distribution cooperative, and for each creditor, provide:

a. the address of the creditor.

b. the number of notes, loans, guarantees, or other debt obligations existing between EKPC and the creditor.

c. the current amount owed by EKPC to the creditor for each note, loan, guarantee, or other debt obligation.

d. the interest rate for each note, loan, guarantee, or other debt obligation, and whether said rate is fixed or variable.

e. the term and maturity date of each note, loan, guarantee, or other debt obligation.

f. the purpose for which the proceeds of each note, loan, guarantee, or other debt obligation will be used.

g. the person(s) principally responsible on behalf of each creditor for managing each note, loan, guarantee, or other debt obligation with EKPC.

12. Refer to page 21 of your response to the Commission's Order of October 27, 2006, Item 13. Provide a copy of the "Twenty-Year Financial Forecast and Equity Development Plan 2006-2025" adopted by the Board of Directors of EKPC on February 7, 2006. Also provide all assumptions used to develop the forecast.

13. Provide information regarding EKPC's emission allowances, both for sulfur dioxide and nitrogen oxide:

a. for each month of 2005 and 2006, the total number of emission allowances purchased and the price paid for each emission allowance.

b. for each month of 2005 and 2006, the total number of emission allowances sold or transferred by EKPC and the price received for each emission allowance.

c. for each remaining month of 2006 and for each month of 2007, a forecast of the total number of emission allowances which EKPC anticipates purchasing.

d. for each remaining month of 2006 and for each month of 2007, a forecast of the total number of emission allowances which EKPC anticipates selling or transferring.

14. Refer to page 2 of your response to the Commission's Order of October 27, 2006, Item 9 and page 2 of your response to the Commission's Order of October 27,

2006, Item 11. Describe the purpose and nature of the estimated \$7 million expenditure in 2006 and an estimated \$10 million expenditure in 2007 for telecommunications in EKPC's Capital Funds Construction Budget.

15. Refer to pages 6, 19, 29, 52, 72, 84, 96, 125, and 148 of your response to the Commission's October 27, 2006 Order, Item 13. Provide a copy of the report(s) given by President and CEO Roy Palk during the Committee Meeting of the Whole for each Board Meeting of EKPC held during 2006. If there are no written reports, provide a copy of all notes, memoranda, slides, Power Point presentations, and other documents used to present the report(s).

16. Refer to pages 13, 77, 109, 125, and 158 of your response to the Commission's October 27, 2006 Order, Item 13. Provide a copy of the minutes of each Executive Session for each Board of Directors meeting of EKPC held during 2006.

17. Provide a copy of all minutes of each Committee Meeting of the Whole held during 2006, whether in regular or executive session.

18. Refer to pages 109, 125, and 158 of your response to the Commission's October 27, 2006 Order, Item 13.

a. Describe the subject of the presentations made in Executive Session to EKPC's Board of Directors by Robert Byrne on July 11, 2006, August 8, 2006, and September 12, 2006, as well as the scope and extent of his engagement to provide consultancy services to EKPC.

b. Provide a copy of the consulting contract between EKPC and Robert Byrne.

19. Refer to page 158 of your response to the Commission's October 27, 2006 Order, Item 13. Describe the scope, extent, and amount of the Employee Benefits Cost Reduction Proposal discussed at EKPC's September 12, 2006 Board meeting. Also state the date the savings will be implemented and indicate whether savings will be realized through lay-offs, severances, attrition, or other method.

20. Refer to page 44 of your response to the Commission's October 27, 2006 Order, Item 13. Explain why no minutes were kept of the Executive Session of the EKPC Board of Directors meeting which took place on March 14, 2006.

21. Refer to page 1 of your response to the Commission's October 27, 2006 Order, Item 13, where you state that "In addition, the Board receives information regarding the level of EKPC's monthly revenue, expense and margin." Provide a copy of any and all information provided to EKPC's Board of Directors during 2006, not previously provided to the Commission in this proceeding, which relates to EKPC's revenues, expenses, income, cash flows, sales, rates, short-term or long-term financing, construction expenditures, budget revisions, and/or margins.

22. Identify:

a. Each and every agency of government, whether local, state, or federal, which either has an ongoing investigation of any aspect of EKPC's operations or has notified EKPC that an investigation may be opened.

b. Each and every administrative proceeding before which EKPC is currently a party.

23. For each such agency identified in this Order, Item 22, identify the nature of the investigation or proceeding, the current procedural status, and the date when EKPC had knowledge of the pendency of the investigation or proceeding.

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

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

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

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

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

b. On page 19 of 19 in your response to the Commission's October 27, 2006 Order, Item 3, explain why the principal payments on long-term debt

are approximately half of the amounts reported for 2005 and each of the 12-month periods in 2006 from January through August.

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

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

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

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

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

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

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



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED November 9, 2006

cc: All Parties