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COMMISSION

April 26, 2006

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Re: PSC Case No. 2006-00048

Dear Ms. O'Donnell:

In accordance with the Commission's Order in Case No. 2006-00048, enclosed herewith is an original and six (6) copies of EKPC's tariff sheet "Section DSM-3" for the Direct Load Control of Water Heaters and Air Conditioners Program which shows the effective date and approval by authority of the Order.

As indicated in Term section this tariff, a new tariff will be filed with the Commission by August 31, 2007 should EKPC decide to temporarily extend the pilot DSM program beyond September 30, 2007

If you have any questions about this filing, feel free to contact me or Bill Bosta.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

gpm
Enclosures

cc: Bill Bosta

Section DSM - 3

Direct Load Control of Water Heaters Program

Direct Load Control of Air-Conditioners Program

Purpose

The Direct Load Control of Water Heaters and Air Conditioners are demonstration projects established to encourage the reduction in growth of peak demand, enabling the Company to utilize its system more efficiently and defer the construction of new generation.

Availability

Both the Direct Load Control of Water Heaters Program and the Direct Load Control of Air Conditioners Program are available to residential customers in the service territories of EKPC Member System Blue Grass Energy. The Direct Load Control of Water Heaters Program is available at EKPC Member System Big Sandy RECC.

Availability may be denied where, in the judgment of the Member System, installation of the load control equipment is impractical.

Availability is limited to 400 switches on central air conditioning or heat pump units and on electric water heater units for residential customers of Member System Blue Grass Energy.

Availability is limited to 300 switches on electric water heating units for customers of Member System Big Sandy RECC.

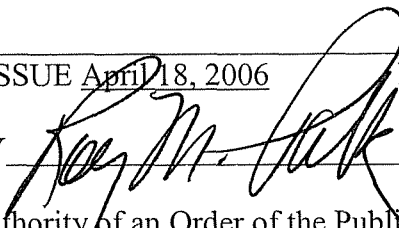
Eligibility

To qualify for these Programs, the participant must be located in the service territory of the participating Member System and have central air conditioning or heat pumps units and/or 40 gallon electric water heating units. The above appliances may be electrically cycled or interrupted in accordance with the rules of this Tariff.

DATE OF ISSUE April 18, 2006

DATE EFFECTIVE June 1, 2006

ISSUED BY



TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. 2006-00048 Dated April 18, 2006

EAST KENTUCKY POWER COOPERATIVE, INC.

Incentive - Direct Load Control of Water Heaters Program

EKPC and Member Systems Big Sandy RECC and Blue Grass Energy will provide an incentive to the participants in this program. EKPC will credit the wholesale power bill of both Blue Grass Energy and Big Sandy RECC \$10.00 per switch. Blue Grass Energy and Big Sandy in turn will credit the residential power bill of the participant \$10.00 per switch. The participant will receive this credit regardless of whether the water heater is cycled.

Incentive - Direct Load Control of Air-Conditioners Program

EKPC and Member System Blue Grass Energy will provide an incentive to the participants in this program. EKPC will credit the wholesale power bill of Blue Grass Energy \$20.00 per switch. Blue Grass Energy in turn will credit the residential power bill of the participant \$20.00 per switch. The participant will receive this credit regardless of whether the air conditioner or heat pump is cycled.

Time Period for the Direct Load Control of Water Heaters Program

A load control switch will be placed on the water heater and may be electrically interrupted for a maximum time period of four hours.

EKPC will cycle the water heaters only during the hours listed below.

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	6:00 a.m. to 12:00 noon 4:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

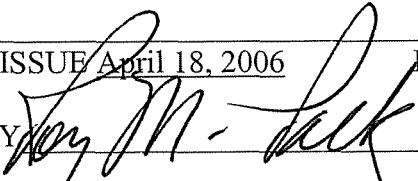
Time Period for the Direct Load Control of Air Conditioners

A load control air conditioning switch will be placed on each central air conditioning unit or heat pump that will allow the unit to be cycled off for 15-minute periods.

EKPC will cycle the air conditioning units and heat pumps only during its summer on-peak billing hours listed below.

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
May through September	10:00 a.m. to 10:00 p.m.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Report to the Commission

EKPC will submit a report to the Commission outlining the results of the demonstration project by December 31, 2007.

Term

The term of the Direct Load Control of Water Heaters Program will be from October 1, 2006 to September 30, 2007. The term of the Direct Load Control of Air Conditioners will be from June 1, 2006 to September 30, 2007. If EKPC should decide to continue this demonstration project beyond September 30, 2007, a new tariff will be filed with the Kentucky Public Service Commission by August 31, 2007.

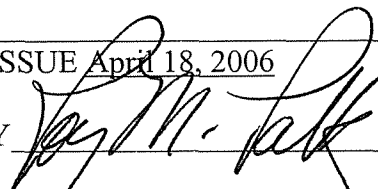
Terms and Conditions

1. If a participant decides to withdraw from the program(s) or change to another load control option, the Member Systems will endeavor to implement the change as soon as possible.
2. Prior to the installation of load control devices, the Member Systems may inspect the participant's electrical equipment to insure good repair and working condition, but the Member Systems shall not be responsible for the repair or maintenance of the electrical equipment.
3. The Member Systems will install, own, and maintain the load management devices controlling the participant's air conditioner or water heater. The participant must allow the Member System reasonable access to install, maintain, inspect, test and remove load control devices. Inability of the Member System to gain access to the load management device to perform any of the above activities for a period exceeding 30 days may, at the Member System's option, result in discontinuance of credits under this tariff until such time as the Member System is able to gain the required access.

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