

**Frost
Brown Todd** LLC
ATTORNEYS

KENTUCKY · OHIO · INDIANA · TENNESSEE · WEST VIRGINIA

Mark David Goss
(859) 244-3232
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March 13, 2009

Via Hand-Delivery

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

MAR 13 2009

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2008-00409

Dear Mr. Derouen:

Pursuant to KRS 278.192 (2)(b), please find enclosed an original and 10 copies of actual operating results for the estimated months of the base period (September 2008 through January 2009.) Also enclosed are originals and 10 copies of balance sheets from the RUS Form 12 for the indicated months.

Sincerely yours,



Mark David Goss

Enclosures

cc: Parties of Record

East Kentucky Power Cooperative

**Statement of Operations
Base Year Actual Results**

| | February-08 Actual | March-08 Actual | April-08 Actual | May-08 Actual | June-08 Actual | July-08 Actual | August-08 Actual | September-08 Actual | October-08 Actual | November-08 Actual | December-08 Actual | January-09 Actual | Totals |
|--------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|---------------------|----------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|
| STATEMENT OF OPERATIONS | | | | | | | | | | | | | |
| Electric Energy Revenues | | | | | | | | | | | | | |
| Power Sales-Member Coops - Basic Rate | \$59,986,494 | \$55,065,516 | \$43,759,307 | \$41,620,759 | \$51,200,821 | \$54,101,251 | \$52,015,498 | \$46,227,753 | \$42,219,368 | \$51,562,587 | \$62,508,960 | \$68,082,514 | \$628,350,828 |
| Power Sales-Member Coops - Fuel Clause | 8,063,583 | 5,954,831 | 7,793,885 | 6,607,850 | 4,978,928 | 12,517,235 | 8,933,230 | 5,165,784 | 12,079,668 | 12,163,610 | 9,493,450 | 12,286,055 | 106,938,209 |
| Power Sales-Member Coops - Environmental Surcharge | 4,222,812 | 3,826,947 | 3,021,259 | 2,664,134 | 3,380,414 | 4,116,070 | 0 | 7,432,036 | 3,083,279 | 4,938,386 | 5,497,816 | 6,385,792 | 48,568,945 |
| Power Sales-Member Coops - Steam | 1,214,798 | 1,179,072 | 1,110,121 | 1,098,533 | 943,775 | 1,074,864 | 983,946 | 1,060,806 | 1,227,229 | 1,271,665 | 1,269,468 | 1,210,514 | 13,644,791 |
| Power Sales - Off System | 1,385,050 | 275,937 | 113,358 | 107,143 | 783,528 | 348,490 | 635,872 | 235,612 | 341,799 | 222,613 | 146,171 | 205,282 | 4,800,855 |
| Wheeling Revenue | 29,210 | 25,632 | 21,155 | 21,456 | 28,200 | 30,044 | 29,140 | 25,360 | 146,722 | 25,566 | 28,658 | 31,884 | 443,025 |
| Other Operating Revenue - Income | 214,788 | 207,684 | 171,200 | 208,469 | 181,064 | 212,773 | 214,042 | 249,747 | 324,396 | 338,059 | 49,529 | 237,478 | 2,510,170 |
| Total Operating Revenue & Patronage Capital | \$75,116,735 | \$66,535,619 | \$55,990,385 | \$52,328,344 | \$61,496,730 | \$72,400,726 | \$63,711,728 | \$60,397,098 | \$59,422,461 | \$70,522,465 | \$78,894,994 | \$88,439,518 | \$805,256,823 |
| Operation Expenses | | | | | | | | | | | | | |
| Production Costs Excludes Fuel | \$4,560,287 | \$4,353,783 | \$5,502,131 | \$3,029,000 | \$5,467,035 | \$5,273,816 | \$5,220,004 | \$4,919,042 | \$4,648,307 | \$3,648,887 | \$5,891,511 | \$4,199,627 | \$56,713,432 |
| Fuel | 25,519,295 | 21,425,750 | 17,730,799 | 17,666,369 | 27,430,102 | 26,063,681 | 28,883,360 | 28,940,116 | 23,910,131 | 28,233,774 | 29,064,640 | 31,555,233 | 306,423,230 |
| Other Power Supply | 15,949,719 | 23,369,523 | 14,251,143 | 12,216,835 | 19,116,700 | 17,356,320 | 11,754,407 | 8,990,888 | 10,403,694 | 11,213,791 | 7,188,296 | 23,184,792 | 179,985,907 |
| Transmission | 2,866,531 | 2,070,030 | 2,306,809 | 2,452,054 | 2,696,433 | 2,532,837 | 1,798,669 | 2,065,974 | 2,151,773 | 1,944,441 | 2,261,790 | 2,054,654 | 27,211,006 |
| Distribution | 33,464 | 39,029 | 52,295 | 81,300 | 75,941 | 92,831 | 48,560 | 63,745 | 87,172 | 57,603 | 45,981 | 51,446 | 729,367 |
| Customer Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Customer Service & Information | 88,558 | 198,876 | 126,612 | 131,435 | 104,207 | 80,949 | 100,816 | 93,082 | 645,675 | 283,534 | 476,132 | 145,719 | 2,475,596 |
| Sales | 1,543 | 2,053 | 1,684 | 2,148 | 1,650 | 1,724 | 1,921 | 1,334 | 4,124 | 1,242 | 1,457 | 847 | 21,728 |
| Administration and General | 1,789,063 | 1,959,893 | 1,911,678 | 1,897,296 | 1,038,722 | 2,796,082 | 1,638,095 | 1,773,841 | 2,029,242 | 2,207,677 | 1,843,836 | 2,381,539 | 23,266,963 |
| Total Operation Expenses | \$50,808,461 | \$53,427,938 | \$41,883,151 | \$37,476,247 | \$55,930,791 | \$54,198,220 | \$49,445,831 | \$46,848,022 | \$43,880,119 | \$47,590,949 | \$46,773,644 | \$63,573,857 | \$591,837,228 |
| Maintenance Expenses | | | | | | | | | | | | | |
| Production | \$2,513,720 | \$3,466,154 | \$6,864,728 | \$8,571,826 | \$7,700,939 | \$2,316,676 | \$7,988,975 | \$3,573,146 | \$1,382,324 | \$1,820,132 | \$3,610,515 | \$1,315,271 | \$51,144,408 |
| Transmission Expense | 254,162 | 258,669 | 361,362 | 381,960 | 362,270 | 291,919 | 180,668 | 660,748 | 289,088 | 324,307 | 434,913 | 198,165 | 3,998,250 |
| Distribution Expense | 93,968 | 93,694 | 104,482 | 76,331 | 117,798 | 174,734 | 89,168 | 88,483 | 101,289 | 78,275 | 47,079 | 85,289 | 1,150,590 |
| General Plant | 86,284 | 48,244 | 52,148 | 63,585 | 55,308 | 108,026 | 50,776 | 55,472 | 40,119 | 41,880 | 102,019 | 40,752 | 744,612 |
| Total Maintenance Expenses | \$2,948,134 | \$3,866,761 | \$7,382,720 | \$9,093,703 | \$8,236,315 | \$2,891,354 | \$8,309,608 | \$4,377,850 | \$1,812,820 | \$2,264,593 | \$4,194,526 | \$1,639,477 | \$57,037,860 |
| Fixed Costs | | | | | | | | | | | | | |
| Depreciation/Amortization | \$3,442,237 | \$3,460,188 | \$3,544,371 | \$3,391,904 | \$3,499,217 | \$3,417,768 | \$3,393,608 | \$3,378,028 | \$3,389,238 | \$3,421,616 | \$3,423,598 | \$3,912,615 | \$41,674,389 |
| Taxes | (6,452) | 9,252 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 800 |
| Interest on Long-Term Debt | 8,504,201 | 9,002,520 | 8,530,089 | 8,898,220 | 8,847,599 | 9,096,952 | 9,272,395 | 9,216,080 | 9,865,518 | 9,614,994 | 9,925,678 | 9,899,310 | 110,673,555 |
| Interest During Construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Interest Expense | 0 | 1,420 | 1,823 | 2,358 | 1,353 | 1,778 | 2,069 | 998 | 6,683 | 0 | 6,067 | 0 | 24,549 |
| Other Deductions | 90,571 | 150,264 | 153,478 | (199,368) | 78,169 | 91,179 | 111,483 | 71,082 | 111,848 | 136,141 | 7,549,539 | (5,892) | 8,338,494 |
| Total Fixed Costs | \$12,028,558 | \$12,623,644 | \$12,229,761 | \$12,093,115 | \$12,426,338 | \$12,607,678 | \$12,779,555 | \$12,666,188 | \$13,373,287 | \$13,172,750 | \$20,904,881 | \$13,806,033 | \$160,711,788 |
| Total Cost of Electric Service | \$65,785,152 | \$69,938,343 | \$61,495,632 | \$58,663,064 | \$76,593,444 | \$69,697,252 | \$70,534,993 | \$63,892,059 | \$59,066,226 | \$63,028,292 | \$71,873,051 | \$79,019,367 | \$809,586,876 |
| Operating Margins | \$9,331,582 | (\$3,402,724) | (\$5,505,247) | (\$6,334,720) | (\$15,096,714) | \$2,703,475 | (\$6,823,265) | (\$3,494,962) | \$356,236 | \$7,494,193 | \$7,021,943 | \$9,420,151 | (\$4,330,052) |
| Non-Operating Items | | | | | | | | | | | | | |
| Interest Income | \$422,392 | \$506,932 | \$419,255 | \$449,387 | \$555,526 | \$422,244 | \$480,880 | \$469,784 | \$455,806 | \$445,006 | \$417,897 | \$285,400 | \$5,330,510 |
| Allowance for Funds used for Construction | 2,536,398 | 2,438,416 | 2,581,689 | 2,576,670 | 2,748,292 | 2,727,110 | 2,874,747 | 3,019,293 | 1,555,346 | 1,624,057 | 1,593,762 | 1,681,697 | 27,957,476 |
| Other Non-Operating Income | (288) | (2,792) | 5,954 | (1,772) | 35,576 | (1,522) | (4,016) | 44 | 3,331 | (6,468) | (2,817) | 14,822 | 40,053 |
| Other Capital Credits/Patronage Dividends | 0 | 37,177 | 1,596 | 0 | 797 | 2,669 | 280 | 6,410 | 94,988 | 556 | 97 | 200 | 144,771 |
| Total Non-Operating Items | \$2,958,503 | \$2,979,733 | \$3,008,496 | \$3,024,285 | \$3,340,191 | \$3,150,501 | \$3,351,891 | \$3,495,531 | \$2,109,471 | \$2,063,150 | \$2,008,939 | \$1,982,120 | \$33,472,809 |
| Net Patronage Capital & Margins(Deficits) | \$12,290,085 | (\$422,992) | (\$2,496,752) | (\$3,310,436) | (\$11,756,522) | \$5,853,975 | (\$3,471,374) | \$570 | \$2,465,706 | \$9,557,343 | \$9,030,882 | \$11,402,271 | \$29,142,756 |

| | | |
|------------------------------|-----------------------------------------------------|--------------|
| USDA - REA | BORROWER DESIGNATION Kentucky 59 & 63 GT Fayette | |
| OPERATING REPORT - FINANCIAL | PERIOD ENDED September 30, 2008 | REA USE ONLY |

SECTION B. BALANCE SHEET

| ASSETS AND OTHER DEBITS | | LIABILITIES AND OTHER CREDITS | |
|------------------------------------------------------------------|---------------|----------------------------------------------------------------|---------------|
| 1. Total Utility Plant In Service | 2,095,337,733 | 32. Memberships | 1,600 |
| 2. Construction Work in Progress | 1,048,067,260 | 33. Patronage Capital | |
| 3. Total Utility Plant (1 + 2) | 3,143,404,993 | a. Assigned and Assignable | 165,660,310 |
| 4. Accum. Provision for Depreciation & Amort. | 771,940,305 | b. Retired This Year | 0 |
| 5. Net Utility Plant (3 - 4) | 2,371,464,688 | c. Retired Prior Years | 0 |
| 6. Non-Utility Property - Net | 820 | d. Net Patronage Capital | 165,660,310 |
| 7. Investments in Subsidiary Companies | 0 | 34. Operating Margins - Prior Years | (99,588,443) |
| 8. Invest. in Assoc. Org. - Patronage Capital | 1,000,815 | 35. Operating Margins - Current Year. | (19,787,375) |
| 9. Invest. In Assoc. Org. - Other - General Funds | 21,086,520 | 36. Non-Operating Margins | 107,628,113 |
| 10. Invest. In Assoc. Org. - Other - Non-General Funds | 0 | 37. Other Margins and Equities | 15,475,899 |
| 11. Investments in Economic Development Projects | 0 | 38. Total Margins & Equities (32, 33d thru 37) | 169,390,104 |
| 12. Other Investments. | 25,986,326 | 39. Long-Term Debt - REA (Net) | 40,679,297 |
| 13. Special Funds | 26,063,612 | 40. Long-Term Debt-FFB - RUS Guaranteed | 1,570,399,605 |
| 14. Total Other Property & Investments (6 thru 13) | 74,138,093 | 41. Long-Term Debt-Other-REA Guaranteed | 0 |
| 15. Cash - General Funds | 671,774 | 42. Long-Term Debt-Other-(Net) | 753,961,480 |
| 16. Cash - Construction Funds - Trustee | 500 | 43. Long-Term Debt-RUS - Econ Devel.(Net) | 0 |
| 17. Special Deposits | 425 | 44. Payments - Unapplied | (31,802,697) |
| 18. Temporary Investments | 14,342,059 | 45. Total Long-Term Debt (39 thru 44) | 2,333,237,685 |
| 19. Notes Receivable (Net) | 0 | 46. Obligations Under Capital Leases - Noncurrent | 0 |
| 20. Accounts Receivable - Sales of Energy (Net) | 60,804,604 | 47. Accumulated Operating Provisions | 66,369,240 |
| 21. Accounts Receivable - Other (Net) | 1,206,579 | 48. Total Other Noncurrent Liabilities (46 + 47) | 66,369,240 |
| 22. Fuel Stock | 80,087,733 | 49. Notes Payable | 0 |
| 23. Materials and Supplies - Other | 37,060,016 | 50. Accounts Payable | 66,249,576 |
| 24. Prepayments | 1,053,680 | 51. Current Maturities Long-Term Debt | 0 |
| 25. Other Current and Accrued Assets | 354,438 | 52. Current Maturities Long-Term Debt-Rural Devel | 0 |
| 26. Total Current and Accrued Assets (15 thru 25) | 195,581,808 | 53. Current Maturities Capital Leases | 0 |
| 27. Unamortized Debt Disc. & Extraord. Prop. Losses | 3,137,654 | 54. Taxes Accrued | 516,880 |
| 28. Regulatory Assets. | 0 | 55. Interest Accrued | 3,720,816 |
| 29. Other Deferred Debits | 35,871 | 56. Other Current & Accrued Liabilities | 4,873,813 |
| 30. Accumulated Deferred Income Taxes | 0 | 57. Total Current & Accrued Liabilities (49 thru 56) | 75,361,085 |
| 31. Total Assets & Other Debits (5+14+26 thru 30) | 2,644,358,114 | 58. Deferred Credits | 0 |
| | | 59. Accumulated Deferred Income Taxes | 0 |
| | | 60. Total Liabilities and Other Credits | |
| | | (38+45+48+57 thru 59) | 2,644,358,114 |

SECTION C. NOTES TO FINANCIAL STATEMENTS

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)

Interest, other applicable financing costs, and interest earnings on the canceled Smith Station Project were \$397,523.19 in September 2008, and \$3,728,516.51 year-to-date.

East Kentucky Power provides steam service to Inland Container, a recycle papermill adjacent to East Kentucky Power's Spurlock generating station near Maysville, Kentucky. The steam is sold wholesale to Fleming Mason RECC. For reporting purposes, steam is converted to equivalent demand and energy sold and generation produced, using British Thermal Units and a moving twelve-month weighted average heat rate.

| | | | |
|-----------------------------|---------|--------------|--------------|
| September 2008 Demand\MMBTU | 303.200 | Energy\MMBTU | 183.158.00 |
| Year-to-date | | Energy\MMBTU | 1.820.211.10 |

*This computer-generated data form is identical in form and substance to REA Forms 12a-i, "Operating Report - Financial," approved by the Office of Management and Budget (OMB) under the OMB approval number 0572-0017.

| | | |
|-------------------------------------|-----------------------------|--------------|
| USDA - REA | BORROWER DESIGNATION | |
| OPERATING REPORT - FINANCIAL | Kentucky 59 & 63 GT Fayette | |
| | PERIOD ENDED | REA USE ONLY |
| | October 31, 2008 | |

SECTION B. BALANCE SHEET

| ASSETS AND OTHER DEBITS | | LIABILITIES AND OTHER CREDITS | |
|------------------------------------------------------------------|---------------|----------------------------------------------------------------|---------------|
| 1. Total Utility Plant In Service | 2,099,941,618 | 32. Memberships | 1,600 |
| 2. Construction Work in Progress | 1,068,059,771 | 33. Patronage Capital | |
| 3. Total Utility Plant (1 + 2) | 3,168,001,389 | a. Assigned and Assignable | 165,660,310 |
| 4. Accum. Provision for Depreciation & Amort. | 775,330,742 | b. Retired This Year | 0 |
| 5. Net Utility Plant (3 - 4) | 2,392,670,647 | c. Retired Prior Years | 0 |
| 6. Non-Utility Property - Net | 820 | d. Net Patronage Capital | 165,660,310 |
| 7. Investments in Subsidiary Companies | 0 | 34. Operating Margins - Prior Years | (99,588,443) |
| 8. Invest. in Assoc. Org. - Patronage Capital | 978,248 | 35. Operating Margins - Current Year. | (19,336,151) |
| 9. Invest. In Assoc. Org. - Other - General Funds | 21,050,291 | 36. Non-Operating Margins | 109,642,595 |
| 10. Invest. In Assoc. Org. - Other - Non-General Funds | 0 | 37. Other Margins and Equities | 15,403,129 |
| 11. Investments in Economic Development Projects | 0 | 38. Total Margins & Equities (32, 33d thru 37) | 171,783,040 |
| 12. Other Investments. | 25,852,661 | 39. Long-Term Debt - REA (Net) | 40,547,975 |
| 13. Special Funds | 26,122,039 | 40. Long-Term Debt-FFB - RUS Guaranteed | 1,582,499,605 |
| 14. Total Other Property & Investments (6 thru 13) | 74,004,059 | 41. Long-Term Debt-Other-REA Guaranteed | 0 |
| | | 42. Long-Term Debt-Other-(Net) | 792,459,886 |
| 15. Cash - General Funds | 607,556 | 43. Long-Term Debt-RUS - Econ Devel.(Net) | 0 |
| 16. Cash - Construction Funds - Trustee | 500 | 44. Payments - Unapplied | (31,936,700) |
| 17. Special Deposits | 425 | 45. Total Long-Term Debt (39 thru 44) | 2,383,570,766 |
| 18. Temporary Investments | 39,659,625 | 46. Obligations Under Capital Leases - Noncurrent | 0 |
| 19. Notes Receivable (Net) | 0 | 47. Accumulated Operating Provisions | 66,713,707 |
| 20. Accounts Receivable - Sales of Energy (Net) | 59,604,932 | 48. Total Other Noncurrent Liabilities (46 + 47) | 66,713,707 |
| 21. Accounts Receivable - Other (Net) | 1,459,879 | 49. Notes Payable | 0 |
| 22. Fuel Stock | 81,822,378 | 50. Accounts Payable | 54,580,240 |
| 23. Materials and Supplies - Other | 37,362,331 | 51. Current Maturities Long-Term Debt | 0 |
| 24. Prepayments | 1,937,565 | 52. Current Maturities Long-Term Debt-Rural Devel | 0 |
| 25. Other Current and Accrued Assets | 174,412 | 53. Current Maturities Capital Leases | 0 |
| 26. Total Current and Accrued Assets (15 thru 25) | 222,629,603 | 54. Taxes Accrued | 356,366 |
| | | 55. Interest Accrued | 10,809,483 |
| 27. Unamortized Debt Disc. & Extraord. Prop. Losses | 2,898,455 | 56. Other Current & Accrued Liabilities | 4,425,033 |
| 28. Regulatory Assets. | 0 | 57. Total Current & Accrued Liabilities (49 thru 56) | 70,171,122 |
| 29. Other Deferred Debits | 35,871 | 58. Deferred Credits | 0 |
| 30. Accumulated Deferred Income Taxes | 0 | 59. Accumulated Deferred Income Taxes | 0 |
| 31. Total Assets & Other Debits (5+14+26 thru 30) | 2,692,238,635 | 60. Total Liabilities and Other Credits | |
| | | (38+45+48+57 thru 59) | 2,692,238,635 |

SECTION C. NOTES TO FINANCIAL STATEMENTS

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.

(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)

Interest, other applicable financing costs, and interest earnings on the canceled Smith Station Project were \$414,403.39 in October 2008, and \$4,142,919.90 year-to-date.

East Kentucky Power provides steam service to Inland Container, a recycle papermill adjacent to East Kentucky Power's Spurlock generating station near Maysville, Kentucky. The steam is sold wholesale to Fleming Mason RECC. For reporting purposes, steam is converted to equivalent demand and energy sold and generation produced, using British Thermal Units and a moving twelve-month weighted average heat rate.

| | | | |
|---------------------------|---------|--------------|--------------|
| October 2008 Demand\MMBTU | 336.600 | Energy\MMBTU | 194,765.20 |
| Year-to-date | | Energy\MMBTU | 2,014,976.30 |

*This computer-generated data form is identical in form and substance to REA Forms 12a-i, "Operating Report - Financial," approved by the Office of Management and Budget (OMB) under the OMB approval number 0572-0017.

| | | |
|------------------------------|-----------------------------------------------------|--------------|
| USDA - REA | BORROWER DESIGNATION Kentucky 59 & 63 GT Fayette | |
| OPERATING REPORT - FINANCIAL | PERIOD ENDED November 30, 2008 | REA USE ONLY |

SECTION B. BALANCE SHEET

| ASSETS AND OTHER DEBITS | | LIABILITIES AND OTHER CREDITS | |
|------------------------------------------------------------------|---------------|----------------------------------------------------------------|---------------|
| 1. Total Utility Plant In Service | 2,111,306,003 | 32. Memberships | 1,600 |
| 2. Construction Work in Progress | 1,091,798,854 | 33. Patronage Capital | |
| 3. Total Utility Plant (1 + 2) | 3,203,104,857 | a. Assigned and Assignable | 165,660,310 |
| 4. Accum. Provision for Depreciation & Amort. | 778,960,501 | b. Retired This Year | 0 |
| 5. Net Utility Plant (3 - 4) | 2,424,144,356 | c. Retired Prior Years | 0 |
| 6. Non-Utility Property - Net | 820 | d. Net Patronage Capital | 165,660,310 |
| 7. Investments in Subsidiary Companies | 0 | 34. Operating Margins - Prior Years | (99,588,443) |
| 8. Invest. in Assoc. Org. - Patronage Capital | 978,248 | 35. Operating Margins - Current Year | (11,841,402) |
| 9. Invest. in Assoc. Org. - Other - General Funds | 20,990,382 | 36. Non-Operating Margins | 111,705,189 |
| 10. Invest. in Assoc. Org. - Other - Non-General Funds | 0 | 37. Other Margins and Equities | 15,402,098 |
| 11. Investments in Economic Development Projects | 0 | 38. Total Margins & Equities (32, 33d thru 37) | 181,339,352 |
| 12. Other Investments | 25,796,194 | 39. Long-Term Debt - REA (Net) | 39,791,101 |
| 13. Special Funds | 26,167,176 | 40. Long-Term Debt-FFB - RUS Guaranteed | 1,632,499,605 |
| 14. Total Other Property & Investments (6 thru 13) | 73,932,820 | 41. Long-Term Debt-Other-REA Guaranteed | 0 |
| 15. Cash - General Funds | 727,662 | 42. Long-Term Debt-Other-(Net) | 792,441,265 |
| 16. Cash - Construction Funds - Trustee | 500 | 43. Long-Term Debt-RUS - Econ Devel.(Net) | 0 |
| 17. Special Deposits | 425 | 44. Payments - Unapplied | (32,066,381) |
| 18. Temporary Investments | 69,294,625 | 45. Total Long-Term Debt (39 thru 44) | 2,432,665,590 |
| 19. Notes Receivable (Net) | 0 | 46. Obligations Under Capital Leases - Noncurrent | 0 |
| 20. Accounts Receivable - Sales of Energy (Net) | 71,331,208 | 47. Accumulated Operating Provisions | 67,138,976 |
| 21. Accounts Receivable - Other (Net) | 1,145,731 | 48. Total Other Noncurrent Liabilities (46 + 47) | 67,138,976 |
| 22. Fuel Stock | 80,314,339 | 49. Notes Payable | 0 |
| 23. Materials and Supplies - Other | 37,014,954 | 50. Accounts Payable | 58,442,575 |
| 24. Prepayments | 1,696,071 | 51. Current Maturities Long-Term Debt | 0 |
| 25. Other Current and Accrued Assets | 261,423 | 52. Current Maturities Long-Term Debt-Rural Devel | 0 |
| 26. Total Current and Accrued Assets (15 thru 25) | 261,786,938 | 53. Current Maturities Capital Leases | 0 |
| 27. Unamortized Debt Disc. & Extraord. Prop. Losses | 2,766,339 | 54. Taxes Accrued | 298,684 |
| 28. Regulatory Assets | 0 | 55. Interest Accrued | 18,567,850 |
| 29. Other Deferred Debits | 35,871 | 56. Other Current & Accrued Liabilities | 4,213,297 |
| 30. Accumulated Deferred Income Taxes | 0 | 57. Total Current & Accrued Liabilities (49 thru 56) | 81,522,406 |
| 31. Total Assets & Other Debits (5+14+26 thru 30) | 2,762,666,324 | 58. Deferred Credits | 0 |
| | | 59. Accumulated Deferred Income Taxes | 0 |
| | | 60. Total Liabilities and Other Credits | |
| | | (38+45+48+57 thru 59) | 2,762,666,324 |

SECTION C. NOTES TO FINANCIAL STATEMENTS

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.
(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)

Interest, other applicable financing costs, and interest earnings on the canceled Smith Station Project were \$414,410.61 in November 2008, and \$4,557,330.51 year-to-date.

East Kentucky Power provides steam service to Inland Container, a recycle papermill adjacent to East Kentucky Power's Spurlock generating station near Maysville, Kentucky. The steam is sold wholesale to Fleming Mason RECC. For reporting purposes, steam is converted to equivalent demand and energy sold and generation produced, using British Thermal Units and a moving twelve-month weighted average heat rate.

| | | | |
|----------------------------|---------|--------------|--------------|
| November 2008 Demand\MMBTU | 359,000 | Energy\MMBTU | 205,664.50 |
| Year-to-date | | Energy\MMBTU | 2,220,640.80 |

*This computer-generated data form is identical in form and substance to REA Forms 12a-i, "Operating Report - Financial," approved by the Office of Management and Budget (OMB) under the OMB approval number 0572-0017.

| | | |
|-------------------------------------|-----------------------------------------------------|--------------|
| USDA - REA | BORROWER DESIGNATION Kentucky 59 & 63 GT Fayette | |
| OPERATING REPORT - FINANCIAL | PERIOD ENDED December 31, 2008 | REA USE ONLY |

SECTION B. BALANCE SHEET

| ASSETS AND OTHER DEBITS | | LIABILITIES AND OTHER CREDITS | |
|------------------------------------------------------------------|---------------|----------------------------------------------------------------------------|---------------|
| 1. Total Utility Plant In Service | 2,119,371,789 | 32. Memberships | 1,600 |
| 2. Construction Work in Progress | 1,131,657,318 | 33. Patronage Capital | |
| 3. Total Utility Plant (1 + 2) | 3,251,029,107 | a. Assigned and Assignable | 174,966,536 |
| 4. Accum. Provision for Depreciation & Amort. | 780,846,487 | b. Retired This Year | 0 |
| 5. Net Utility Plant (3 - 4) | 2,470,182,620 | c. Retired Prior Years | 0 |
| 6. Non-Utility Property - Net | 820 | d. Net Patronage Capital | 174,966,536 |
| 7. Investments in Subsidiary Companies | 0 | 34. Operating Margins - Prior Years | 0 |
| 8. Invest. In Assoc. Org. - Patronage Capital | 978,248 | 35. Operating Margins - Current Year. | 0 |
| 9. Invest. In Assoc. Org. - Other - General Funds | 21,052,007 | 36. Non-Operating Margins | 0 |
| 10. Invest. In Assoc. Org. - Other - Non-General Funds | 0 | 37. Other Margins and Equities | 13,355,634 |
| 11. Investments in Economic Development Projects | 0 | 38. Total Margins & Equities (32, 33d thru 37) | 188,323,770 |
| 12. Other Investments. | 25,837,350 | 39. Long-Term Debt - REA (Net) | 36,012,555 |
| 13. Special Funds | 26,317,998 | 40. Long-Term Debt-FFB - RUS Guaranteed | 1,577,174,963 |
| 14. Total Other Property & Investments (6 thru 13) | 74,186,423 | 41. Long-Term Debt-Other-REA Guaranteed | 0 |
| | | 42. Long-Term Debt-Other-(Net) | 774,269,078 |
| 15. Cash - General Funds | 558,194 | 43. Long-Term Debt-RUS - Econ Devel.(Net) | 0 |
| 16. Cash - Construction Funds - Trustee | 500 | 44. Payments - Unapplied | (478,832) |
| 17. Special Deposits | 425 | 45. Total Long-Term Debt (39 thru 44) | 2,386,977,764 |
| 18. Temporary Investments | 54,319,625 | 46. Obligations Under Capital Leases - Noncurrent | 0 |
| 19. Notes Receivable (Net) | 0 | 47. Accumulated Operating Provisions | 74,126,100 |
| 20. Accounts Receivable - Sales of Energy (Net) | 79,975,071 | 48. Total Other Noncurrent Liabilities (46 + 47) | 74,126,100 |
| 21. Accounts Receivable - Other (Net) | 1,087,622 | 49. Notes Payable | 0 |
| 22. Fuel Stock | 76,725,578 | 50. Accounts Payable | 80,667,121 |
| 23. Materials and Supplies - Other | 37,981,862 | 51. Current Maturities Long-Term Debt | 71,995,143 |
| 24. Prepayments | 1,380,882 | 52. Current Maturities Long-Term Debt-Rural Devel | 0 |
| 25. Other Current and Accrued Assets | 310,019 | 53. Current Maturities Capital Leases | 0 |
| 26. Total Current and Accrued Assets (15 thru 25) | 252,339,778 | 54. Taxes Accrued | 227,913 |
| | | 55. Interest Accrued | 4,394,829 |
| 27. Unamortized Debt Disc. & Extraord. Prop. Losses | 2,934,555 | 56. Other Current & Accrued Liabilities | 5,267,803 |
| 28. Regulatory Assets. | 12,301,196 | 57. Total Current & Accrued Liabilities (49 thru 56) | 162,552,809 |
| 29. Other Deferred Debits | 35,871 | 58. Deferred Credits | 0 |
| 30. Accumulated Deferred Income Taxes | 0 | 59. Accumulated Deferred Income Taxes | 0 |
| 31. Total Assets & Other Debits (5+14+26 thru 30) | 2,811,980,443 | 60. Total Liabilities and Other Credits (38+45+48+57 thru 59) | 2,811,980,443 |

SECTION C. NOTES TO FINANCIAL STATEMENTS

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.
(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)

Interest, other applicable financing costs, and interest earnings on the canceled Smith Station Project were \$426,575.57 in December 2008, and \$4,983,906.08 year-to-date.

East Kentucky Power provides steam service to Inland Container, a recycle papermill adjacent to East Kentucky Power's Spurlock generating station near Maysville, Kentucky. The steam is sold wholesale to Fleming Mason RECC. For reporting purposes, steam is converted to equivalent demand and energy sold and generation produced, using British Thermal Units and a moving twelve-month weighted average heat rate.

| | | | |
|----------------------------|---------|--------------|--------------|
| December 2008 Demand\MMBTU | 362.100 | Energy\MMBTU | 226,926.10 |
| Year-to-date | | Energy\MMBTU | 2,447,566.90 |

*This computer-generated data form is identical in form and substance to REA Forms 12a-1, "Operating Report - Financial," approved by the

| | | |
|------------------------------|-----------------------------|--------------|
| USDA - REA | BORROWER DESIGNATION | |
| OPERATING REPORT - FINANCIAL | Kentucky 59 & 63 GT Fayette | |
| | PERIOD ENDED | REA USE ONLY |
| | January 31, 2009 | |

SECTION B. BALANCE SHEET

| ASSETS AND OTHER DEBITS | | LIABILITIES AND OTHER CREDITS | |
|------------------------------------------------------------------|---------------|----------------------------------------------------------------|---------------|
| 1. Total Utility Plant In Service | 2,319,675,838 | 32. Memberships | 1,600 |
| 2. Construction Work in Progress | 934,924,072 | 33. Patronage Capital | |
| 3. Total Utility Plant (1 + 2) | 3,254,599,910 | a. Assigned and Assignable | 174,966,536 |
| 4. Accum. Provision for Depreciation & Amort. | 784,873,006 | b. Retired This Year | 0 |
| 5. Net Utility Plant (3 - 4) | 2,469,726,904 | c. Retired Prior Years | 0 |
| 6. Non-Utility Property - Net | 820 | d. Net Patronage Capital | 174,966,536 |
| 7. Investments in Subsidiary Companies | 0 | 34. Operating Margins - Prior Years | 9,420,351 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 978,248 | 35. Operating Margins - Current Year. | 1,981,920 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 28,216,651 | 36. Non-Operating Margins | 13,226,043 |
| 10. Invest. in Assoc. Org. - Other - Non-General Funds | 0 | 37. Other Margins and Equities | 0 |
| 11. Investments in Economic Development Projects | 0 | 38. Total Margins & Equities (32, 33d thru 37) | 199,596,450 |
| 12. Other Investments | 25,727,804 | 39. Long-Term Debt - REA (Net) | 39,525,955 |
| 13. Special Funds | 26,244,393 | 40. Long-Term Debt-FFB - RUS Guaranteed | 1,628,991,822 |
| 14. Total Other Property & Investments (6 thru 13) | 81,167,916 | 41. Long-Term Debt-Other-REA Guaranteed | 0 |
| 15. Cash - General Funds | 679,486 | 42. Long-Term Debt-Other-(Net) | 847,904,456 |
| 16. Cash - Construction Funds - Trustee | 500 | 43. Long-Term Debt-RUS - Econ Devel.(Net) | 0 |
| 17. Special Deposits | 425 | 44. Payments - Unapplied | (480,289) |
| 18. Temporary Investments | 103,258,625 | 45. Total Long-Term Debt (39 thru 44) | 2,515,941,944 |
| 19. Notes Receivable (Net) | 0 | 46. Obligations Under Capital Leases - Noncurrent | 0 |
| 20. Accounts Receivable - Sales of Energy (Net) | 91,159,251 | 47. Accumulated Operating Provisions | 74,333,479 |
| 21. Accounts Receivable - Other (Net) | 1,116,060 | 48. Total Other Noncurrent Liabilities (46 + 47) | 74,333,479 |
| 22. Fuel Stock | 66,305,284 | 49. Notes Payable | 0 |
| 23. Materials and Supplies - Other | 38,320,192 | 50. Accounts Payable | 61,549,896 |
| 24. Prepayments | 1,061,472 | 51. Current Maturities Long-Term Debt | 0 |
| 25. Other Current and Accrued Assets | 393,207 | 52. Current Maturities Long-Term Debt-Rural Devel | 0 |
| 26. Total Current and Accrued Assets (15 thru 25) | 302,294,502 | 53. Current Maturities Capital Leases | 0 |
| 27. Unamortized Debt Disc. & Extraord. Prop. Losses | 2,688,894 | 54. Taxes Accrued | 930,269 |
| 28. Regulatory Assets | 12,301,196 | 55. Interest Accrued | 10,821,192 |
| 29. Other Deferred Debits | 35,871 | 56. Other Current & Accrued Liabilities | 5,042,053 |
| 30. Accumulated Deferred Income Taxes | 0 | 57. Total Current & Accrued Liabilities (49 thru 56) | 78,343,410 |
| 31. Total Assets & Other Debits (5+14+26 thru 30) | 2,868,215,283 | 58. Deferred Credits | 0 |
| | | 59. Accumulated Deferred Income Taxes | 0 |
| | | 60. Total Liabilities and Other Credits | |
| | | (38+45+48+57 thru 59) | 2,868,215,283 |

SECTION C. NOTES TO FINANCIAL STATEMENTS

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.
(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)

Interest, other applicable financing costs, and interest earnings on the canceled Smith Station Project were \$418,712.09 in January 2009, and \$418,712.09 year-to-date.

East Kentucky Power provides steam service to Inland Container, a recycle papermill adjacent to East Kentucky Power's Spurlock generating station near Maysville, Kentucky. The steam is sold wholesale to Fleming Mason RECC. For reporting purposes, steam is converted to equivalent demand and energy sold and generation produced, using British Thermal Units and a moving twelve-month weighted average heat rate.

| | | | |
|---------------------------|---------|--------------|------------|
| January 2009 Demand\MMBTU | 359,700 | Energy\MMBTU | 206,348.20 |
| Year-to-date | | Energy\MMBTU | 206,348.20 |

*This computer-generated data form is identical in form and substance to REA Forms 12a-I, "Operating Report - Financial," approved by the