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MAY 31 2007

PUBLIC SERVICE
COMMISSION

May 31, 2007

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2006-00455

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and eight copies of the responses of East Kentucky Power Cooperative, Inc., to the Commission Staff's Fourth Data Request in this case, dated May 16, 2007.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

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MAY 31 2007

PUBLIC SERVICE
COMMISSION

**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**

**RESPONSES TO COMMISSION STAFF'S
FOURTH DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED MAY 16, 2007**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

COMMISSION STAFF'S FOURTH DATA REQUEST DATED 5/16/07

REQUEST 1

RESPONSIBLE PERSON: Frank J. Oliva

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to page 3 of your response to the Commission's October 27, 2006 Order, Item No. 4. Provide a copy of all documents submitted to Rural Utilities Service ("RUS") in support of gaining final approval of the loan(s).

Response 1. East Kentucky Power Cooperative has not submitted all the necessary documents to the Rural Utilities Service ("RUS"). EKPC received the mortgage documents from RUS in late April 2007, and we have 90 days to record these mortgages in the 77 counties in which EKPC owns property. The 90-day limitation ends July 15, 2007, and we have already begun having these mortgages recorded. We anticipate returning all the necessary documents by mid-June 2007. After the submittal of all the mortgages and other documents are returned to RUS, it is anticipated that it will take approximately three months for RUS to review all of the documents before giving the final approval on the loans being executed.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

COMMISSION STAFF'S FOURTH DATA REQUEST DATED 5/16/07

REQUEST 2

RESPONSIBLE PERSON: Counsel

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to pages 13, 77, 109, 125, and 158 of your response to the Commission's October 27, 2006 Order, Item No. 13. Other than the copy of the approved minutes of the Executive Session of the EKPC Board of Directors held on January 10, 2006, which have already been provided, and other than the minutes of the Executive Session on March 14, 2007, which apparently were not taken, provide a copy of the minutes of each Executive Session for each Board of Directors meeting of EKPC held during 2006.

Response 2. Copies of those Executive Session minutes were filed with the Commission in this case on December 11, 2006, as a supplemental response to the Commission Staff data request No. 16, dated November 9, 2006.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

COMMISSION STAFF'S FOURTH DATA REQUEST DATED 5/16/07

REQUEST 3

RESPONSIBLE PERSON: **Counsel**

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

Request 3. Refer to pages 109, 125, and 158 of your response to the Commission's October 27, 2006 Order, Item No. 13. 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.

Response 3. The copies of the EKPC Executive Session Board Meeting minutes for those dates, which were filed with the Commission in this case on December 11, 2006, included the reports of Mr. Richard Byrne, which detail the presentations that he made to the Board on those dates. Regarding the scope and extent of Mr. Byrne's engagement, a copy of the Independent Contractor Agreement between EKPC and Mr. Byrne was filed in this case in response to the Commission Staff's Second Data Request, Item 18, dated November 9, 2006.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

COMMISSION STAFF'S FOURTH DATA REQUEST DATED 5/16/07

REQUEST 4

RESPONSIBLE PERSON: Frank J. Oliva/Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. As soon as they are certified by your staff or independent auditors, produce a copy of all certified financial information for the 12-month period ending December 31, 2006. This information must include the following:

- a. An updated schedule of all draws on the unsecured credit facility.
- b. An updated statement of the undrawn balance on the unsecured credit facility.
- c. An updated schedule of all pending loan applications submitted by EKPC to RUS.
- d. An updated schedule of all EKPC's outstanding loans, notes, guarantees, or other evidences of indebtedness.

Response 4. Certified financial information from EKPC's independent auditors is on pages 2 through 49.

- a. A schedule of anticipated draws on the credit facility is on page 50.
- b. A history of advances and repayments on the credit facility, which includes 2006 activity, is on page 51.
- c. Information is provided on page 52.
- d. Information is provided on pages 53 through 62.

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

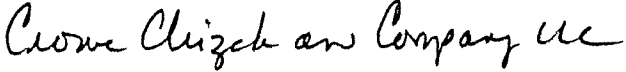
To the Audit Committee
East Kentucky Power Cooperative, Inc.
and Subsidiary

We have audited the accompanying consolidated balance sheets of East Kentucky Power Cooperative, Inc. and Subsidiary (the Cooperative) as of December 31, 2006 and 2005, and the related consolidated statements of revenue and expenses, changes in members' equities, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of East Kentucky Power Cooperative, Inc. and Subsidiary as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2007 on our consideration of East Kentucky Power Cooperative, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**
December 31, 2006 and 2005
(Dollars in Thousands)

ASSETS	<u>2006</u>	<u>2005</u>
Electric plant, at original cost		
In-service	\$ 2,079,932	\$ 2,039,674
Construction in progress	<u>402,387</u>	<u>152,585</u>
	2,482,319	2,192,259
Less accumulated depreciation	<u>798,533</u>	<u>774,996</u>
Electric plant, net	1,683,786	1,417,263
 Long-term accounts receivable	 8,572	 9,002
 Investment securities		
Available for sale	43,956	42,581
Held to maturity	8,216	8,237
 Current assets		
Cash and cash equivalents	69,202	43,863
Accounts receivable	62,091	77,663
Fuel	44,682	39,236
Materials and supplies	37,129	33,578
Emission allowances	58,920	4,087
Other	<u>1,986</u>	<u>1,769</u>
Total current assets	<u>274,010</u>	<u>200,196</u>
 Deferred charges	 4,499	 4,751
Other	<u>7,053</u>	<u>5,864</u>
 Total assets	 <u>\$ 2,030,092</u>	 <u>\$ 1,687,894</u>
 LIABILITIES AND MEMBERS' EQUITIES		
Members' equities	\$ 107,033	\$ 96,108
 Long-term debt, excluding current portion	 1,643,305	 1,339,263
 Current liabilities		
Current portion of long-term debt	57,782	53,085
Accounts payable	90,977	75,855
Accrued expenses	<u>23,846</u>	<u>20,101</u>
Total current liabilities	<u>172,605</u>	<u>149,041</u>
 Accrued postretirement benefit cost	 48,663	 46,604
Other	<u>58,486</u>	<u>56,878</u>
 Total liabilities and members' equities	 <u>\$ 2,030,092</u>	 <u>\$ 1,687,894</u>

The accompanying notes are an integral part of these consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Operating revenue	\$ 650,960	\$ 631,297
Operating expenses		
Production		
Fuel	278,210	263,434
Other	113,382	103,632
Purchased power	76,781	109,571
Transmission and distribution	27,557	21,029
Depreciation	39,384	52,038
General and administrative	<u>38,436</u>	<u>38,642</u>
	<u>573,750</u>	<u>588,346</u>
Operating margins	77,210	42,951
Interest expense	<u>84,834</u>	<u>69,844</u>
Net operating deficit	(7,624)	(26,893)
Nonoperating margins		
Interest income	8,433	5,898
Allowance for interest on borrowed funds used during construction	9,192	6,226
Assessments	-	(32,555)
Miscellaneous	<u>858</u>	<u>742</u>
	<u>18,483</u>	<u>(19,689)</u>
Capital credits and patronage capital allocations	<u>315</u>	<u>575</u>
Net margin (deficit)	<u>\$ 11,174</u>	<u>\$ (46,007)</u>

The accompanying notes are an integral part of these
consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Donated Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Members' Equities</u>
Balances, January 1, 2005	\$ 2	\$ 138,393	\$ 3,035	\$ 620	\$ 142,050
Comprehensive loss					
Net deficit	-	(46,007)	-	-	(46,007)
Unrealized gains on investments available for sale	-	-	-	65	<u>65</u>
Total comprehensive loss	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(45,942)</u>
Balances, December 31, 2005	2	92,386	3,035	685	96,108
Comprehensive income					
Net margin	-	11,174	-	-	11,174
Unrealized losses on investments available for sale	-	-	-	(249)	<u>(249)</u>
Total comprehensive income	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>10,925</u>
Balances, December 31, 2006	<u>\$ 2</u>	<u>\$ 103,560</u>	<u>\$ 3,035</u>	<u>\$ 436</u>	<u>\$ 107,033</u>

The accompanying notes are an integral part of these
consolidated financial statements.

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

**PSC Request 4
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	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Net margin (deficit)	\$ 11,174	\$ (46,007)
Adjustments to reconcile net deficit to net cash from operating activities		
Depreciation	39,384	52,038
Amortization of loan costs	2,843	1,418
Changes in:		
Accounts receivable	15,572	(21,156)
Fuel	(19,237)	(21,158)
Materials and supplies	(4,034)	(6,206)
Emission allowances	(54,833)	(3,888)
Accounts payable, trade	43,810	42,630
Accrued expenses	3,745	3,980
Accrued postretirement benefit cost	2,059	1,972
Other	<u>(18,236)</u>	<u>33,669</u>
Net cash from operating activities	22,247	37,292
Cash flows from investing activities		
Additions to electric plant	(304,474)	(190,277)
Maturities and calls of securities available for sale	57,785	79,465
Purchases of securities available for sale	(59,409)	(82,278)
Maturities of securities held to maturity	21	14,311
Payments received on long-term accounts receivable	<u>430</u>	<u>799</u>
Net cash from investing activities	(305,647)	(177,980)
Cash flows from financing activities		
Proceeds from long-term debt	360,000	345,132
Principal payments on long-term debt	<u>(51,261)</u>	<u>(220,691)</u>
Net cash from financing activities	<u>308,739</u>	<u>124,441</u>
Net change in cash and cash equivalents	25,339	(16,247)
Cash and cash equivalents at beginning of year	<u>43,863</u>	<u>60,110</u>
Cash and cash equivalents at end of year	<u>\$ 69,202</u>	<u>\$ 43,863</u>

The accompanying notes are an integral part of these
consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006 and 2005
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 82,183	\$ 65,925
Non-cash operating transaction		
Fuel included in accounts payable	\$ 13,791	\$ 18,434
Materials and supplies included in accounts payable	483	-
Non-cash investing transaction		
Additions to electric plant included in accounts payable	\$ 14,414	\$ 23,332
Unrealized (losses) gains on securities available for sale	(249)	65

The accompanying notes are an integral part of these
consolidated financial statements.

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The Cooperative is engaged in generating and transmitting electrical power primarily to its sixteen member cooperatives throughout central and eastern Kentucky. The financial statements are prepared in accordance with policies prescribed or permitted by the Kentucky Public Service Commission (KPSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform with accounting principles generally accepted in the United States of America as applied to regulated enterprises.

Principles of Consolidation: The consolidated financial statements include the accounts of East Kentucky Power Cooperative, Inc. and its subsidiary, Charleston Bottoms Rural Electric Cooperative Corporation (CBRECC). All significant intercompany accounts and transactions have been eliminated.

Estimates in the Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Electric Plant: Electric plant is stated at original cost, which is the cost when first dedicated to public service, including applicable labor and overhead cost and an allowance for interest on borrowed funds used during construction.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation.

Provision for depreciation has been made on the basis of estimated useful lives at straight-line composite rates or end dates generally as follows:

Production plant	years 2019 - 2045
Transmission and distribution plant	0.71% - 3.42%
General plant	2.00% - 20.00%

Long-Term Assets: Electric plant and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. No impairment has been recognized on long-term assets for the years ended December 31, 2006 or 2005.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Interest on Borrowed Funds Used During Construction: In accordance with practices permitted by the prescribed system of accounts, the Cooperative provides an allowance for interest on borrowed funds used during construction. The allowance represents the calculated net interest cost of funds borrowed for construction of major projects which take longer than one year and cost in excess of \$100,000.

Investment Securities: Investment securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available for sale when they might be sold before maturity. Investment securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. Trading securities are carried at fair value, with changes in unrealized holding gains and losses included in income.

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Investment securities are written down to fair value when a decline in fair value is not temporary.

Revenue and Fuel Costs: Revenue is recorded monthly based on meter readings made at month-end.

The state regulatory authority has adopted a uniform fuel adjustment clause for all electric utilities within its jurisdiction. Under this clause, fuel cost above or below a stated amount per kWh is charged or credited to the member cooperatives for all energy sales.

In September 2004, the Cooperative applied to the KPSC for the recovery of certain costs incurred in compliance with the Federal Clean Air Act. This environmental surcharge was effective for service rendered on or after July 1, 2005, and is being billed on a percentage of revenue basis.

The Cooperative's sales are primarily to its member cooperatives and amounted to approximately \$645,476,000 and \$620,509,000 for 2006 and 2005, respectively. Accounts receivable at December 31, 2006 and 2005 were primarily from billings to member cooperatives. At December 31, 2006 and 2005, individual account balances that exceeded 10 percent of total accounts receivable are as follows:

	<u>2006</u>	<u>2005</u>
Owen Electric Cooperative	\$ 8,748,000	\$10,137,000
South Kentucky RECC	6,408,000	-
Blue Grass Energy Cooperative	6,304,000	-

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For purposes of the consolidated financial statements, the Cooperative considers temporary investments having a maturity of three months or less when purchased to be cash equivalents.

At December 31, 2006 and 2005, respectively, the Cooperative had \$1,205,394 and \$674,661 of cash on deposit at one bank, which is in excess of federally insured limits.

Fuel and Materials and Supplies: Inventories of fuels and materials and supplies are stated at average cost.

Emission Allowances: Title IV of the Clean Air Act Amendments of 1990 provides for the issuance of allowances as a means to limit the emissions of certain airborne pollutants. Allowances are stated at cost. Issuances of allowances are recognized using a monthly weighted-average method of cost determination. Gains and losses are recorded upon the disposition of allowances.

Members' Equities: Memberships represent contributions to the Cooperative made by members. Should the Cooperative cease business, these amounts, if available, will be returned to the members. In addition, any available capital credits will also be allocated to members on a contribution-to-gross margins basis.

A provision in the Cooperative's bylaws prohibits the return of capital contributed by patrons unless, after any proposed retirement, the total capital of the Cooperative equals or exceeds 40 percent of total assets. In addition, provisions of certain loan agreements prohibit the retirement of capital until stipulated requirements as to liquid assets (cash and U.S. Government obligations) are met. Accordingly, at December 31, 2006, no patronage capital was available for refunds or retirement.

Comprehensive Income: Comprehensive income includes both net margin (deficit) and other comprehensive income. Other comprehensive income represents the change in unrealized gains and losses on securities available for sale.

Income Taxes: The Cooperative is exempt under section 501(c)(12) of the Internal Revenue Code from federal income tax for any year in which at least 85 percent of its gross income is derived from members but is responsible for income taxes on certain unrelated business income.

Reclassifications: Certain 2005 amounts have been reclassified in these consolidated financial statements to conform to the 2006 presentation. Such reclassifications had no effect on net deficit or members' equities as previously presented.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 2 - ELECTRIC PLANT

Electric plant in-service consisted of the following:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Production plant	\$ 1,558,660	\$ 1,141,340
Transmission plant	432,580	409,889
General plant	68,517	69,724
Completed construction, not classified and other	<u>20,175</u>	<u>418,721</u>
Electric plant in service	<u>\$ 2,079,932</u>	<u>\$ 2,039,674</u>

Depreciation expense was \$39,384,000 and \$52,038,000 for 2006 and 2005, respectively.

As required by the KPSC environmental surcharge order (addressed in Note 1), the Cooperative engaged an outside firm to conduct a depreciation study. As a result, useful lives of production plant were extended, and rates on transmission and distribution plant were changed. These changes in estimated useful lives reduced 2006 depreciation expense by approximately \$16.1 million.

NOTE 3 - LONG-TERM ACCOUNTS RECEIVABLE

Long-term receivables include modifications to Spurlock Power Station in order to provide steam to a paper mill that recycles container board. The paper mill is reimbursing the Cooperative for the cost of the modifications through a monthly facilities charge over the 20-year life of the contract. Long-term receivables also include interest-bearing notes from joint ventures owned by the Cooperative and four of the Cooperative's member systems for the buyout of a propane company. The joint ventures of the member systems will make five years of interest-only (prime rate minus one-half of one percent, adjust annually) payments, with principal and interest payments beginning in 2005. The notes will be payable in full in 2015.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 - INVESTMENT SECURITIES

Amortized cost and estimated fair value of investment securities available for sale at December 31 are as follows (in thousands):

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2006</u>				
National Rural Utilities Cooperative Finance Corporation Promissory Note				
	\$ 24	\$ -	\$ -	\$ 24
U.S. Treasury bill	39,698	28	-	39,726
Zero Coupon Bond	2,737	397	-	3,134
Other	<u>1,061</u>	<u>11</u>	<u>-</u>	<u>1,072</u>
	<u>\$ 43,520</u>	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 43,956</u>
 <u>2005</u>				
National Rural Utilities Cooperative Finance Corporation Promissory Note				
	\$ 24	\$ -	\$ -	\$ 24
U.S. Treasury bill	37,374	-	(10)	37,364
Zero Coupon Bond	2,563	465	-	3,028
Other	<u>1,935</u>	<u>230</u>	<u>-</u>	<u>2,165</u>
	<u>\$ 41,896</u>	<u>\$ 695</u>	<u>\$ (10)</u>	<u>\$ 42,581</u>

Proceeds from maturities and calls of securities were \$57,785,000 and \$79,465,000 in 2006 and 2005, respectively. There were no realized gains or losses on those calls.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 - INVESTMENT SECURITIES (Continued)

Amortized cost and estimated fair value of investment securities held to maturity at December 31 are as follows (in thousands):

	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>2006</u>				
National Rural Utilities Cooperative Finance Corporation				
3-5% capital term certificates	\$ 7,655	\$ -	\$ (459)	\$ 7,196
6.5875% subordinated term certificate	455	87	-	542
0% subordinated term certificate	<u>106</u>	<u>-</u>	<u>(26)</u>	<u>80</u>
	<u>\$ 8,216</u>	<u>\$ 87</u>	<u>\$ (485)</u>	<u>\$ 7,818</u>
<u>2005</u>				
National Rural Utilities Cooperative Finance Corporation				
3-5% capital term certificates	\$ 7,655	\$ -	\$ (1,624)	\$ 6,031
6.5875% subordinated term certificate	470	113	-	583
0% subordinated term certificate	<u>112</u>	<u>-</u>	<u>(28)</u>	<u>84</u>
	<u>\$ 8,237</u>	<u>\$ 113</u>	<u>\$ (1,652)</u>	<u>\$ 6,698</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 - INVESTMENT SECURITIES (Continued)

Investment securities held to maturity with unrealized losses at December 31 not recognized in net margin (deficit) are as follows (in thousands):

	<u>Unrealized Loss</u> <u>Less than 12 months</u>		<u>Unrealized Loss</u> <u>12 Months or More</u>	
	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>
<u>2006</u>				
3-5% capital term certificates	\$ -	\$ -	\$ 7,196	\$ (459)
0% subordinated term certificate	<u>-</u>	<u>-</u>	<u>80</u>	<u>(26)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,276</u>	<u>\$ (485)</u>
<u>2005</u>				
3-5% capital term certificates	\$ -	\$ -	\$ 6,031	\$ (1,624)
0% subordinated term certificate	<u>-</u>	<u>-</u>	<u>84</u>	<u>(28)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,115</u>	<u>\$ (1,652)</u>

The maturity dates on the above securities range from 2019 to 2080 and have no available trading market. However, it is management's intent to hold these securities until maturity, at which time management expects to recover full value.

The amortized cost and fair value of securities at December 31, 2006, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
	(in thousands)	
Available for sale		
Due in one year or less	\$ 40,063	\$ 40,085
Due after one year through five years	2,396	2,799
Due after ten years	<u>1,061</u>	<u>1,072</u>
	<u>\$ 43,520</u>	<u>\$ 43,956</u>
Held to maturity		
Due after ten years	<u>\$ 8,216</u>	<u>\$ 7,818</u>
	<u>\$ 8,216</u>	<u>\$ 7,818</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT

Long-term debt outstanding at December 31, 2006 and 2005 consisted of the following (in thousands):

	<u>2006</u>	<u>2005</u>
First mortgage notes:		
4.241% - 10.657%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2038	\$ 1,108,580	\$ 1,107,491
2%, 5%, and 5.125% payable quarterly to RUS in varying amounts through 2024	49,507	54,643
3.8%, payable quarterly to CFC in varying amounts through 2014	20,440	21,769
Fixed rate loan, 7.7%, payable semiannually in varying amounts to National Cooperative Services Corporation through 2012	8,400	9,600
Promissory notes:		
6.20% - 6.45% variable rate note payable to CFC in 2010	405,000	80,000
Pollution control bonds:		
Series 1984B, variable rate bonds, due October 15, 2014, 4.03% at December 31, 2006 and 3.70% at December 31, 2005	82,100	88,600
Series 1984J, variable rate bonds, due October 15, 2014, 3.55% at December 31, 2006 and 2.95% at December 31, 2005	18,260	21,145
Solid waste disposal revenue bonds, Series 1993B, variable rate bonds, due August 15, 2023, interest rate 3.68% at December 31, 2006 and 2.85% at December 31, 2005	<u>8,800</u>	<u>9,100</u>
	1,701,087	1,392,348
Less current portion of long-term debt	<u>57,782</u>	<u>53,085</u>
	<u>\$ 1,643,305</u>	<u>\$ 1,339,263</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT (Continued)

In September 2002, RUS approved a loan application in the amount of \$223,500,000 for the design, purchase, and installation of NOx reduction equipment and electrostatic precipitators, including plant modifications and related expenditures on Spurlock Power Station Units No. 1 and 2. Advances on these loans are subject to certain conditions outlined by RUS, and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, \$15,200,000 of these amounts remained to be advanced.

In September 2003, RUS approved a loan application in the amount of \$433,863,000 for the construction of the Gilbert Unit at the Spurlock Power Station, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, \$49,863,000 of these amounts remained to be advanced.

In September 2003, RUS approved a loan application in the amount of \$27,645,000 for the construction of five landfill gas to energy generating units including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. As of December 31, 2006, \$14,453,000 of these amounts remained to be advanced.

In May 2005, RUS approved a loan application in the amount of \$55,240,000 for the construction of two additional combustion turbines at the J.K. Smith site, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. As of December 31, 2006, \$2,240,000 of these amounts remained to be advanced.

In August 2005, RUS approved a loan application in the amount of \$64,240,000 for the construction of various transmission projects. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, this loan has not been cleared by RUS for advance of loan funds.

In September 2005, the Cooperative entered into an unsecured credit facility syndicate with the co-arrangers of CFC and the Bank of Tokyo-Mitsubishi. This loan was approved for a total of \$650,000,000 for general operating expenses and capital construction projects. As of December 31, 2006, \$245,000,000 of this amount remained to be advanced.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT (Continued)

In March 2006, RUS approved a loan application in the amount of \$481,388,000 for the construction of the Unit #4 at the Spurlock Power Station, including engineering services, preliminary structural design, and related transmission facilities. Advances on these loans are subject to certain conditions outlined by RUS and the non-governmental portions of such loans are subject to authorization from the KPSC. At December 31, 2006, this loan has not been cleared by RUS for advance of loan funds.

In accordance with the Rural Electrification Act of 1936 (RE Act), as amended, the RUS established a cushion of credit program. Under this program, RUS borrowers may make voluntary deposits into a special cushion of credit account. This cushion of credit account balance accrues interest at a rate of 5 percent per annum. The amounts in the cushion of credit account (deposits and earned interest) can only be used to make scheduled payments on loans made or guaranteed under the RE Act. As of December 31, 2006 and 2005, the Cooperative's cushion of credit account balance was \$75,875,000 and \$26,375,000.

The interest rate on the Series 1984B Pollution Control Bonds is subject to change weekly and the interest rate on the Series 1984J Pollution Control Bonds and the Series 1993B Solid Waste Disposal Revenue Bonds are subject to change semiannually. The interest rate adjustment period on any series of the above-mentioned variable rate bonds may be converted to a weekly, semiannual, annual or three-year basis or to a fixed-rate basis, at the option of the Cooperative.

Long-term pollution control and solid waste disposal revenue bonds require that debt service reserve funds be on deposit with a trustee throughout the term of the bonds. Debt service reserve requirements are as follows: Series 1984B - \$12,717,000; Series 1984J - \$5,368,500; and Series 1993B - \$1,062,000. In addition, mandatory sinking fund payments are required for each series as follows: Series 1984B - payments range from \$7,500,000 in 2007 to \$13,150,000 in 2013; Series 1984J - payments range from \$3,190,000 in 2007 to \$4,325,000 in 2010; and Series 1993B - payments range from \$300,000 in 2007 to \$700,000 in 2023. Debt service reserve and construction funds are held by trustees and are invested primarily in U.S. Government securities and CFC promissory notes. These funds are included in investment securities available for sale and have a fair value of approximately \$20,567,000 at December 31, 2006.

Estimated maturities of long-term debt for the five years subsequent to December 31, 2006 are as follows: 2007 - \$57,782,000; 2008 - \$60,438,000; 2009 - \$63,618,000; 2010 - \$471,990,000; 2011 - \$70,241,000; and thereafter - \$977,018,000.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - LONG-TERM DEBT (Continued)

Under the terms of the loan agreements with RUS, CFC and institutional investors, the Cooperative is required to maintain certain levels of members' equities, interest coverage, and debt service coverage. Because of the 2006 Environmental Protection Agency ("EPA") Notice of Violation discussed in detail in Note 7, the Cooperative was in technical default of the members' equities covenant related to the \$80,000,000 in outstanding debt under the Credit Facility in 2005. Under the terms of the Credit Facility loan agreement, the required lenders had the right to immediately demand payment of the entire principal and interest balances owed them, or to terminate the loan commitment. On April 6, 2006, the required lenders waived their rights related to this technical default. On April 6, 2006, the covenants in the Credit Facility loan agreement were modified and the Cooperative was in compliance with the amended agreement.

Effects of this Notice of Violation have caused the Cooperative not to meet certain loan covenants as of December 31, 2006. Although the Cooperative is not in default of any of its loan agreements, the lenders have required the Cooperative to file a plan of corrective action. The Cooperative has developed a plan of corrective action and presented it to the lenders.

Substantially all assets are pledged as collateral for first mortgage notes payable to the United States of America (RUS and FFB) and CFC.

NOTE 6 - RETIREMENT BENEFITS

Pension Plan: Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association's Retirement and Security Program, a multi-employer defined benefit plan. The Cooperative's required contributions were approximately \$7,883,000 and \$7,094,000 for 2006 and 2005, respectively. The Cooperative expects to contribute approximately \$8,500,000 to the plan in 2007.

Retirement Savings Plan: The Cooperative has a Retirement Savings Plan for all employees who are eligible to participate in the Cooperative's benefit programs. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. The Cooperative makes matching contributions to the account of each participant up to 2 percent of the participant's compensation. The Cooperative contributed approximately \$775,000 and \$743,000 to the plan in 2006 and 2005, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative. The Cooperative expects to contribute approximately \$743,000 to the plan in 2007.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 - RETIREMENT BENEFITS (Continued)

Supplemental Death Benefit Plan: The Cooperative provides a Supplemental Death Benefit Plan to all employees eligible to participate in the pension plan. The supplemental death benefit is payable to a deceased employee's beneficiary if the lump sum value of a 100% survivor benefit under the pension plan exceeds the pension plan benefits plus the Cooperative's group life insurance proceeds. Management believes that any liability related to this plan will not have a material effect on the consolidated financial statements.

Postretirement Medical Benefits: The Cooperative sponsors a defined benefit plan that provides medical and life insurance coverage to retirees and their dependents. Participating retirees and dependents contribute 50 percent of the projected cost of coverage. For purposes of the liability estimates, the substantive plan is assumed to be the same as the extant written plan. The plan is not funded.

The following table sets forth the plan's status reconciled with the amount shown in the Cooperative's balance sheets at December 31, 2006 and 2005 (dollars in thousands):

	<u>2006</u>	<u>2005</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contribution	487	611
Plan participants' contribution	487	610
Benefits paid	<u>(974)</u>	<u>(1,221)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 35,151	\$ 34,258
Service cost-benefits attributed to service during the period	1,219	1,166
Interest cost on accumulated postretirement benefit obligation	2,095	1,931
Benefits paid	(974)	(1,221)
Plan participants' contribution	487	610
Actuarial gain	<u>249</u>	<u>(1,593)</u>
Benefit obligation at end of year	<u>38,227</u>	<u>35,151</u>

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 - RETIREMENT BENEFITS (Continued)

	<u>2006</u>	<u>2005</u>
Funded status	\$ (38,227)	\$ (35,151)
Unrecognized actuarial gain	<u>(10,436)</u>	<u>(11,453)</u>
Accrued benefit cost	<u>\$ (48,663)</u>	<u>\$ (46,604)</u>
Components of net periodic postretirement benefit cost (dollars in thousands):		
Service cost-benefits attributed to service during the period	\$ 1,219	\$ 1,166
Interest cost on accumulated postretirement benefit obligation	2,095	1,931
Amortization of unrecognized actuarial gain	<u>(767)</u>	<u>(514)</u>
Net periodic benefit cost	<u>\$ 2,547</u>	<u>\$ 2,583</u>

The discount rate used in determining the accumulated postretirement benefit obligation for 2006 and 2005 was 6.00%.

The Cooperative expects to contribute approximately \$805,000 to the plan in 2007.

The following expected benefit payments from the plan, which reflect anticipated future service, are (dollars in thousands):

2007	\$ 805
2008	934
2009	1,046
2010	1,173
2011	1,312
2012 - 2016	<u>9,147</u>
Total	<u>\$ 14,417</u>

For measurement purposes, a 10 percent annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2006. The rate is assumed to decline to 5 percent after five years.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 - RETIREMENT BENEFITS (Continued)

The health care cost trend rate assumption has a significant effect on the amounts reported.

	<u>2006</u>	<u>2005</u>
Effect on total of service cost and interest cost components (dollars in thousands)		
1-percentage-point increase	\$ 697	\$ 705
1-percentage-point decrease	(540)	(514)
Effect on postretirement benefit obligation (dollars in thousands)		
1-percentage-point increase	\$ 6,776	\$ 6,986
1-percentage-point decrease	(5,381)	(5,476)

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Cooperative is required to adopt SFAS 158 in 2007. Had the Cooperative adopted SFAS 158 in 2006, comprehensive income would have increased by approximately \$10,436,000.

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES

The Cooperative has entered into long-term power purchase agreements having minimum payment obligations for the five years subsequent to December 31, 2006 as follows (dollars in thousands):

2007	\$ 4,553
2008	5,314
2009	7,595
2010	7,595
2011	7,595

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES (Continued)

The Cooperative is committed to purchase coal for its generating plants under long-term contracts having minimum purchase obligations as follows (dollars in thousands):

2007	\$ 163,741
2008	99,612
2009	85,845
2010	56,334
2011	45,159

The minimum cost of the coal purchases, based on the latest contractual prices, is subject to escalation clauses that are generally based on government-published indices and market price re-openers.

There are pending civil claims in litigation against the Cooperative. Under the Cooperative's general liability insurance program, it is responsible for a deductible amount up to \$1,000,000 for each occurrence. Neither the probable outcome nor ultimate liability resulting from any claims and litigation can be readily determined at this time. Accruals have been made when appropriate and management believes that any liability for such matters will, in any case, not have a material effect on the consolidated financial statements.

On January 28, 2004, the federal Environmental Protection Agency (EPA) sued the Cooperative alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration provision of the Clean Air Act; the New Source Performance Standards of the Clean Air Act; and the State Implementation Plan for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief, and civil penalties of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then.

As a result of this lawsuit, the Cooperative has done the following:

On January 17, 2006, EKPC filed four motions with the court asking that most, if not all of the claims, be dismissed. These motions for summary judgment involved,

- (a) statute of limitation issues;
- (b) federal enforceability of the Spurlock No. 2 operating permit;
- (c) applicability of the routine maintenance exclusion; and
- (d) calculation of emissions under PSD based on post-change actual annual emission where the baseline emission calculations are based on actual historic annual emissions prior to project work, and not based on hypothetical emissions.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES (Continued)

On September 26, 2006, the court issued an order dismissing most of the government's motions without prejudice pending a final decision in a similar case. A decision in this similar case is expected in summer 2007.

The Cooperative believes that when all the evidence is presented, the facts will bear out that the Cooperative complied with the requirements, and acted in good faith.

On January 17, 2006, the Cooperative received a Notice of Violation (NOV) from the EPA alleging violations of the Federal Clean Air Act's Acid Rain Program and NOx SIP Call Allowance Trading Program at Dale Units 1 and 2. At issue is EPA's allegation that the Cooperative incorrectly reported the turbine, rather than the generator, nameplate ratings, thus placing the Units under the Acid Rain Program. On February 10, 2006, the Cooperative received an NOV from the Kentucky Environmental and Public Protection Cabinet regarding the same matter. The NOV's cover the years 2000 through 2004.

Under a strict application of the Acid Rain Program, owners and operators of a unit that is determined to have excess emissions of SO₂ are subject to non-discretionary penalties, must surrender SO₂ allowances to cover previous emissions, and also may be subject to discretionary penalties. There may also be penalties relating to NOx emissions requirements.

Because the Cooperative did not have emissions monitoring equipment in place on Dale Units 1 and 2, on March 1, 2006, the Cooperative petitioned EPA to allow the calculation of the emissions on coal burn fuel data versus missing data procedures. Depending on the resolution of this petition, an additional \$68,000,000 in non-discretionary penalties could be assessed. At this time, it is not possible to predict the likelihood of success or whether these non-discretionary penalties could be waived or reduced by the agency or a court. The Cooperative is also required to surrender SO₂ allowances to cover the emissions for 2000 through 2004. Additional expense to cover such emissions, assuming current market prices, could be \$25,000,000. Civil penalties similar to those outlined above from the EPA lawsuit may also apply.

The Cooperative has certain generating plants that contain asbestos, which is required by law to be removed or contained if the plants are renovated or demolished. The Cooperative has no plans to retire any of its generating plants. Because there is an indeterminate settlement date for the asset retirement obligation, the range of time over which the Cooperative may settle the obligation is unknown. Therefore, a fair value determination of an asset retirement obligation cannot be reasonably estimated.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - COMMITMENTS, EXPENDITURES AND CONTINGENCIES (Continued)

In September 2004, the Board approved the construction of a 278-megawatt circulating fluidized bed baseload unit at Spurlock Station. The cost of construction of the generating unit, including related interconnection facilities, will approximate \$522 million.

In November 2004, the Board approved the construction of a 278-megawatt circulating fluidized bed baseload unit at the J.K. Smith Station. The cost of construction of the generating unit, including related interconnection facilities, will approximate \$625 million.

In December 2004, the Board approved the construction of five gas-fired combustion turbines to be located at the Cooperative's J.K. Smith Power Station. Construction of three of the combustion turbines has been deferred until after 2009. The first two combustion turbines are expected to cost approximately \$66 million and are scheduled to become operational in 2009.

In September 2005, the Board approved construction of a new limestone scrubber for Spurlock Unit 2, with a wet precipitator, at a cost of approximately \$159 million.

In January 2006, the Board approved the construction of a new limestone scrubber for Spurlock Unit 1, with a wet precipitator, at a cost of approximately \$145 million.

The construction projects mentioned above are subject to KPSC approval.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents: The carrying amount approximates fair value because of the short maturity of these instruments.

Accounts Receivable and Accounts Payable: The fair values of accounts receivable and payable are based on carrying value due to the short-term nature of the instruments.

Investment Securities: The fair values of investment securities are estimated based on quoted market prices for the same or similar investments.

Long-Term Accounts Receivable: The fair values of long-term accounts receivable are estimated based on quoted interest rates for similar maturities.

(Continued)

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Notes Payable: The carrying amount approximates fair value because of the variable rate and payable on demand terms of the financial instrument.

Long-Term Debt: The fair value of the Cooperative's long-term debt that is practicable to estimate, is estimated based on the quoted market prices for the same or similar issues or on the current rates available to the Cooperative for debt of the same remaining maturities, including the appropriate redemption premium, if any.

The estimated fair values of the Cooperative's financial instruments are as follows (in thousands):

		<u>2006</u>		<u>2005</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>	
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>	
Financial assets					
Cash and cash equivalents	\$ 69,202	\$ 69,202	\$ 43,863	\$ 43,863	
Accounts receivable	62,091	62,091	77,663	77,663	
Investment securities					
Available for sale	43,956	43,956	42,581	42,581	
Held to maturity	8,216	7,818	8,237	6,698	
Long-term accounts receivable	8,572	9,266	9,002	10,067	
Financial liabilities					
Long-term debt	\$1,701,087	\$1,713,203	\$1,392,348	\$1,418,017	
Accounts payable	90,977	90,977	75,855	75,855	



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
East Kentucky Power Cooperative, Inc.
and Subsidiary

Our report on the audits of the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary as of December 31, 2006 and 2005 and for the years then ended appears on page 1. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The supplementary consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads "Crowe Chizek and Company LLC".

Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET**
December 31, 2006
(Dollars in Thousands)

ASSETS	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Electric plant, at original cost				
In-service	\$ 1,962,676	\$ 117,256	\$ -	\$ 2,079,932
Construction in progress	<u>402,387</u>	<u>-</u>	<u>-</u>	<u>402,387</u>
	2,365,063	117,256	-	2,482,319
Less accumulated depreciation	<u>714,935</u>	<u>83,598</u>	<u>-</u>	<u>798,533</u>
Electric plant, net	1,650,128	33,658	-	1,683,786
Long-term accounts receivable	8,572	-	-	8,572
Subordinated notes receivable from subsidiary	7,942	-	(7,942)	-
Investment securities				
Available for sale	43,956	-	-	43,956
Held to maturity	8,216	-	-	8,216
Current assets				
Cash and cash equivalents	69,202	-	-	69,202
Accounts receivable	62,091	-	-	62,091
Fuel	43,770	912	-	44,682
Materials and supplies	36,309	820	-	37,129
Emission allowances	58,920	-	-	58,920
Other	<u>1,986</u>	<u>-</u>	<u>-</u>	<u>1,986</u>
Total current assets	<u>272,278</u>	<u>1,732</u>	<u>-</u>	<u>274,010</u>
Intercompany payable	-	(10,393)	10,393	-
Deferred charges	21,554	-	(17,055)	4,499
Other	<u>7,053</u>	<u>-</u>	<u>-</u>	<u>7,053</u>
Total assets	<u>\$ 2,019,699</u>	<u>\$ 24,997</u>	<u>\$ (14,604)</u>	<u>\$ 2,030,092</u>
LIABILITIES AND MEMBERS' EQUITIES				
Members' equities	\$ 107,033	\$ -	\$ -	\$ 107,033
Long-term debt, excluding current portion	1,643,305	7,942	(7,942)	1,643,305
Current liabilities				
Current portion of long-term debt	57,782	-	-	57,782
Accounts payable, trade	90,977	-	-	90,977
Accounts payable, construction	-	17,055	(17,055)	-
Accrued expenses	<u>23,846</u>	<u>-</u>	<u>-</u>	<u>23,846</u>
Total current liabilities	<u>172,605</u>	<u>17,055</u>	<u>(17,055)</u>	<u>172,605</u>
Intercompany receivable	(10,393)	-	10,393	-
Accrued postretirement benefit cost	48,663	-	-	48,663
Other	<u>58,486</u>	<u>-</u>	<u>-</u>	<u>58,486</u>
Total liabilities and members' equities	<u>\$ 2,019,699</u>	<u>\$ 24,997</u>	<u>\$ (14,604)</u>	<u>\$ 2,030,092</u>

**EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET**
December 31, 2005
(Dollars in Thousands)

ASSETS	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Electric plant, at original cost				
In-service	\$ 1,920,950	\$ 118,724	\$ -	\$ 2,039,674
Construction in progress	<u>152,585</u>	<u>-</u>	<u>-</u>	<u>152,585</u>
	2,073,535	118,724	-	2,192,259
Less accumulated depreciation	<u>690,733</u>	<u>84,263</u>	<u>-</u>	<u>774,996</u>
Electric plant, net	1,382,802	34,461	-	1,417,263
Long-term accounts receivable	9,002	-	-	9,002
Subordinated notes receivable from subsidiary	10,127	-	(10,127)	-
Investment securities				
Available for sale	42,581	-	-	42,581
Held to maturity	8,237	-	-	8,237
Current assets				
Cash and cash equivalents	43,863	-	-	43,863
Accounts receivable	77,663	-	-	77,663
Fuel	38,324	912	-	39,236
Materials and supplies	32,758	820	-	33,578
Emission allowances	4,087	-	-	4,087
Other	<u>1,769</u>	<u>-</u>	<u>-</u>	<u>1,769</u>
Total current assets	<u>198,464</u>	<u>1,732</u>	<u>-</u>	<u>200,196</u>
Intercompany payable	-	(9,012)	9,012	-
Deferred charges	21,805	-	(17,054)	4,751
Other	<u>5,864</u>	<u>-</u>	<u>-</u>	<u>5,864</u>
Total assets	<u>\$ 1,678,882</u>	<u>\$ 27,181</u>	<u>\$ (18,169)</u>	<u>\$ 1,687,894</u>
LIABILITIES AND MEMBERS' EQUITIES				
Members' equities	\$ 96,108	\$ -	\$ -	\$ 96,108
Long-term debt, excluding current portion	1,339,263	10,127	(10,127)	1,339,263
Current liabilities				
Current portion of long-term debt	53,085	-	-	53,085
Accounts payable, trade	75,855	-	-	75,855
Accounts payable, construction	-	17,054	(17,054)	-
Accrued expenses	<u>20,101</u>	<u>-</u>	<u>-</u>	<u>20,101</u>
Total current liabilities	<u>149,041</u>	<u>17,054</u>	<u>(17,054)</u>	<u>149,041</u>
Intercompany receivable	(9,012)	-	9,012	-
Accrued postretirement benefit cost	46,604	-	-	46,604
Other	<u>56,878</u>	<u>-</u>	<u>-</u>	<u>56,878</u>
Total liabilities and members' equities	<u>\$ 1,678,882</u>	<u>\$ 27,181</u>	<u>\$ (18,169)</u>	<u>\$ 1,687,894</u>

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF
REVENUE AND EXPENSES
For the Year Ended December 31, 2006
(Dollars in Thousands)

	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Consolidated</u>
Operating revenue	\$ 588,916	\$ 62,044	\$ 650,960
Operating expenses			
Production:			
Fuel	229,435	48,775	278,210
Other	101,189	12,193	113,382
Purchased power	76,781	-	76,781
Transmission and distribution	27,557	-	27,557
Depreciation	38,581	803	39,384
General and administrative	38,436	-	38,436
	<u>511,979</u>	<u>61,771</u>	<u>573,750</u>
Operating margins	76,937	273	77,210
Interest expense	<u>84,561</u>	<u>273</u>	<u>84,834</u>
Net operating deficit	(7,624)	-	(7,624)
Nonoperating margins			
Interest income	8,433	-	8,433
Allowance for interest on borrowed funds used during construction	9,192	-	9,192
Miscellaneous	858	-	858
	<u>18,483</u>	<u>-</u>	<u>18,483</u>
Capital credits and patronage capital allocations	<u>315</u>	<u>-</u>	<u>315</u>
Net margin	<u>\$ 11,174</u>	<u>\$ -</u>	<u>\$ 11,174</u>

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF
REVENUE AND EXPENSES
For the Year Ended December 31, 2005
(Dollars in Thousands)

	<u>EKPC, Inc.</u>	<u>CBRECC</u>	<u>Consolidated</u>
Operating revenue	\$ 576,217	\$ 55,080	\$ 631,297
Operating expenses			
Production:			
Fuel	219,451	43,983	263,434
Other	94,151	9,481	103,632
Purchased power	109,571	-	109,571
Transmission and distribution	21,029	-	21,029
Depreciation	50,745	1,293	52,038
General and administrative	<u>38,642</u>	<u>-</u>	<u>38,642</u>
	<u>533,589</u>	<u>54,757</u>	<u>588,346</u>
Operating margins	42,628	323	42,951
Interest expense	<u>69,521</u>	<u>323</u>	<u>69,844</u>
Net operating deficit	(26,893)	-	(26,893)
Nonoperating margins			
Interest income	5,898	-	5,898
Allowance for interest on borrowed funds used during construction	6,226	-	6,226
Assessments	(32,555)	-	(32,555)
Miscellaneous	<u>742</u>	<u>-</u>	<u>742</u>
	<u>(19,689)</u>	<u>-</u>	<u>(19,689)</u>
Capital credits and patronage capital allocations	<u>575</u>	<u>-</u>	<u>575</u>
Net deficit	<u>\$ (46,007)</u>	<u>\$ -</u>	<u>\$ (46,007)</u>

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

AUDIT COMMITTEE COMMUNICATION
December 31, 2006

EAST KENTUCKY POWER COOPERATIVE, INC.
AND SUBSIDIARY

AUDIT COMMITTEE COMMUNICATION
December 31, 2006

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Crowe Chizek and Company LLC
Member Horwath International

Audit Committee
East Kentucky Power Cooperative, Inc.
Winchester, Kentucky

To assist the Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible, Statement on Auditing Standards No. 61 requires auditors to ensure that certain matters are communicated to the Audit Committee. The matters communicated are discussed below.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Audit Committee should understand that an audit conducted in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement. Similarly, under these same standards, the auditor obtains a sufficient understanding of internal control to plan the audit, but this understanding and the tests of selected internal controls that are performed are not sufficient for the auditor to express an opinion on the effective operation of internal control.

Our responsibility under generally accepted auditing standards was communicated in our engagement letter, which was issued April 11, 2006.

SIGNIFICANT ACCOUNTING POLICIES AND UNUSUAL TRANSACTIONS

The Audit Committee should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Audit Committee should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Audit Committee about such matters. We direct your attention to Note 1 in the financial statements where significant accounting policies are disclosed.

In 2006, the Cooperative completed a depreciation study which is discussed in detail in the next section.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates primarily involve the following areas for 2006:

Management determines the actuarial assumptions used in determining the postretirement liability in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." Under accounting principles generally accepted in the United States of America, changes to these assumptions are required in response to changes in market conditions. We have reviewed the underlying rationale and support for the assumptions and have concluded that they are reasonable.

When securities are purchased, management classifies the securities as held-to-maturity, available-for-sale, or trading. At December 31, 2006, management classified securities in all three categories. Held-to-maturity securities are those which the Cooperative has the positive intent and ability to hold to maturity, and are reported at amortized cost. Available-for-sale securities are those which the Cooperative may decide to sell if needed for liquidity, asset-liability management, or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of members' equities. Trading securities are bought principally for sale in the near term, and are reported at fair value, with unrealized gains or losses included in income; at December 31, 2006, the balance of trading securities is zero. We reviewed the documentation maintained by management and performed procedures to determine the reasonableness of management's judgments and accounting estimates related to securities classified as held-to-maturity, available-for-sale and trading.

Management estimates the provision for depreciation of plant assets based on the estimated useful lives using straight-line composite rates. As part of the PSC Order in the environmental surcharge filing, EKPC was required to have a depreciation study performed. Gannett Fleming, Inc. performed the depreciation study in 2006, based on assets in service at December 31, 2005. EKPC received approval of the depreciation study by both the PSC and RUS. Both approvals allowed EKPC to retroactively apply the depreciation rates on production and transmission plant, for accounting purposes, on January 1, 2006. This change in estimate reduced depreciation expense by approximately \$16.1 million. We have reviewed the support for these useful lives and composite rates and have concluded that they are appropriate.

Management has estimated a liability resulting from the January 2006 Notice of Violation from the EPA alleging violations of the Federal Clean Air Act's Acid Rain Program and NOx SIP Call Allowance Trading Program at Dale Units 1 and 2. Note 7 of the financial statements discusses the specific details of the allegations. Management, in consultation with outside counsel, estimates the liability recorded as a result of the Notice of Violation. We reviewed the underlying rationale and assumptions and have concluded they are reasonable.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

The Audit Committee often considers information prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by auditing standards generally accepted in the United States of America to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information inconsistent based on this reading, we are to seek a resolution of the matter.

Accordingly, we will read East Kentucky Power Cooperative, Inc. and Subsidiary’s 2006 annual report and compare the information therein to the financial statements.

AUDIT ADJUSTMENTS

We are responsible for informing the Audit Committee about adjustments to the financial statements arising from our audit that could, in our judgment, have a significant effect on your financial reporting process, including the potential that future financial statements could be materially misstated. There were no such adjustments for 2006.

We are also responsible for informing the Audit Committee about uncorrected financial statement misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A schedule of those misstatements follows:

<u>Misstatement</u>	-----Increase (Decrease)-----			
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Net Margin</u>
Operating Margins				(\$556,515)
Purchased Power				\$556,515
(To adjust inadvertent power liability)				

DISAGREEMENTS WITH MANAGEMENT

We are required to discuss with the Audit Committee any disagreements with management over the application of accounting principles or the basis for management’s judgment about accounting estimates.

There were no such disagreements with management about matters related to the Cooperative’s financial statements or our reports thereon.

CONSULTATION WITH OTHER ACCOUNTANTS

If management consulted with other accountants about auditing and accounting matters, we are to inform the Audit Committee of such consultation if we are aware of it and provide our views on the matters discussed.

We are not aware of any instances where management consulted with other accountants about matters which might affect your financial statements since no other accountants contacted us which they are required to by Statement on Auditing Standards No. 50 before they provide written or oral advice.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

We are to discuss with the Audit Committee any major issues discussed with management in connection with our retention as auditors, including the application of accounting principles or auditing standards.

There were no major issues discussed with management in connection with our retention as auditors.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We are to inform the Audit Committee of any serious difficulties encountered in dealing with management related to the performance of the audit.

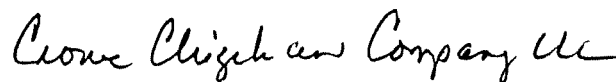
There were no difficulties encountered in dealing with management related to the performance of the audit.

IRREGULARITIES AND ILLEGAL ACTS

During our audit, we did not become aware of any irregularities or illegal acts.

* * * *

We were pleased to serve East Kentucky Power Cooperative, Inc. as its independent auditors for 2006 and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This report is intended solely for the information and use of the audit committee, board of directors, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. If further assistance or consultation is desired, we will be pleased to help.



Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

INDEPENDENT AUDITORS' MANAGEMENT LETTER



Crowe Chizek and Company LLC
Member Horwath International

Audit Committee
East Kentucky Power Cooperative, Inc.
Winchester, Kentucky

We have audited the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary (the Cooperative) for the year ended December 31, 2006, and have issued our report thereon dated March 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Section 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33(e)(1), related party transactions, depreciation rates, and a schedule of deferred debits and credits, and a schedule of investments, upon which (the two aforementioned schedules) we express an opinion. In addition, our audit of the consolidated financial statements also included the procedures specified in 7 CFR 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters other than the two aforementioned schedules, and accordingly, we express no opinion thereon.

No reports other than our Report of Independent Auditors and our Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, all dated March 14, 2007 or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding East Kentucky Power Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated March 14, 2007, and should be read in conjunction with this report. At your request we have performed the procedures enumerated below with respect to the Cooperative's compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed and our findings are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in 1773.33(e)(1)(i) for the year ended December 31, 2006:

We reviewed Board of Director minutes, read the provisions of 1773.33(e)(1)(i), and inquired of management and determined that the Cooperative did not enter into any of these contracts for the year ended December 31, 2006.

- Procedure performed with respect to the requirement as defined in 1773.33(e)(1)(ii) that the Cooperative submit RUS Form 12 to the RUS and the Form 12, Financial and Statistical Report, as of December 31, 2006, is in agreement with Cooperative's audited records in all material respects:

We agreed amounts reported in Form 12 to the Cooperative's records.

The results of our tests indicate that, with respect to the items tested, the Cooperative complied, in all material respects, with the specific RUS loan and security instrument provisions referred to above. No exceptions were noted related to these provisions.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary, nothing came to our attention that caused us to believe that the Cooperative failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);

- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Part 1773.33(c)(3) and (4);
- Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Transactions*, for the year ended December 31, 2006, in the financial statements referenced in the first paragraph of this report addressed at 7 Part CFR 1773.33(f);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(h), and the detailed schedule of investments required by 7 CFR 1773.33(i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**East Kentucky Power Cooperative, Inc.
Detailed Schedule of Deferred Debits
December 31, 2006**

<u>Description</u>	<u>Amount</u>
Unamortized debt expense – Spurlock Pollution Control Bond issue cost	\$ 399,995
Unamortized debt expense – Smith Pollution Control Bond issue cost	183,188
Unamortized debt expense – Cooper Pollution Control Bond issue cost	166,773
Unamortized debt expense – Unsecured Credit Facility	<u>3,748,595</u>
Deferred charges	\$ 4,498,551

**East Kentucky Power Cooperative, Inc.
Detailed Schedule of Deferred Credits
December 31, 2006**

<u>Description</u>	<u>Amount</u>
Other Deferred Credit – Cooperative Power Bill Prepayment	\$2,963,697*

*Included in Other Liabilities in Consolidated Financial Statements

East Kentucky Power Cooperative, Inc.
Detailed Schedule of Investments
December 31, 2006

Alliance for Cooperative Energy Services (ACES) Power Marketing, LLC, is an organization formed primarily to purchase and sell power. The Cooperative is a 6.7 percent owner. The Cooperative accounts for this investment on the cost basis since ownership is less than 20 percent.

<u>Original Investment</u>	<u>Advances</u>	<u>Repayments</u>	<u>Accumulated Loss</u>	<u>Current Investment</u>
ACES Power Marketing, LLC				
\$750,000	\$507,058	\$(503,979)	\$(128,994)	\$624,085

The Cooperative, along with four of its member systems, own propane ventures. The Cooperative is a 25 percent owner.

<u>Original Investment</u>	<u>Advances</u>	<u>Accumulated Loss</u>	<u>Current Investment</u>
Farmers Energy Services Corporation			
\$75,000	\$185,000	\$(25,370)	\$234,630
Shelby Energy Services			
\$3,000	\$457,000	\$(186,923)	\$273,077
Jackson Energy Services			
\$3,000	\$445,000	\$(43,890)	\$404,110
Clark Energy Services			
\$3,000	\$395,000	\$(49,929)	\$348,071

COMMENTS FOR MANAGEMENT

We noted the following internal control deficiencies during our audit.

1. Deficiency: Derivative transactions can be extremely complex and require guidelines and procedures to ensure proper recording in the Cooperative's financial statements. Internal policies and procedures help outline the appropriate ways to handle various transactions and ensure that the appropriate controls are in place to safeguard an organization from fraudulent financial reporting and transactions.

We recommend that East Kentucky develop a policy depicting the appropriate individuals and the procedures to be followed when the Cooperative enters into these types of transactions.

Management Response: In conjunction with ACES Power Marketing, the Cooperative is in process of drafting a Risk Management Policy. Included in this policy will be approval procedures and an authority matrix for derivative transactions.

2. Deficiency: During our inquiries with the Cooperative, we noted that maintenance and support fees related to the PeopleSoft Financials application were terminated during 2003. Therefore, the Cooperative is responsible for maintaining the application without any help from the vendor. Despite the fact that the Cooperative has skilled employees in its IT department, they are not trained to support any number of unknown problems specific to PeopleSoft.

In addition, the Cooperative has not upgraded PeopleSoft since the fees were terminated. This fact presents a separate problem, as most consultants are now trained on current versions, and would likely not know how to support the outdated version. The fact that the Cooperative has no vendor support, coupled with the fact that they are running an outdated version, presents the possibility that a problem in the system could halt all processing of information for an indeterminate amount of time.

We recommend that East Kentucky negotiate a settlement with the vendor, such that they will be supported and upgraded in the future.

Management Response: East Kentucky is contemplating negotiating a settlement with PeopleSoft for a possible upgrade in 2009. We believe by purchasing a database and having two separate databases, one for Human Resources and one for Financials, there should be no critical issues with our current release of PeopleSoft Financials until possible implementation of the newest version available in 2009.

3. Deficiency: During our inquiries with the Cooperative, we noted that formal change management policies and procedures do not exist. By not formally defining the process through which changes to applications should be made, the Cooperative cannot hold its employees to a standard.

We recommend that East Kentucky formally document all change management policies and procedures.

Management Response: A change request application is used to track all changes within the PeopleSoft systems. Power Billing and Coal Accounting are department applications that use an informal change procedure. All requested changes are first completed and tested in a development system. After testing by the end user is approved the requested change is migrated in to production. A backup copy of the production code is taken before the requested change is migrated in to production.

4. Deficiency: During inquiries with the Cooperative, we noted segregation of duties problems in the change management processes for the Coal Accounting system and the Power Billing system. In both cases, one programmer is responsible for making program changes, and for migrating those changes back to the production environment. By not segregating the duties of programming and migration, the Cooperative increases the risk that unauthorized and/or fraudulent changes can be made to these applications.

We recommend that East Kentucky require that someone independent of the programming function be the one to migrate changes to the production environment.

Management Response: For PeopleSoft migration, IT has a formal sign-off procedure. Because the Power Billing System and Coal Accounting System are small applications, coupled with IT staffing limitations, it is not practical to assign separate personnel for the testing and migration functions.

* * * *

This report is intended solely for the information and use of the audit committee, board of directors, management, and the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. We were pleased to serve your Cooperative as its independent auditors. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire.


Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



Crowe Chizek and Company LLC
Member Horwath International

Audit Committee
East Kentucky Power Cooperative, Inc.
Winchester, Kentucky

We have audited the consolidated financial statements of East Kentucky Power Cooperative, Inc. and Subsidiary (the "Cooperative") as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 14, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting and its operation that might be of interest to you and we have reported these to the management of the Cooperative in a separate letter dated March 14, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, board of directors, management, and the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Crowe Chizek and Company LLC

Lexington, Kentucky
March 14, 2007

**Schedule of Anticipated Draws between
May 15, 2007 and December 31, 2007
from \$650 Million Credit Agreement**

4(a)	
<u>Anticipated Amount To be Drawn</u>	<u>Date of Anticipated Advance</u>
\$ 50,000,000	06/15/2007
50,000,000	07/15/2007
50,000,000	08/15/2007
45,000,000	09/15/2007
<hr/>	
\$ 195,000,000	

**History of Advances and Repayments since Inception of
\$650 Million Unsecured Credit Agreement**

<u>Amount Advance</u>	<u>Date of Initial Advance</u>	<u>Date of Rollover/ Maturity</u>	<u>Interest Rate</u>	<u>Amount Repaid</u>
\$ 30,000,000.00	09/02/2005	09/08/2005	6.5000%	
	09/08/2005	10/11/2005	4.5275%	\$(30,000,000.00)
40,000,000.00	09/02/2005	09/08/2005	6.5000%	
	09/08/2005	10/11/2005	4.5275%	
	10/11/2005	11/14/2005	4.7604%	
	11/14/2005	02/14/2006	5.1550%	
	02/14/2006	05/15/2006	5.5657%	
	05/15/2006	11/15/2006	6.1050%	
	11/15/2006	05/15/2007	6.2625%	
	05/15/2007	11/15/2007	6.2000%	
40,000,000.00	09/02/2005	09/08/2005	6.5000%	
	09/08/2005	10/11/2005	4.5275%	
	10/11/2005	12/12/2005	4.8350%	
	12/12/2005	06/12/2006	5.4744%	
	06/12/2006	09/12/2006	6.1250%	
	09/12/2006	03/12/2007	6.2625%	
	03/12/2007	09/12/2007	6.1375%	
50,000,000.00	02/16/2006	08/16/2006	5.7550%	
	08/16/2006	02/16/2007	6.3250%	
	02/16/2007	08/16/2007	6.2625%	
50,000,000.00	04/13/2006	10/13/2006	6.0294%	
	10/13/2006	04/13/2007	6.2625%	
	04/13/2007	10/15/2007	6.2000%	
25,000,000.00	05/24/2006	07/24/2006	5.9757%	
	07/24/2006	01/24/2007	6.4500%	
	01/24/2007	07/24/2007	6.2625%	
75,000,000.00	06/20/2006	12/20/2006	6.3550%	
	12/20/2006	06/20/2007	6.2000%	
25,000,000.00	06/29/2006	09/29/2006	6.3250%	
	09/29/2006	03/29/2007	6.2000%	
	03/29/2007	09/28/2007	6.2000%	
50,000,000.00	11/02/2006	05/02/2007	6.2625%	
	05/02/2007	11/02/2007	6.2000%	
50,000,000.00	12/12/2006	06/12/2007	6.2000%	
50,000,000.00	01/16/2007	07/16/2007	6.2625%	
<u>\$485,000,000.00</u>	Total Drawn		Total Repaid	<u>\$(30,000,000.00)</u>

\$455,000,000.00 Amount Outstanding 4/30/2007

\$195,000,000.00 Current Amount Available to be Drawn

Pending Loan Applications Submitted by EKPC to RUS

Requested Amount of Loan	Anticipated Rate of Loan	Term of Maturity Date		Secured or Unsecured	Purpose of the Loan	Date of Loan Application	Date of Anticipated Final RUS Approval
		Fixed or Variable	of Loan				
\$ 64,240,000	*	Fixed	12/31/2040	Secured	Miscellaneous Transmission Projects	12/21/2004	08/31/2007
481,388,000	*	Fixed	12/31/2040	Secured	Construction of Spurlock 4 Generating Unit	04/26/2005	08/31/2007
906,973,000	*	Fixed	12/31/2040	Secured	Construction of Smith #1 CFB & CT's 8-9 and Associated Transmission	05/24/2005	5/31/2008 & 12/31/2008
457,510,000	*	Fixed	12/31/2040	Secured	Spurlock #1 & #2 Scrubbers & over-run of Spurlock #4 Generating Unit	05/11/2007	05/31/2008

* The rate will be determined and set by the Federal Financing Bank at the time of advance.

.ST KENTUCKY POWER COOPERATIVE

CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

OUTSTANDING LONG-TERM DEBT 12/31/2006

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 12/31/2006</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
A. Bonds						
Spurlock Pollution Control Bonds Issuer: County of Mason	11/15/1984	10-15-2014	82,100,000.00	141,300,000.00	3.763%	3,089,423.00
Smith Pollution Control Bonds Issuer: County of Clark	11/15/1984	10-15-2014	18,260,000.00	59,650,000.00	3.680%	671,968.00
Cooper Solid Waste Disposal Bond Issuer: County of Pulaski	12/15/1993	08-15-2023	8,800,000.00	11,800,000.00	3.420%	300,960.00
Total Bonds			109,160,000.00			4,062,351.00

Notes

National Rural Utilities Cooperative Finance Corporation ("CFC")

CFC # 9001	08-20-1974	02-28-2014	5,337,030.47	13,150,000.00	3.800%	202,807.16
CFC # 9033	08-29-1984	05-31-2019	4,986,273.48	8,530,000.00	3.800%	189,478.39
CFC # 9034	06-12-1995	11-30-2024	5,651,699.40	6,734,000.00	3.800%	214,764.58
CFC # 9038	03-02-1998	02-28-2024	4,464,579.95	5,251,000.00	3.800%	169,654.04
CFC - Unsecured Credit Facility	02-16-2006	09-02-2010	50,000,000.00	50,000,000.00	6.325%	3,162,500.00
CFC - Unsecured Credit Facility	04-13-2006	09-02-2010	50,000,000.00	50,000,000.00	6.263%	3,131,250.00
CFC - Unsecured Credit Facility	10-11-2005	09-02-2010	40,000,000.00	40,000,000.00	6.263%	2,505,000.00
CFC - Unsecured Credit Facility	05-24-2006	09-02-2010	25,000,000.00	25,000,000.00	6.450%	1,612,500.00
CFC - Unsecured Credit Facility	10-11-2005	09-02-2010	40,000,000.00	40,000,000.00	6.263%	2,505,000.00
CFC - Unsecured Credit Facility	06-20-2006	09-02-2010	75,000,000.00	75,000,000.00	6.200%	4,650,000.00
CFC - Unsecured Credit Facility	06-29-2006	09-02-2010	25,000,000.00	25,000,000.00	6.200%	1,550,000.00
CFC - Unsecured Credit Facility	11-02-2006	09-02-2010	50,000,000.00	50,000,000.00	6.263%	3,131,250.00
CFC - Unsecured Credit Facility	12-12-2006	09-02-2010	50,000,000.00	50,000,000.00	6.200%	3,100,000.00
National Cooperative Services Corporation	07-18-1995	09-29-2006	8,400,000.00	18,000,000.00	7.700%	646,800.00
Total CFC			433,839,583.30			26,771,004.17

Rural Utilities Service Notes

REA 4490	03-01-1973	03-01-2008	330,789.75	6,000,000.00	2.000%	6,615.80
REA 4520	06-20-1974	06-01-2009	581,614.61	5,368,000.00	2.000%	11,632.29
CB-4500	06-12-1973	06-12-2008	1,645,584.03	25,000,000.00	2.000%	32,911.68
CB-4510	03-01-1974	03-01-2009	1,223,347.31	12,500,000.00	2.000%	24,466.95
K4-14530	06-02-1975	06-02-2010	1,005,810.44	5,000,000.00	5.000%	50,290.52
K4-14540	06-01-1976	06-02-2011	1,513,351.31	6,000,000.00	5.000%	75,667.57

Type of Debt Issue	Date of Issue	Date of Maturity	Amount	Amount	Interest	Normalized
			Outstanding 12/31/2006	Issued	Rate	Interest Expense
K4-14570	06-01-1977	07-01-2012	2,103,749.20	7,000,000.00	5.000%	105,187.46
K4-14580	03-01-1978	03-01-2013	2,420,087.86	7,200,000.00	5.000%	121,004.39
M9-14590	10-31-1979	10-31-2014	2,282,006.02	5,734,294.72	5.000%	114,100.30
M9-14591	10-31-1979	10-31-2014	642,141.11	1,536,705.28	5.000%	32,107.06
SRDA 14610	03-01-1977	03-01-2012	57,084.55	188,718.00	5.000%	2,854.23
P12-1-B620	08-29-1984	06-30-2019	3,674,014.12	6,401,000.00	5.000%	183,700.71
P12-1-B621	08-29-1984	06-30-2019	1,801,769.33	3,053,000.00	5.000%	90,088.47
P12-1-B624	08-20-1990	08-31-2021	5,092,281.33	7,598,272.97	5.000%	254,614.07
P12-1-B625	08-20-1990	08-31-2022	1,299,252.75	1,855,727.03	5.000%	64,962.64
R12-1-B642	03-31-1995	12-31-2024	6,639,789.18	7,856,000.00	5.000%	331,989.46
R12-1-B647	03-31-1995	12-31-2024	6,639,789.18	7,856,000.00	5.000%	331,989.46
T62-1-B650	03-02-1998	12-31-2024	5,277,187.40	6,125,500.00	5.125%	270,455.85
T62-1-B655	03-02-1998	12-31-2024	5,277,187.40	6,125,500.00	5.125%	270,455.85
Total RUS			49,506,836.88			2,375,094.76

Federal Financing Bank Notes

HO-010	03-04-1977	12-31-2011	7,941,892.60	23,603,000.00	5.452%	432,991.98
HO-015	04-08-1977	12-31-2011	841,519.90	2,494,000.00	5.452%	45,879.66
HO-020	04-25-1977	12-31-2011	980,557.35	2,908,000.00	5.452%	53,459.99
HO-025	05-25-1977	12-31-2011	1,147,097.37	3,400,000.00	5.452%	62,539.75
HO-030	06-22-1977	12-31-2011	2,916,665.39	8,665,000.00	5.452%	159,016.60
HO-035	07-25-1977	12-31-2011	2,505,750.68	7,422,000.00	5.452%	136,613.53
HO-040	08-31-1977	12-31-2011	2,017,763.23	5,984,000.00	5.452%	110,008.45
HO-045	09-30-1977	12-31-2011	2,015,991.99	5,950,000.00	5.452%	109,911.88
HO-050	11-28-1977	12-31-2011	1,711,089.47	5,037,000.00	5.452%	93,288.60
HO-055	12-01-1977	12-31-2011	1,645,557.63	4,843,000.00	5.452%	89,715.80
HO-060	12-27-1977	12-31-2011	1,376,901.11	4,038,000.00	5.452%	75,068.65
HO-065	03-01-1978	12-31-2012	1,039,088.67	2,649,000.00	5.484%	56,983.62
HO-070	04-25-1978	12-31-2012	1,612,388.87	4,092,000.00	5.484%	88,423.41
HO-075	05-25-1978	12-31-2012	2,327,993.65	5,897,000.00	5.484%	127,667.17
HO-080	08-24-1978	12-31-2015	3,651,149.13	5,782,000.00	10.372%	378,697.19
HO-086	10-30-1978	12-31-2012	8,432,547.48	19,184,000.00	7.444%	627,718.83
HO-091	11-22-1978	12-31-2012	3,169,098.35	7,243,000.00	7.444%	235,907.68
HO-096	12-27-1978	12-31-2012	2,209,064.79	5,040,000.00	7.444%	164,442.78
HO-111	03-16-1979	12-31-2013	3,087,939.17	6,344,000.00	7.470%	230,669.06
HO-116	04-19-1979	12-31-2013	3,382,252.20	6,949,000.00	7.470%	252,654.24
HO-121	05-21-1979	12-31-2013	4,772,706.07	9,777,000.00	7.470%	356,521.14
HO-150	11-15-1979	12-31-2015	4,316,985.35	6,790,000.00	10.144%	437,914.99
HO-156	12-06-1979	12-31-2013	4,609,387.36	9,480,000.00	7.470%	344,321.24
HO-160	12-26-1979	12-31-2015	3,750,782.92	6,237,000.00	9.352%	350,773.22
HO-165	01-15-1980	12-31-2015	4,817,734.31	8,746,000.00	7.690%	370,483.77
HO-210	04-29-1981	12-31-2015	2,051,242.50	3,676,542.00	6.248%	128,161.63
HO-215	05-15-1981	12-31-2015	3,795,340.68	6,805,000.00	6.248%	237,132.89
HO-220	05-15-1981	12-31-2015	2,756,292.98	4,942,000.00	6.248%	172,213.19
HO-235	06-16-1981	12-31-2015	4,189,195.37	7,484,000.00	6.248%	261,740.93
HO-245	07-20-1981	12-31-2015	771,838.76	1,193,000.00	10.572%	81,598.79
HO-255	09-15-1981	12-31-2015	3,051,701.59	4,700,000.00	10.657%	325,219.84
HO-265	10-15-1981	12-31-2015	2,088,787.60	3,700,000.00	6.248%	130,507.45
HO-275	10-19-1981	12-31-2015	564,317.11	1,000,000.00	6.248%	35,258.53
HO-285	11-17-1981	12-31-2015	1,593,644.79	2,500,000.00	10.204%	162,615.51
HO-295	01-18-1982	12-31-2016	2,364,987.14	3,732,000.00	7.991%	188,986.12
HO-300	01-20-1982	12-31-2015	165,255.08	300,000.00	7.690%	12,708.12
HO-305	01-22-1982	12-31-2016	228,267.31	360,000.00	7.991%	18,240.84
HO-310	02-17-1982	12-31-2016	303,984.11	506,000.00	6.591%	20,035.59

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 12/31/2006</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
HO-315	02-18-1982	12-31-2016	3,711,861.83	6,181,000.00	6.591%	244,648.81
HO-320	02-19-1982	12-31-2015	275,424.56	500,000.00	7.690%	21,180.15
HO-325	03-15-1982	12-31-2016	5,525,029.52	9,307,000.00	6.591%	364,154.70
HO-330	03-22-1982	12-31-2016	314,792.74	530,000.00	6.591%	20,747.99
HO-335	04-19-1982	12-31-2016	355,624.94	560,000.00	7.991%	28,417.99
HO-340	05-17-1982	12-31-2016	190,513.70	300,000.00	7.991%	15,223.95
HO-345	05-24-1982	12-31-2016	2,553,256.21	4,000,000.00	7.991%	204,030.70
HO-350	06-14-1982	12-31-2016	4,467,206.22	7,000,000.00	7.991%	356,974.45
HO-355	06-15-1982	12-31-2016	1,004,149.85	1,570,000.00	7.991%	80,241.61
HO-360	07-14-1982	12-31-2016	3,928,222.64	6,131,000.00	7.991%	313,904.27
HO-365	07-16-1982	12-31-2016	576,643.46	900,000.00	7.991%	46,079.58
HO-370	08-16-1982	12-31-2016	276,020.75	430,000.00	7.991%	22,056.82
HO-375	08-16-1982	12-31-2016	2,611,922.16	4,069,000.00	7.991%	208,718.70
HO-380	09-15-1982	12-31-2015	305,293.21	500,000.00	10.381%	31,692.49
HO-385	09-13-1982	12-31-2016	5,216,141.63	8,126,000.00	7.991%	416,821.88
HO-390	09-14-1982	12-31-2016	385,144.83	600,000.00	7.991%	30,776.92
HO-395	10-14-1982	12-31-2016	1,287,335.30	2,000,000.00	7.991%	102,870.96
HO-400	10-14-1982	12-31-2016	772,401.35	1,200,000.00	7.991%	61,722.59
HO-405	10-14-1982	12-31-2016	2,882,987.92	4,479,000.00	7.991%	230,379.56
HO-410	11-10-1982	12-31-2016	578,426.44	900,000.00	7.991%	46,222.06
HO-415	11-10-1982	12-31-2016	385,617.34	600,000.00	7.991%	30,814.68
HO-420	11-10-1982	12-31-2016	3,534,825.64	5,500,000.00	7.991%	282,467.92
HO-425	12-13-1982	12-31-2016	900,972.89	1,400,000.00	7.991%	71,996.74
HO-430	12-13-1982	12-31-2016	4,440,507.76	6,900,000.00	7.991%	354,840.98
HO-435	01-17-1983	12-31-2017	759,291.38	1,200,000.00	5.913%	44,896.90
HO-440	02-14-1983	12-31-2017	3,048,225.31	4,800,000.00	5.913%	180,241.56
HO-445	03-16-1983	12-31-2017	316,731.28	500,000.00	5.913%	18,728.32
HO-450	03-16-1983	12-31-2017	4,117,508.48	6,500,000.00	5.913%	243,468.28
HO-455	04-14-1983	12-31-2017	1,585,247.55	2,500,000.00	5.913%	93,735.69
HO-460	04-14-1983	12-31-2017	2,980,265.56	4,700,000.00	5.913%	176,223.10
HO-465	05-16-1983	12-31-2017	601,949.92	950,000.00	5.913%	35,593.30
HO-470	06-15-1983	12-31-2017	445,398.72	700,000.00	5.913%	26,336.43
HO-475	06-15-1983	12-31-2017	4,453,984.84	7,000,000.00	5.913%	263,364.12
HO-480	07-14-1983	12-31-2017	2,858,003.58	4,500,000.00	5.913%	168,993.75
HO-485	08-16-1983	12-31-2017	635,982.13	1,000,000.00	5.913%	37,605.62
HO-490	09-27-1983	12-31-2017	508,338.53	800,000.00	5.913%	30,058.06
HO-495	09-27-1983	12-31-2017	1,270,845.63	2,000,000.00	5.913%	75,145.10
HO-500	10-24-1983	12-31-2017	640,862.30	1,000,000.00	5.913%	37,894.19
HO-505	10-24-1983	12-31-2017	640,862.30	1,000,000.00	5.913%	37,894.19
HO-510	05-09-1984	12-31-2018	11,253,054.28	16,500,000.00	6.665%	750,016.07
HO-515	01-17-1985	12-31-2019	4,181,730.31	5,900,000.00	5.991%	250,527.46
HO-520	04-16-1985	12-31-2015	379,076.23	600,000.00	10.377%	39,336.74
HO-525	05-20-1985	12-31-2019	802,283.85	1,130,000.00	5.991%	48,064.83
HO-530	06-24-1985	12-31-2019	512,151.23	720,000.00	5.991%	30,682.98
HO-535	06-24-1985	12-31-2015	139,206.75	215,000.00	10.590%	14,741.99
HO-540	12-23-1985	12-31-2015	1,947,178.54	3,165,291.00	9.385%	182,742.71
HO-545	03-18-1986	12-31-2020	1,346,866.35	1,897,000.00	5.177%	69,727.27
HO-550	03-18-1986	12-31-2015	432,854.01	751,000.00	8.058%	34,879.38
HO-555	04-16-1986	12-31-2020	132,807.37	188,000.00	5.177%	6,875.44
HO-560	04-16-1986	12-31-2015	393,370.19	706,000.00	7.413%	29,160.53
HO-565	10-14-1986	12-31-2020	1,766,575.56	2,480,000.00	5.177%	91,455.62
HO-570	10-30-1986	12-31-2020	3,588,615.50	5,035,000.00	5.177%	185,782.62
HO-575	11-06-1995	12-31-2023	11,785,567.86	14,895,000.00	6.301%	742,608.63
HO-580	11-06-1995	12-31-2024	23,222,469.41	28,812,000.00	6.306%	1,464,408.92
HO-585	11-06-1995	12-31-2024	23,222,469.41	28,812,000.00	6.306%	1,464,408.92

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 12/31/2006</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
HO-590	11-06-1995	12-31-2024	23,222,469.41	28,812,000.00	6.306%	1,464,408.92
HO-595	01-26-1996	12-31-2024	4,736,736.59	5,836,000.00	6.123%	290,030.38
HO-600	06-25-1997	12-31-2023	2,941,826.82	3,607,000.00	6.297%	185,246.83
HO-605	09-14-2000	12-31-2024	5,278,894.69	6,082,000.00	6.005%	316,997.63
HO-610	09-15-2000	12-31-2024	5,769,779.35	6,626,000.00	6.067%	350,052.51
HO-615	04-10-2001	12-31-2024	8,425,493.00	9,681,000.00	5.451%	459,273.62
HO-620	06-05-2001	12-31-2024	7,142,392.96	8,119,000.00	5.726%	408,973.42
HO-625	07-10-2001	12-31-2024	7,149,784.72	8,119,000.00	5.729%	409,611.17
HO-630	08-10-2001	12-31-2024	7,122,972.22	8,119,000.00	5.488%	390,908.72
HO-635	09-06-2001	12-31-2024	7,142,082.42	8,119,000.00	5.426%	387,529.39
HO-640	10-03-2001	12-31-2024	9,646,170.76	11,000,000.00	5.104%	492,340.56
HO-645	11-08-2001	12-31-2024	11,639,810.54	13,357,000.00	4.709%	548,118.68
HO-650	12-10-2001	12-31-2024	7,069,268.12	7,970,000.00	5.644%	398,989.49
HO-655	01-15-2002	12-31-2030	18,500,020.92	20,000,000.00	5.447%	1,007,696.14
HO-660	06-04-2002	12-31-2030	5,606,638.85	6,000,000.00	5.678%	318,344.95
HO-665	07-02-2002	12-31-2030	5,598,027.33	6,000,000.00	5.538%	310,018.75
HO-670	08-15-2002	12-31-2024	13,751,723.27	15,000,000.00	4.695%	645,643.41
HO-675	08-22-2002	12-31-2024	9,177,283.70	10,000,000.00	4.802%	440,693.16
HO-680	09-24-2002	12-31-2024	13,707,321.46	15,000,000.00	4.366%	598,461.65
HO-685	10-03-2002	12-31-2024	9,139,033.93	10,000,000.00	4.375%	399,832.73
HO-690	11-05-2002	12-31-2024	13,754,652.85	15,000,000.00	4.717%	648,806.97
HO-695	12-10-2002	12-31-2024	9,163,275.12	10,000,000.00	4.644%	425,542.50
HO-700	01-23-2003	12-31-2024	3,142,758.30	3,500,000.00	4.557%	143,215.50
HO-705	01-23-2003	12-31-2030	6,064,986.32	6,500,000.00	4.790%	290,512.84
HO-710	02-27-2003	12-31-2030	2,980,470.48	3,200,000.00	4.624%	137,816.95
HO-715	05-06-2003	12-31-2024	3,932,400.68	4,300,000.00	4.442%	174,677.24
HO-720	07-03-2003	12-31-2032	24,159,206.13	25,000,000.00	4.460%	1,077,500.59
HO-725	07-17-2003	12-31-2032	24,204,852.18	25,000,000.00	4.819%	1,166,431.83
HO-730	07-24-2003	12-31-2032	24,027,236.28	24,800,000.00	4.950%	1,189,348.20
HO-735	08-26-2003	12-31-2024	3,603,289.16	3,938,000.00	5.055%	182,146.27
HO-740	10-02-2003	12-31-2030	2,410,770.03	2,550,000.00	4.753%	114,583.90
HO-745	10-02-2003	12-31-2024	2,434,019.72	2,660,000.00	4.501%	109,555.23
HO-750	10-23-2003	12-31-2032	24,238,091.77	25,000,000.00	5.091%	1,233,961.25
HO-755	11-04-2003	12-31-2032	24,245,031.73	25,000,000.00	5.149%	1,248,376.68
HO-760	11-14-2003	12-31-2032	24,234,963.96	25,000,000.00	5.065%	1,227,500.92
HO-765	11-25-2003	12-31-2032	24,228,434.46	25,000,000.00	5.011%	1,214,086.85
HO-770	12-04-2003	12-31-2032	26,184,634.26	27,000,000.00	5.149%	1,348,246.82
HO-775	02-05-2004	12-31-2030	6,179,309.50	6,500,000.00	4.854%	299,943.68
HO-780	05-06-2004	12-31-2030	2,164,453.84	2,260,000.00	5.240%	113,417.38
HO-785	05-06-2004	12-31-2024	3,851,949.68	4,130,000.00	5.020%	193,367.87
HO-790	08-26-2004	12-31-2030	16,226,227.23	16,900,000.00	4.921%	798,492.64
HO-795	11-01-2004	12-31-2030	6,452,307.12	6,700,000.00	4.672%	301,451.79
HO-800	11-16-2004	12-31-2030	3,122,302.22	3,240,000.00	4.795%	149,714.39
HO-805	11-16-2004	12-31-2024	5,323,595.76	5,644,000.00	4.577%	243,660.98
HO-810	12-16-2004	12-31-2038	49,495,741.92	50,000,000.00	4.744%	2,348,078.00
HO-815	12-22-2004	12-31-2038	49,503,453.04	50,000,000.00	4.825%	2,388,541.61
HO-820	12-29-2004	12-31-2038	49,514,779.67	50,000,000.00	4.946%	2,449,001.00
HO-825	02-02-2005	12-31-2038	24,743,720.38	25,000,000.00	4.658%	1,152,562.50
HO-830	02-08-2005	12-31-2038	24,735,790.52	25,000,000.00	4.497%	1,112,368.50
HO-835	05-10-2005	12-31-2038	24,745,996.02	25,000,000.00	4.705%	1,164,299.11
HO-840	06-02-2005	12-31-2038	24,727,445.12	25,000,000.00	4.332%	1,071,192.92
HO-845	06-07-2005	12-31-2038	18,792,546.45	19,000,000.00	4.324%	812,589.71
HO-850	06-09-2005	12-31-2030	12,815,926.21	13,192,000.00	4.353%	557,877.27
HO-855	08-26-2005	12-31-2038	29,681,207.85	30,000,000.00	4.468%	1,326,156.37
HO-860	08-30-2005	12-31-2038	29,681,328.16	30,000,000.00	4.470%	1,326,755.37

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 12/31/2006</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
HO-865	08-19-2005	12-31-2030	3,593,978.72	3,675,000.00	4.485%	161,189.95
HO-870	10-14-2005	12-31-2038	29,698,879.80	30,000,000.00	4.769%	1,416,339.58
HO-875	11-09-2005	12-31-2030	2,041,298.92	2,075,000.00	4.858%	99,166.30
HO-880	11-09-2005	12-31-2024	551,704.52	566,000.00	4.789%	26,421.13
HO-885	03-27-2006	12-31-2032	6,444,322.81	500,000.00	4.890%	315,127.39
HO-890	05-03-2006	12-31-2038	14,961,317.10	15,000,000.00	5.345%	799,682.40
HO-895	05-09-2006	12-31-2038	9,974,130.35	10,000,000.00	5.333%	531,920.37
FO-900	08-23-2006	12-31-2034	15,000,000.00	15,000,000.00	5.070%	760,500.00
FO-905	08-25-2006	12-31-2034	15,000,000.00	15,000,000.00	5.061%	759,150.00
FO-910	08-29-2006	12-31-2034	23,000,000.00	23,000,000.00	5.053%	1,162,190.00
		Total FFB	<u>1,184,455,374.71</u>			<u>63,225,318.74</u>
<u>RUS - Cushion of Credit</u>						
9J990			(75,874,776.83)		5.000%	
		Sick Leave Reserve	<u>1,982,605.51</u>			
		Total Indebtedness	<u>\$ 1,703,069,623.57</u>			<u>\$ 96,433,768.67</u>

.ST KENTUCKY POWER COOPERATIVE

CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

OUTSTANDING LONG-TERM DEBT 4/30/2007

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 04/30/2007</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
A. Bonds						
Spurlock Pollution Control Bonds Issuer: County of Mason	11/15/1984	10-15-2014	82,100,000.00	141,300,000.00	4.040%	3,316,840.00
Smith Pollution Control Bonds Issuer: County of Clark	11/15/1984	10-15-2014	18,260,000.00	59,650,000.00	3.700%	675,620.00
Cooper Solid Waste Disposal Bond Issuer: County of Pulaski	12/15/1993	08-15-2023	8,800,000.00	11,800,000.00	3.730%	328,240.00
Total Bonds			109,160,000.00			4,320,700.00

Notes

National Rural Utilities Cooperative Finance Corporation ("CFC")

CFC # 9001	08-20-1974	02-28-2014	5,176,315.95	13,150,000.00	3.800%	196,700.01
CFC # 9033	08-29-1984	05-31-2019	4,907,900.57	8,530,000.00	3.800%	186,500.22
CFC # 9034	06-12-1995	11-30-2024	5,596,654.30	6,734,000.00	3.800%	212,672.86
CFC # 9038	03-02-1998	02-28-2024	4,418,486.36	5,251,000.00	3.800%	167,902.48
CFC - Unsecured Credit Facility	02-16-2006	09-02-2010	50,000,000.00	50,000,000.00	6.263%	3,131,250.00
CFC - Unsecured Credit Facility	04-13-2006	09-02-2010	50,000,000.00	50,000,000.00	6.200%	3,100,000.00
CFC - Unsecured Credit Facility	10-11-2005	09-02-2010	40,000,000.00	40,000,000.00	6.263%	2,505,000.00
CFC - Unsecured Credit Facility	05-24-2006	09-02-2010	25,000,000.00	25,000,000.00	6.263%	1,565,625.00
CFC - Unsecured Credit Facility	10-11-2005	09-02-2010	40,000,000.00	40,000,000.00	6.138%	2,455,000.00
CFC - Unsecured Credit Facility	06-20-2006	09-02-2010	75,000,000.00	75,000,000.00	6.200%	4,650,000.00
CFC - Unsecured Credit Facility	06-29-2006	09-02-2010	25,000,000.00	25,000,000.00	6.200%	1,550,000.00
CFC - Unsecured Credit Facility	11-02-2006	09-02-2010	50,000,000.00	50,000,000.00	6.200%	3,100,000.00
CFC - Unsecured Credit Facility	12-12-2006	09-02-2010	50,000,000.00	50,000,000.00	6.200%	3,100,000.00
CFC - Unsecured Credit Facility	01-16-2007	09-02-2010	50,000,000.00	50,000,000.00	6.263%	3,131,250.00
National Cooperative Services Corporation	07-18-1995	09-29-2006	8,400,000.00	18,000,000.00	7.700%	646,800.00
Total CFC			483,499,357.18			29,698,700.57

Rural Utilities Service Notes

REA 4490	03-01-1973	03-01-2008	265,821.03	6,000,000.00	2.000%	5,316.42
REA 4520	06-20-1974	06-01-2009	524,898.05	5,368,000.00	2.000%	10,497.96
CB-4500	06-12-1973	06-12-2008	1,376,199.24	25,000,000.00	2.000%	27,523.98
CB-4510	03-01-1974	03-01-2009	1,090,630.26	12,500,000.00	2.000%	21,812.61
K4-14530	06-02-1975	06-02-2010	939,710.83	5,000,000.00	5.000%	46,985.54

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 04/30/2007</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
K4-14540	06-01-1976	06-02-2011	1,437,809.06	6,000,000.00	5.000%	71,890.45
K4-14570	06-01-1977	07-01-2012	2,019,785.83	7,000,000.00	5.000%	100,989.29
K4-14580	03-01-1978	03-01-2013	2,336,884.55	7,200,000.00	5.000%	116,844.23
M9-14590	10-31-1979	10-31-2014	2,220,111.92	5,734,294.72	5.000%	111,005.60
M9-14591	10-31-1979	10-31-2014	624,886.69	1,536,705.28	5.000%	31,244.33
SRDA 14610	03-01-1977	03-01-2012	54,825.46	188,718.00	5.000%	2,741.27
P12-1-B620	08-29-1984	06-30-2019	3,601,591.08	6,401,000.00	5.000%	180,079.55
P12-1-B621	08-29-1984	06-30-2019	1,766,446.76	3,053,000.00	5.000%	88,322.34
P12-1-B624	08-20-1990	08-31-2021	5,016,568.80	7,598,272.97	5.000%	250,828.44
P12-1-B625	08-20-1990	08-31-2022	1,280,485.50	1,855,727.03	5.000%	64,024.28
R12-1-B642	03-31-1995	12-31-2024	6,556,423.26	7,856,000.00	5.000%	327,821.16
R12-1-B647	03-31-1995	12-31-2024	6,556,423.26	7,856,000.00	5.000%	327,821.16
T62-1-B650	03-02-1998	12-31-2024	5,211,326.83	6,125,500.00	5.125%	267,080.50
T62-1-B655	03-02-1998	12-31-2024	5,211,326.83	6,125,500.00	5.125%	267,080.50
		Total RUS	48,092,155.24			2,319,909.61

Federal Financing Bank Notes

HO-010	03-04-1977	12-31-2011	7,278,677.24	23,603,000.00	5.452%	396,833.48
HO-015	04-08-1977	12-31-2011	771,245.84	2,494,000.00	5.452%	42,048.32
HO-020	04-25-1977	12-31-2011	898,672.44	2,908,000.00	5.452%	48,995.62
HO-025	05-25-1977	12-31-2011	1,051,304.99	3,400,000.00	5.452%	57,317.15
HO-030	06-22-1977	12-31-2011	2,673,099.08	8,665,000.00	5.452%	145,737.36
HO-035	07-25-1977	12-31-2011	2,296,499.23	7,422,000.00	5.452%	125,205.14
HO-040	08-31-1977	12-31-2011	1,849,262.89	5,984,000.00	5.452%	100,821.81
HO-045	09-30-1977	12-31-2011	1,847,639.58	5,950,000.00	5.452%	100,733.31
HO-050	11-28-1977	12-31-2011	1,568,198.98	5,037,000.00	5.452%	85,498.21
HO-055	12-01-1977	12-31-2011	1,508,139.65	4,843,000.00	5.452%	82,223.77
HO-060	12-27-1977	12-31-2011	1,261,918.17	4,038,000.00	5.452%	68,799.78
HO-065	03-01-1978	12-31-2012	968,299.32	2,649,000.00	5.484%	53,101.53
HO-070	04-25-1978	12-31-2012	1,502,542.58	4,092,000.00	5.484%	82,399.44
HO-075	05-25-1978	12-31-2012	2,169,395.79	5,897,000.00	5.484%	118,969.67
HO-080	08-24-1978	12-31-2015	3,529,279.76	5,782,000.00	10.372%	366,056.90
HO-086	10-30-1978	12-31-2012	7,891,062.70	19,184,000.00	7.444%	587,410.71
HO-091	11-22-1978	12-31-2012	2,965,598.90	7,243,000.00	7.444%	220,759.18
HO-096	12-27-1978	12-31-2012	2,067,212.66	5,040,000.00	7.444%	153,883.31
HO-111	03-16-1979	12-31-2013	2,923,800.35	6,344,000.00	7.470%	218,407.89
HO-116	04-19-1979	12-31-2013	3,202,469.27	6,949,000.00	7.470%	239,224.45
HO-121	05-21-1979	12-31-2013	4,519,013.86	9,777,000.00	7.470%	337,570.34
HO-150	11-15-1979	12-31-2015	4,171,266.04	6,790,000.00	10.144%	423,133.23
HO-156	12-06-1979	12-31-2013	4,364,376.24	9,480,000.00	7.470%	326,018.91
HO-160	12-26-1979	12-31-2015	3,619,172.41	6,237,000.00	9.352%	338,465.00
HO-165	01-15-1980	12-31-2015	4,634,554.22	8,746,000.00	7.690%	356,397.22
HO-210	04-29-1981	12-31-2015	1,967,722.58	3,676,542.00	6.248%	122,943.31
HO-215	05-15-1981	12-31-2015	3,640,806.76	6,805,000.00	6.248%	227,477.61
HO-220	05-15-1981	12-31-2015	2,644,065.70	4,942,000.00	6.248%	165,201.22
HO-235	06-16-1981	12-31-2015	4,018,624.99	7,484,000.00	6.248%	251,083.69
HO-245	07-20-1981	12-31-2015	746,328.84	1,193,000.00	10.572%	78,901.88
HO-255	09-15-1981	12-31-2015	2,951,262.56	4,700,000.00	10.657%	314,516.05
HO-265	10-15-1981	12-31-2015	2,003,738.95	3,700,000.00	6.248%	125,193.61
HO-275	10-19-1981	12-31-2015	541,339.93	1,000,000.00	6.248%	33,822.92
HO-285	11-17-1981	12-31-2015	1,540,009.96	2,500,000.00	10.204%	157,142.62
HO-295	01-18-1982	12-31-2016	2,288,458.60	3,732,000.00	7.991%	182,870.73
HO-300	01-20-1982	12-31-2015	158,971.75	300,000.00	7.690%	12,224.93
HO-305	01-22-1982	12-31-2016	220,880.82	360,000.00	7.991%	17,650.59

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 04/30/2007</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
HO-310	02-17-1982	12-31-2016	293,380.58	506,000.00	6.591%	19,336.71
HO-315	02-18-1982	12-31-2016	3,582,384.85	6,181,000.00	6.591%	236,114.99
HO-320	02-19-1982	12-31-2015	264,952.32	500,000.00	7.690%	20,374.83
HO-325	03-15-1982	12-31-2016	5,332,305.74	9,307,000.00	6.591%	351,452.27
HO-330	03-22-1982	12-31-2016	303,812.16	530,000.00	6.591%	20,024.26
HO-335	04-19-1982	12-31-2016	344,117.26	560,000.00	7.991%	27,498.41
HO-340	05-17-1982	12-31-2016	184,348.89	300,000.00	7.991%	14,731.32
HO-345	05-24-1982	12-31-2016	2,470,635.55	4,000,000.00	7.991%	197,428.49
HO-350	06-14-1982	12-31-2016	4,322,652.08	7,000,000.00	7.991%	345,423.13
HO-355	06-15-1982	12-31-2016	971,656.61	1,570,000.00	7.991%	77,645.08
HO-360	07-14-1982	12-31-2016	3,801,109.48	6,131,000.00	7.991%	303,746.66
HO-365	07-16-1982	12-31-2016	557,983.89	900,000.00	7.991%	44,588.49
HO-370	08-16-1982	12-31-2016	267,089.05	430,000.00	7.991%	21,343.09
HO-375	08-16-1982	12-31-2016	2,527,403.08	4,069,000.00	7.991%	201,964.78
HO-380	09-15-1982	12-31-2015	295,107.52	500,000.00	10.381%	30,635.11
HO-385	09-13-1982	12-31-2016	5,047,352.73	8,126,000.00	7.991%	403,333.96
HO-390	09-14-1982	12-31-2016	372,681.97	600,000.00	7.991%	29,781.02
HO-395	10-14-1982	12-31-2016	1,245,678.47	2,000,000.00	7.991%	99,542.17
HO-400	10-14-1982	12-31-2016	747,407.26	1,200,000.00	7.991%	59,725.31
HO-405	10-14-1982	12-31-2016	2,789,697.48	4,479,000.00	7.991%	222,924.73
HO-410	11-10-1982	12-31-2016	559,709.20	900,000.00	7.991%	44,726.36
HO-415	11-10-1982	12-31-2016	373,139.16	600,000.00	7.991%	29,817.55
HO-420	11-10-1982	12-31-2016	3,420,442.39	5,500,000.00	7.991%	273,327.55
HO-425	12-13-1982	12-31-2016	871,818.37	1,400,000.00	7.991%	69,667.01
HO-430	12-13-1982	12-31-2016	4,296,817.56	6,900,000.00	7.991%	343,358.69
HO-435	01-17-1983	12-31-2017	735,069.43	1,200,000.00	5.913%	43,464.66
HO-440	02-14-1983	12-31-2017	2,950,984.68	4,800,000.00	5.913%	174,491.72
HO-445	03-16-1983	12-31-2017	306,627.30	500,000.00	5.913%	18,130.87
HO-450	03-16-1983	12-31-2017	3,986,156.94	6,500,000.00	5.913%	235,701.46
HO-455	04-14-1983	12-31-2017	1,534,676.98	2,500,000.00	5.913%	90,745.45
HO-460	04-14-1983	12-31-2017	2,885,192.90	4,700,000.00	5.913%	170,601.46
HO-465	05-16-1983	12-31-2017	582,747.25	950,000.00	5.913%	34,457.84
HO-470	06-15-1983	12-31-2017	431,190.19	700,000.00	5.913%	25,496.28
HO-475	06-15-1983	12-31-2017	4,311,899.45	7,000,000.00	5.913%	254,962.61
HO-480	07-14-1983	12-31-2017	2,766,831.15	4,500,000.00	5.913%	163,602.73
HO-485	08-16-1983	12-31-2017	615,693.85	1,000,000.00	5.913%	36,405.98
HO-490	09-27-1983	12-31-2017	492,122.18	800,000.00	5.913%	29,099.18
HO-495	09-27-1983	12-31-2017	1,230,304.71	2,000,000.00	5.913%	72,747.92
HO-500	10-24-1983	12-31-2017	620,418.33	1,000,000.00	5.913%	36,685.34
HO-505	10-24-1983	12-31-2017	620,418.33	1,000,000.00	5.913%	36,685.34
HO-510	05-09-1984	12-31-2018	10,949,096.25	16,500,000.00	6.665%	729,757.27
HO-515	01-17-1985	12-31-2019	4,076,185.65	5,900,000.00	5.991%	244,204.28
HO-520	04-16-1985	12-31-2015	366,426.42	600,000.00	10.377%	38,024.07
HO-525	05-20-1985	12-31-2019	782,034.64	1,130,000.00	5.991%	46,851.70
HO-530	06-24-1985	12-31-2019	499,224.80	720,000.00	5.991%	29,908.56
HO-535	06-24-1985	12-31-2015	134,610.07	215,000.00	10.590%	14,255.21
HO-540	12-23-1985	12-31-2015	1,878,964.17	3,165,291.00	9.385%	176,340.79
HO-545	03-18-1986	12-31-2020	1,314,337.57	1,897,000.00	5.177%	68,043.26
HO-550	03-18-1986	12-31-2015	416,683.99	751,000.00	8.058%	33,576.40
HO-555	04-16-1986	12-31-2020	129,599.89	188,000.00	5.177%	6,709.39
HO-560	04-16-1986	12-31-2015	378,214.17	706,000.00	7.413%	28,037.02
HO-565	10-14-1986	12-31-2020	1,723,910.20	2,480,000.00	5.177%	89,246.83
HO-570	10-30-1986	12-31-2020	3,501,945.24	5,035,000.00	5.177%	181,295.71
HO-575	11-06-1995	12-31-2023	11,591,839.60	14,895,000.00	6.301%	730,401.81
HO-580	11-06-1995	12-31-2024	22,874,760.12	28,812,000.00	6.306%	1,442,482.37

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Amount</u>	<u>Interest</u>	<u>Normalized</u>
			<u>Outstanding</u> <u>04/30/2007</u>	<u>Issued</u>	<u>Rate</u>	<u>Interest</u> <u>Expense</u>
HO-585	11-06-1995	12-31-2024	22,874,760.12	28,812,000.00	6.306%	1,442,482.37
HO-590	11-06-1995	12-31-2024	22,874,760.12	28,812,000.00	6.306%	1,442,482.37
HO-595	01-26-1996	12-31-2024	4,664,467.91	5,836,000.00	6.123%	285,605.37
HO-600	06-25-1997	12-31-2023	2,893,451.14	3,607,000.00	6.297%	182,200.62
HO-605	09-14-2000	12-31-2024	5,196,327.79	6,082,000.00	6.005%	312,039.48
HO-610	09-15-2000	12-31-2024	5,681,242.94	6,626,000.00	6.067%	344,681.01
HO-615	04-10-2001	12-31-2024	8,286,094.44	9,681,000.00	5.451%	451,675.01
HO-620	06-05-2001	12-31-2024	7,028,913.29	8,119,000.00	5.726%	402,475.57
HO-625	07-10-2001	12-31-2024	7,036,222.27	8,119,000.00	5.729%	403,105.17
HO-630	08-10-2001	12-31-2024	7,007,036.09	8,119,000.00	5.488%	384,546.14
HO-635	09-06-2001	12-31-2024	7,025,104.27	8,119,000.00	5.426%	381,182.16
HO-640	10-03-2001	12-31-2024	9,482,972.79	11,000,000.00	5.104%	484,010.93
HO-645	11-08-2001	12-31-2024	11,434,957.23	13,357,000.00	4.709%	538,472.14
HO-650	12-10-2001	12-31-2024	6,956,010.71	7,970,000.00	5.644%	392,597.24
HO-655	01-15-2002	12-31-2030	18,308,555.61	20,000,000.00	5.447%	997,267.02
HO-660	06-04-2002	12-31-2030	5,550,467.01	6,000,000.00	5.678%	315,155.52
HO-665	07-02-2002	12-31-2030	5,540,825.80	6,000,000.00	5.538%	306,850.93
HO-670	08-15-2002	12-31-2024	13,506,337.65	15,000,000.00	4.695%	634,122.55
HO-675	08-22-2002	12-31-2024	9,015,254.60	10,000,000.00	4.802%	432,912.53
HO-680	09-24-2002	12-31-2024	13,454,648.21	15,000,000.00	4.366%	587,429.94
HO-685	10-03-2002	12-31-2024	8,970,719.17	10,000,000.00	4.375%	392,468.96
HO-690	11-05-2002	12-31-2024	13,509,749.88	15,000,000.00	4.717%	637,254.90
HO-695	12-10-2002	12-31-2024	8,998,937.26	10,000,000.00	4.644%	417,910.65
HO-700	01-23-2003	12-31-2024	3,086,606.61	3,500,000.00	4.557%	140,656.66
HO-705	01-23-2003	12-31-2030	5,996,217.80	6,500,000.00	4.790%	287,218.83
HO-710	02-27-2003	12-31-2030	2,945,896.49	3,200,000.00	4.624%	136,218.25
HO-715	05-06-2003	12-31-2024	3,860,453.58	4,300,000.00	4.442%	171,481.35
HO-720	07-03-2003	12-31-2032	23,907,386.57	25,000,000.00	4.460%	1,066,269.44
HO-725	07-17-2003	12-31-2032	23,965,808.38	25,000,000.00	4.819%	1,154,912.31
HO-730	07-24-2003	12-31-2032	23,794,605.37	24,800,000.00	4.950%	1,177,832.97
HO-735	08-26-2003	12-31-2024	3,542,026.93	3,938,000.00	5.055%	179,049.46
HO-740	10-02-2003	12-31-2030	2,383,295.68	2,550,000.00	4.753%	113,278.04
HO-745	10-02-2003	12-31-2024	2,389,745.42	2,660,000.00	4.501%	107,562.44
HO-750	10-23-2003	12-31-2032	24,008,393.73	25,000,000.00	5.091%	1,222,267.32
HO-755	11-04-2003	12-31-2032	24,017,289.60	25,000,000.00	5.149%	1,236,650.24
HO-760	11-14-2003	12-31-2032	24,004,384.93	25,000,000.00	5.065%	1,215,822.10
HO-765	11-25-2003	12-31-2032	23,996,017.37	25,000,000.00	5.011%	1,202,440.43
HO-770	12-04-2003	12-31-2032	25,938,672.75	27,000,000.00	5.149%	1,335,582.26
HO-775	02-05-2004	12-31-2030	6,109,860.01	6,500,000.00	4.854%	296,572.60
HO-780	05-06-2004	12-31-2030	2,141,395.33	2,260,000.00	5.240%	112,209.12
HO-785	05-06-2004	12-31-2024	3,785,402.98	4,130,000.00	5.020%	190,027.23
HO-790	08-26-2004	12-31-2030	16,045,539.36	16,900,000.00	4.921%	789,600.99
HO-795	11-01-2004	12-31-2030	6,377,950.41	6,700,000.00	4.672%	297,977.84
HO-800	11-16-2004	12-31-2030	3,086,924.02	3,240,000.00	4.795%	148,018.01
HO-805	11-16-2004	12-31-2024	5,227,485.09	5,644,000.00	4.577%	239,261.99
HO-810	12-16-2004	12-31-2038	49,154,582.16	50,000,000.00	4.744%	2,331,893.38
HO-815	12-22-2004	12-31-2038	49,167,503.22	50,000,000.00	4.825%	2,372,332.03
HO-820	12-29-2004	12-31-2038	49,186,490.61	50,000,000.00	4.946%	2,432,763.83
HO-825	02-02-2005	12-31-2038	24,570,338.62	25,000,000.00	4.658%	1,144,486.37
HO-830	02-08-2005	12-31-2038	24,557,062.43	25,000,000.00	4.497%	1,104,331.10
HO-835	05-10-2005	12-31-2038	24,574,150.13	25,000,000.00	4.705%	1,156,213.76
HO-840	06-02-2005	12-31-2038	24,543,099.90	25,000,000.00	4.332%	1,063,207.09
HO-845	06-07-2005	12-31-2038	18,652,234.38	19,000,000.00	4.324%	806,522.61
HO-850	06-09-2005	12-31-2030	12,559,745.07	13,192,000.00	4.353%	546,725.70
HO-855	08-26-2005	12-31-2038	29,465,561.65	30,000,000.00	4.468%	1,316,521.29

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 04/30/2007</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Normalized Interest Expense</u>
HO-860	08-30-2005	12-31-2038	29,465,762.98	30,000,000.00	4.470%	1,317,119.61
HO-865	08-19-2005	12-31-2030	3,551,487.59	3,675,000.00	4.485%	159,284.22
HO-870	10-14-2005	12-31-2038	29,495,152.96	30,000,000.00	4.769%	1,406,623.84
HO-875	11-09-2005	12-31-2030	2,018,369.34	2,075,000.00	4.858%	98,052.38
HO-880	11-09-2005	12-31-2024	541,951.33	566,000.00	4.789%	25,954.05
HO-885	03-27-2006	12-31-2032	6,381,359.28	500,000.00	4.890%	312,048.47
HO-890	05-03-2006	12-31-2038	14,869,513.53	15,000,000.00	5.345%	794,775.50
HO-895	05-09-2006	12-31-2038	9,912,784.93	10,000,000.00	5.333%	528,648.82
FO-900	08-23-2006	12-31-2034	15,000,000.00	15,000,000.00	5.070%	760,500.00
FO-905	08-25-2006	12-31-2034	15,000,000.00	15,000,000.00	5.061%	759,150.00
FO-910	08-29-2006	12-31-2034	23,000,000.00	23,000,000.00	5.053%	1,162,190.00
HO-915	03-14-2007	12-31-2038	23,000,000.00	23,000,000.00	4.776%	1,098,480.00
HO-920	03-16-2007	12-31-2038	23,251,000.00	23,251,000.00	4.812%	1,118,838.12
		Total FFB	<u>1,212,014,088.55</u>			<u>64,342,467.00</u>
		Total Long-Term Debt	1,852,765,600.97			100,681,777.18
<u>RUS - Cushion of Credit</u>						
9J990			(29,446,941.53)		5.000%	
		Sick Leave Reserve	<u>1,879,808.20</u>			
		Total Indebtedness	<u>\$ 1,825,198,467.64</u>			<u>\$ 100,681,777.18</u>

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2006-00455

FOURTH DATA REQUEST RESPONSE

COMMISSION STAFF'S FOURTH DATA REQUEST DATED 5/16/07

REQUEST 5

RESPONSIBLE PERSON: William A. Bosta

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Supplement your answers to any prior data requests issued by the Commission in this matter.

Response 5. Please see attached East Kentucky Power Cooperative, Inc., Board Minutes, Attachments A, B, C, D, E, and F, Monthly Reports, Attachment G and EKPC Business Plan documents, Attachment H.

December 29, 2006

Board of Directors
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, January 9, 2007**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EST**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

AGENDA

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. ACTION ON PREVIOUS BOARD MINUTES
- V. ADOPTION OF AGENDA
- VI. SEATING OF SHELBY ENERGY ALTERNATE DIRECTOR
SEATING OF OWEN ELECTRIC ALTERNATE DIRECTOR
- VII. REPORT OF OFFICERS
 - A. Report of Secretary-Treasurer on Directors' Fees and Expenses for the Fourth Quarter of 2006 – A. L. Rosenberger
- VIII. BUSINESS MANAGEMENT PLAN
- IX. AUDIT COMMITTEE ITEMS
William Shearer, Chairman
 - A. **Board Action Requested:**
None.

B. Information and Discussion Items:

X. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS

Donnie Crum, Chairman

A. Board Action Requested:

1. Authorize EKPC to Request a Two-Year Extension of the Y-8 Guaranteed Loan Expiration Date - EAMES
2. Approval for Reclassification of General-Funded Generation Projects to the Y-8 Guaranteed Loan and Redesignation of Remaining Funds - EAMES
3. Adoption of New Economic Development Loan Fund Policy - CRAWFORD
4. Designation of East Kentucky Power Cooperative's First Alternate Representative to the Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES") Board of Managers - MARSHALL
5. Request to Change February 2007 Board Meeting Date - MARSHALL
6. Request to Change March 2007 Board Meeting Date - MARSHALL

B. Information and Discussion Items:

XI. FUEL & POWER SUPPLY COMMITTEE ITEMS

Jimmy Longmire, Chairman

A. Board Action Requested:

1. Approval to Close-Out Contract E201 with Alstom for the Boiler Island for the Gilbert Unit at Spurlock Power Station - DIALS
2. Approval to Close-Out Contract F251 with Richard Goettle, Inc., for Providing and Installing Piling for Spurlock Power Station Unit No. 4 - DIALS
3. Approval to Award Contract E282 to Cherne Contracting Corporation for Installation of Equipment Required for a Turbine Bypass of the Gilbert Unit at Spurlock Power Station - DIALS

4. Approval of the Production Three-Year Construction Work Plan for 2007 through 2009 and to Forward this Information to RUS for Approval - DIALS

B. Information and Discussion Items:

XII. POWER DELIVERY COMMITTEE ITEMS

Mike Adams, Chairman

1. Authorization for the President & Chief Executive Office or his Designee to Award and Execute a Contract for Construction of the Big Creek Tap 69 kV Tap Line (9.13 miles) – TWITCHELL/WARNER
2. Redispatch Agreement Between and Among East Kentucky Power Cooperative, Inc. and Midwest Independent transmission System Operator, Inc. - TWITCHELL
3. Approval of the Following Previously Approved Projects with updated Cost Estimates: Inez Tap Project, Girdler Substation and Tap Project, Alex Creek Substation and Tap Project, Woodstock Substation and Tap Project, and Liberty Church Substation and Tap Project, Big Creek Substation and Tap Project, Garrard County-KU Lancaster Line Project, and Amendment of EKPC Three Year Work Plan (November 2005-October 2008)(Construction and Finance) - LAMB

A. Information and Discussion Items:

XIII. MEMBER SYSTEM NEEDS

XIV. EKPC BUSINESS UNIT MONTHLY REPORTS

Coordinated Planning
Corporate Strategy & Technology Applications
Finance
Governmental Affairs
Human Resources and Support Services
Legal
Member Services
Power Delivery
Power Production

XV. AGENDA ITEMS FOR NEXT AGENDA

XVI. OTHER BUSINESS

XVII. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.

A handwritten signature in cursive script that reads "A. L. Rosenberger".

A. L. Rosenberger, Secretary
c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING
JANUARY 9, 2007**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, January 9, 2007, at 10:35 a.m. EST, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. E. A. Gilbert gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

ANNOUNCEMENTS

- Ron Fuller of Jackson Energy and Chris Perry of Fleming-Mason Energy were welcomed.
- Fred Brown reported on Don Schaefer's recent surgery.
- Carol Fraley is out today due to an aunt's recent accident.

BOARD MINUTES

On motion of P. D. Depp, seconded by Mike Adams, the minutes of the December 5, 2006, board meeting were approved.

ADOPTION OF AGENDA

The Agenda was adopted with the deletion of an item under the Fuel & Power Supply Committee pertaining to close-out of Contract E201.

SEATING OF ALTERNATE DIRECTORS

A motion was made by Danny Divine, seconded by Wade May, and passed to seat the following Alternate Directors to the EKPC Board:

- Debbie Martin from Shelby Energy (replacing Dudley Bottom), and
- Robert Hood from Owen Electric (replacing Bob Marshall).

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer – Robert Marshall

Status of EKPC Rate Case – Bob Marshall reported that a meeting was held January 4 at EKP with the 16 member cooperatives represented by managers and/or rate personnel. He discussed the rate structure to be submitted to the PSC, noting that the average increase is approximately 6.5%. The Rates Task Force Committee will be recommissioned to look long-term at the rate structure. It is anticipated the rate case will be filed with the PSC on January 29, asking for an effective date of April 1, 2007.

Mr. Marshall briefly reviewed the additional \$12.8 million in budget reductions identified by management and as discussed in this morning's Operations, Services & Support Committee. Later in the Board meeting a question was raised as to review of the rate case filing information by all Board members, as the Directors were not involved in the January 4 discussion meeting. Dave Eames announced that upon finalization, the information would be e-mailed or U.S. mailed to all Board members.

Depreciation Study – RUS has approved EKPC's depreciation study. Mr. Marshall noted this study is effective back to January 2006 and is an important help for TIER requirements for 2006. This was a PSC requirement as part of its previous order on the environmental surcharge.

South Kentucky and the Monticello Plant Board/City of Monticello – Allen Anderson provided an update on the Monticello Electric Plant Board ("MEPB") breaking away from TVA and becoming a member of South Kentucky. Should this come about, the final vote would go to the people of the City of Monticello in November 2007, and EKPC potentially could pick up the approximately 25 MW load in 2008. A question was then raised regarding the Territory Act with regard to this situation. Further follow-up work will be done and updates provided.

Board Structure – Mr. Marshall asked Board Chairman Wayne Stratton that the standing committees meet first thing on Board meeting day. It is anticipated that education regarding projects and items to come before the Board for its decision will be presented to the Board in a timelier manner.

Spurlock Unit Nos. 1 and 2 Scrubber Projects Update – Randy Dials provided and reviewed the costs and savings on these two projects. He spoke of the possible scope change due to a wet stack operation on Unit No. 2 and said a study is currently being done. An RFP on Spurlock No. 2 for stack options is anticipated for March 2007, with a recommendation to come before the Board in June 2007. The Spurlock No. 1 scrubber is still on track for June 2009, and the Spurlock No. 2 scrubber for October 2008.

Warren RECC ("Warren") Unwind and Power Supply Update – Mr. Marshall distributed and reviewed a handout with the EKPC goals for the Warren unwind. Warren has prepared an analysis that indicates their leaving creates a benefit to EKPC. Mr. Marshall believes EKPC should have an independent consultant review Warren's study, with Salt River's Larry Hicks to be a part of that process.

Mr. Marshall met, last week, with TVA's P&CEO, Tom Kilgore, in connection with the EKPC/TVA FERC interconnect case. During this meeting, interest was expressed by TVA in the purchase of materials and easements from EKPC concerning the Warren unwind.

PSC Order – Jim Lamb informed the Board of the Kentucky Public Service Commission's ("PSC") recent Order that begins a case to determine EKPC's continued generation needs pursuant to Warren's recent decision not to join EKPC.

EKPC's Power Supply Update – Jim Lamb reviewed the material in the handout referencing the summary of EKPC's expansion plan with and without Warren.

Report of the Secretary-Treasurer

Secretary/Treasurer A. L. Rosenberger reported on his review of directors' fees and expenses for the fourth quarter of 2006, which indicated that all fees and expenses were in compliance with Board Policy No. 111, Compensation of Directors. The written report was included in the Board book of each Director.

BUSINESS MANAGEMENT PLAN

Gary Crawford reviewed and fielded questions on the Business Management Plan as included in the Board book. This portion of the Board book may be changed to a once-a-quarter basis.

A question was raised regarding rate increase information to be provided to the member consumers. Mr. Marshall and Mr. Crawford responded that information is being compiled and will go out this week to the member systems for their use in informing member consumers.

AUDIT COMMITTEE ACTION ITEMS

No Audit Committee action items were brought before the Board.

AUDIT COMMITTEE INFORMATION ITEMS

None.

OPERATIONS, SERVICES AND SUPPORT (“OSS”) COMMITTEE ACTION ITEMS

Extension to Y-8 Loan Expiration Date

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., (“EKPC”) has incurred expenditures for generation facilities (the “Facilities”) within the Y-8 Rural Utilities Service (“RUS”) Guaranteed Federal Financing Bank (“FFB”) Loan;

Whereas, The EKPC Board of Directors (the “Board”) has approved several generation projects and recommended financing of these projects with General Funds; and

Whereas, With this loan about to reach the last date for advance of March 31, 2007, and the Y-8 Guaranteed loan having approximately \$11,532,211 of the original \$223,500,000 remaining as unadvanced funds, management has recommended a two-year extension of the expiration date for the Y-8 Guaranteed loan to accommodate the future reclassification of expenditures for other generation facilities; now, therefore, be it

Resolved, That the EKPC Board of Directors (“Board”) authorizes management to request from RUS a two-year extension of the expiration date of the Y-8 Guaranteed loan; and

Resolved, That the President and Chief Executive Officer, or the Vice President of Finance, is hereby authorized on behalf of EKPC to execute all necessary documents and agreements relating to the extension of the expiration date.

Reclassification and Redesignation of Remaining Y-8 Loan Funds

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., (“EKPC”) must continue to provide wholesale power to the member coops on a reliable and economic basis by minimizing financing costs while managing cash flow;

Whereas, In June 2001, the EKPC Board approved the filing of an application for a new loan with the Rural Utilities Service (“RUS”) for the design, purchase and installation of NOx reduction equipment on Spurlock Unit #1 & #2;

Whereas, EKPC has a balance in reserve of \$11,532,210.61 on the Federal Financing Bank (“FFB”) Y-8 guaranteed loan, which was approved by RUS in September 2002 and cleared by RUS in June 2003, which may be redesignated to reimburse general funds used for approved generation projects;

Whereas, EKPC management recommends that the EKPC Board authorize management to request from RUS the reclassification of the remaining Y-8 FFB guaranteed loan funds to the over-run costs of the Gilbert Generating Unit, and to the anticipated over-run costs of the under-construction Spurlock #4 Generating Unit, and the redesignation of the balance in reserve on that loan, in order to utilize such balance in reserve; and

Whereas, This recommendation supports EKPC’s corporate objective 2.0 - strategically manage costs; now, therefore, be it

Resolved, That the EKPC Board hereby authorizes management to request from RUS the reclassification of the Y-8 FFB guaranteed loan to the over-run costs of the Gilbert Generating Unit, and to the anticipated over-run costs of the under-construction Spurlock #4 Generating Unit, and the redesignation of the remaining Y-8 FFB guaranteed loan funds, in the amount of \$11,532,210.61, for the construction purpose of said reclassified projects; and

Resolved, That the President and Chief Executive Officer, or the Vice President, Finance, is hereby authorized on behalf of EKPC to execute any documents and agreements necessary to effectuate such action.

ACES – Change in Alternate Representative

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, The organizational structure for the Alliance for Cooperative Energy Services Power Marketing, LLC (“ACES”) permits each member to designate two managers and two alternates to the Board of Managers;

Whereas, The Operations, Services & Support Committee and management recommend that Robert Marshall, President and Chief Executive Officer, be designed and appointed as first alternate to the ACES Board of Managers effective January 2007, replacing Dave Eames; and that he be designated and appointed to succeed Roy Palk in January 2008 as one of EKPC’s two managers; and

Whereas, This resolution supports EKPC’s key measure to strategically manage cost, optimize use of assets and develop a keen market understanding; now, therefore, be it

Resolved, That Robert Marshall, President and Chief Executive Officer, is designated and appointed as first alternate to the ACES Board of Managers effective January 2007, replacing Dave Eames; and

Resolved, That Robert Marshall be designated and appointed to succeed Roy Palk in January 2008 as one of EKPC's two managers.

February 2007 Board Meetings

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, On February 12-14, 2007, the NRECA Directors Conference will be held in San Antonio, Texas. This will conflict with our regular Board meeting scheduled for February 13; and

Whereas, Management and the Operations, Services and Support Committee recommend changing the February 2007 Board meeting date; now, therefore, be it

Resolved, That the February 2007 Board meeting date be changed to February 6 due to the conflict with the above-stated meeting events.

March 2007 Board Meetings

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, On March 14-20, 2007, the NRECA Tech Advantage Conference will be held in Las Vegas, Nevada. This will conflict with our regular Board meeting scheduled for March 13; and

Whereas, Management and the Operations, Services and Support Committee recommend changing the March 2007 Board meeting date; now, therefore, be it

Resolved, That the March 2007 Board meeting date be changed to March 6 due to the conflict with the above-stated meeting events.

OSS COMMITTEE INFORMATION ITEMS

2007 Budget Reductions - Dave Eames reviewed the revised list of 2007 budget reductions as listed in the Board book under the Operations, Services & Support Committee information and discussion items.

FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

Close-Out of Contract F251 with Richard Goettle, Inc. for Piling for Spurlock Unit No. 4

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, At the March 2005 East Kentucky Power Cooperative, Inc.'s ("EKPC") Board of Directors ("Board") Meeting, a contract was awarded to Richard Goettle, Inc. ("Goettle") to provide and install the piling for Spurlock Power Station Unit No. 4;

Whereas, The original approved contract amount was \$6,247,757.15, plus a 5 percent contingency;

Whereas, At the August 2006 EKPC Board Meeting, Amendment No. 1 for \$2,999,185 was approved, and the amended contract price was then \$9,246,942;

Whereas, One additional change order was obtained for an increase of \$23,200, with a final contract price of \$9,270,142.11;

Whereas, This piling has been installed; therefore, it is recommended that this contract be closed-out;

Whereas, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract F251; now, therefore, be it

Resolved, That the EKPC Board hereby approves the close out of Contract F251 with Goettle for providing and installing the piling for Spurlock Station Unit No. 4 for a final contract price of \$9,270,142.11 and release final payment of \$927,014.21, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close-out this contract.

Award of Contract E282 to Cherne Contracting Corp., Installation of Equipment for Turbine Bypass – Spurlock Unit No. 3 (Gilbert Unit)

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, The Gilbert Unit at Spurlock Station began commercial operation on March 1, 2005;

Whereas, As installed, the inherent design characteristics of the circulating fluidized bed boiler makes it difficult to supply enough heat to the reheat steam system to start the turbine within General Electric's ("GE") starting requirements;

Whereas, This results in long cold or hot start times, in which the unit is not producing electricity and is not utilizing fuel efficiently;

Whereas, This issue did not become apparent until the unit went into operation, although the possibility of such a condition was considered pre-construction but believed to be an acceptable risk to avoid unnecessary cost, if not needed;

Whereas, Starting the unit in this manner increases the risk for turbine damage that could result in a considerable shortening of the turbine components;

Whereas, On September 19, 2006, a request for proposal to provide non owner-furnished equipment and installation required for a turbine bypass to the Gilbert Unit was sent to Cherne Contracting Corporation ("Cherne") and APComPower, Inc. ("AP Comp");

Whereas, A proposal was received from APComPower, Inc. for \$3,664,736 and the low bid was received from Cherne for \$2,941,736, both bids include \$861,736 in materials;

Whereas, A 10 percent contingency, \$294,174, is recommended to be added to this approval to cover any necessary changes or additions to this contract;

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Cherne provide the non owner-furnished equipment and labor to install a turbine bypass system at a cost of \$2,941,736, plus a 10 percent contingency for any necessary changes or additions;

Whereas, The purchase and installation of this turbine bypass system supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves the installation of a turbine bypass system for the Gilbert Unit at Spurlock Power Station at an estimated cost of \$5 million, and

Resolved, That the EKPC Board hereby approves the award of a contract (E282) to Cherne to supply the non owner-furnished equipment and installation to construct a turbine bypass system for the Gilbert Unit at a price of \$2,941,736 plus a 10 percent contingency of \$294,174 for a total not to exceed price of \$3,235,910, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract.

Update of Production Three-Year Construction Work Plan for 2007-2009

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, An amended Production Three-Year Construction Work Plan ("CWP") was last approved by the East Kentucky Power Cooperative, Inc., ("EKPC") Board of Directors ("Board") on August 9, 2005;

Whereas, Rural Utilities Service ("RUS") required CWP has now been updated to include capital projects and capital equipment over \$500,000 planned by the Production Business Unit for years 2007 through 2009;

Whereas, The completion of projects contained in this plan support reliable and competitive energy; and

Whereas, The Fuel and Power Supply Committee and EKPC management recommend that the Board approve the updated CWP; now, therefore, be it

Resolved, That the EKPC Board hereby approves the updated Production CWP for 2007 through 2009 and directs EKPC management to submit this information to RUS for approval.

F&PS COMMITTEE INFORMATION ITEMS

No F&PS Committee information items were brought before the Board

POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS

Amendment of RUS-Approved Three-Year Work Plan and Updated Projects' Cost Estimates

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., ("EKPC") engineering studies have confirmed the necessity and advisability of the following projects included in the January 9, 2007 Amendment to the EKPC Rural Utilities Service ("RUS") approved Three-Year Work Plan (November 2005-October 2008):

Inez Substation Site	\$30,000
Inez 6.0 Mile, 69 kV Tap Line	\$2,144,000
Girdler 11.2/14 MVA, 69-13.2 kV Substation	\$570,000
Girdler 3.5 Mile, 69 kV Tap Line	\$1,293,000
Alex Creek 5.6/6.44 MVA, 69-25 kV Substation	\$450,000

Alex Creek 1.4 Mile, 69 kV Tap Line	\$563,000
Woodstock 11.2/14 MVA, 69-12.5 kV Substation	\$570,000
Woodstock 4.4 Mile, 69 kV Tap Line	\$1,616,000
Liberty Church 11.2/14 MVA, 69-13.2 kV Substation	\$570,000
Liberty Church 1.8 Mile, 69 kV Tap Line	\$676,000
Big Creek 11.2/14 MVA, 69-12.5 kV Substation	\$664,000
Big Creek 9.3 Mile, 69 kV Tap Line	\$4,898,000
Garrard County 69 kV Breaker Additions (2)	\$201,000
KU Lancaster 69 kV Breaker Addition	\$449,000
Garrard County – KU Lancaster 0.28 Mile, 69 kV Tie Line	\$106,000;

Whereas, Review by the Power Delivery ("PD") Committee and approval of the EKPC Board of Directors ("Board") is required for the construction and financing of these projects pursuant to Board Policies No. 103 and 106;

Whereas, The current EKPC Three-Year Work Plan (November 2005-October 2008) dated November 2005, has been submitted to RUS for approval, which requires that any amendment thereto be approved by the Board and;

Whereas, EKPC management and the PD Committee recommend that the Board amend the current EKPC RUS approved Three Year Work Plan and approve construction of these projects, the acquisition of all real property and easement rights, by condemnation if necessary, and the obtaining of permits and approvals necessary and desirable for these projects and include the financing of these projects with general funds, subject to reimbursement from construction loan funds should they become available and the Board will act upon said recommendation this date; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality; now, therefore, be it

Resolved, That EKPC management is authorized to amend the current EKPC RUS approved Three-Year Work Plan to include the above projects summarized in more detail in the attached Executive Summary;

Resolved, That approval is hereby given for construction of said projects included in the January 9, 2007 Amendment to the EKPC Three-Year Work Plan (November 2005-October 2008), at an estimated total cost of \$14,800,000 and for the acquisition of all real property and easement rights, by condemnation if necessary, as well as all necessary permits and approvals for these projects; and

Resolved, That approval is hereby given to amend the EKPC Annual Budget and Work Plan to include the projects and to finance them with general funds, subject to reimbursement from construction loan funds should they become available.

Contract to David H. Elliot Co., Inc., Big Creek Tap Line

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, On February 5, 2001, the Board of Directors (“Board”) approved an Amendment to the East Kentucky Power Cooperative’s (“EKPC”) Rural Utilities Service (“RUS”) required Three-Year Work Plan (November 1999 – October, 2002) for the construction of the Big Creek Substation and Tap;

Whereas, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer, or his designee, to award and execute a construction contract, to Davis H. Elliot Company, Inc. in the amount of \$1,405,000 for the construction of the Big Creek Tap, exclusive of owner-furnished materials; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it

Resolved, That the President & Chief Executive Officer, or his designee, is authorized to award this contract and execute all documents necessary for the proposed contract price of \$1,405,000, exclusive of owner-furnished materials, for the construction of 9.13 miles of 69 kV tap line.

Redispatch Agreement – EKPC and Midwest Independent Transmission System Operator, Inc.

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") is a generation and transmission cooperative operating electric generation plants in the Commonwealth of Kentucky, and is a registered market participant in the Midwest Independent Transmission System Operator, Inc. (“MISO”) Energy Market, but is not a transmission owning member of the MISO; and

Whereas, The MISO is the Regional Transmission Organization (“RTO”) that provides NERC Reliability Coordinator functions in portions of the Midwest and Canada. The MISO also administers the MISO Tariff for transmission and other services on its grid, and day-ahead and real-time energy transactions and financially firm transmission rights; and

Whereas, the parties seek to establish procedures under which EKPC may in its sole discretion redispatch certain units under its control upon the request and under the direction of MISO and establish payment obligations for such requests implemented by EKPC whereby EKPC is to receive compensation from MISO; and

Whereas, Management and the Power Delivery Committee recommend this action; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves the Redispatch Agreement between and among East Kentucky Power Cooperative, Inc. and Midwest Independent Transmission System Operator, Inc., and authorizes the EKPC President and Chief Executive Officer or his designee to execute all documents required for the agreement.

PD COMMITTEE INFORMATION ITEMS

PD Committee Chairman Mike Adams reported that the Committee heard a report from Mary Jane Warner regarding new construction costs trends.

MEMBER SYSTEM NEEDS

No other member system needs were brought before the Board.

EKPC DIVISION MONTHLY REPORTS

Chairman Stratton noted the monthly reports as included in the Board books.

AGENDA ITEMS FOR NEXT AGENDA

Transition of Leadership – Chairman Stratton noted a concern with regard to Bob Marshall's selection as President /CEO—that the Board did not adhere to Board Policy; and Mr. Stratton asked Legal's staff to review this matter and see what, if anything, needs to be done to rectify this matter.

OTHER BUSINESS

Conference – Those wishing to attend the February 12-14, 2007, NRECA Directors' Conference are to contact Claudia Embs by the end of the day on January 10. As reported at the November 14, 2006, Board meeting, Directors are to attend only one of the three Director functions covered in Board Policy No. 115.

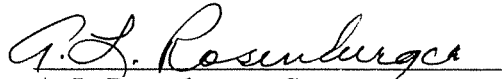
Report from USDA – Chairman Stratton read a portion of a letter dated October 31, 2006, and received December 22, 2006, from U.S. Department of Agriculture Rural Development and regarding RUS' completion of its loan fund and accounting review of EKPC's records. The letter stated, "Our review of the cooperative's loan fund transactions indicated that all Rural Development Utilities Programs Construction Fund receipts were properly accounted for and that all disbursements were for proper loan program purposes."

Introduction of David Smart – Mr. Marshall introduced a new EKPC employee—David Smart with the environmental permitting group.


No other business was brought before the Board.

There being no further business, the EKPC Board meeting was adjourned at 12:20 p.m.

Bob Marshall asked to speak with the Board and everyone except the Board Directors and Alternate Directors left the room. This was an informational session and not an Executive Session.


A. L. Rosenberger, Secretary

Approved:

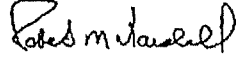

R. Wayne Stratton
Chairman of the Board

Date: Feb 6, 2007

Board Agenda Item

JANUARY

TO: Power Delivery Committee and Board of Directors

FROM: Robert M. Marshall 

DATE: December 29, 2006

SUBJECT: Approval of the Following Previously Approved Projects With Updated Cost Estimates: Inez Tap Project, Girdler Substation and Tap Project, Alex Creek Substation and Tap Project, Woodstock Substation and Tap Project, and Liberty Church Substation and Tap Project, Big Creek Substation and Tap Project, Garrard County – KU Lancaster Line Project, and Amendment of EKPC Three Year Work Plan (November 2005-October 2008)
(Construction and Finance)
(Executive Summary)

KEY MEASURE(S) This action supports the delivery of facilities at a competitive cost, on time and of good quality, and the reliable delivery of power to our Members.

Background

An Amendment to the East Kentucky Power Cooperative's ("EKPC") Rural Utilities Service ("RUS")-required Three-Year Work Plan (November 2005-October 2008) identifies additional transmission facilities and modifications needed by EKPC to economically and reliably serve projected load growth. The projects included in this Amendment have been previously approved by the EKPC Board at significantly lower estimated project costs. New engineering cost estimates indicate that actual project costs will exceed the Board approved amounts due to an increase in rights-of-way, rights-of-way clearing, material and contract labor costs.

This work plan amendment was developed from the results of load flow and economic analysis using input from EKPC member system work plans, EKPC's Market Research Process, Power Delivery Maintenance Process and Power Delivery Expansion Process.

This amendment covers two categories of projects including:

- (1) Transmission Line Additions and/or Modifications

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JANUARY

(2) New Substations, Substation Additions and/or Modifications

Justification and Strategic Analysis

Categories (1) and (2) above consist of facilities related to member system distribution substations and improvements to the transmission system.

- A. The Inez Substation Site and Tap Project was originally included in the April 12, 2005 Amendment to the EKPC RUS approved Three-Year Work Plan (November 2002 – October 2005) with a total estimated project cost of \$1,262,000. New engineering cost estimates indicate that the actual project cost will be approximately \$912,000, or 72 percent, more than the original Board approved amount.

The project is now approximately \$716,000, or 29.3 percent, more than the least cost plan in twenty-year present worth dollars. However, the additional service reliability benefits outweigh the additional costs. This project eliminates existing distribution reliability problems and provides Big Sandy RECC with a strong system infrastructure that will allow service to potential industrial loads in timely fashion. Big Sandy RECC will make monthly payments to EKPC in the amount equal to the fixed costs associated with the capital investment that it would otherwise incur if the project were not constructed. The new estimated project cost is \$2,174,000.

- B. The Girdler Substation and Tap Project and the Alex Creek Substation and Tap Project were originally included in the November 8, 2005 EKPC Three-Year Work Plan (November 2005 – October 2008) with estimated project costs of \$1,318,000 and \$773,000, respectively. New engineering cost estimates indicate that the actual project cost for the Girdler Substation and Tap Project will be approximately \$545,000, or 41 percent, more than the original Board approved amount. Likewise, new engineering cost estimates indicate that the actual project cost for the Alex Creek Substation and Tap Project will be approximately \$240,000, or 31 percent, more than the original Board approved amount.

The combined Girdler and Alex Creek plan is now approximately \$46,000, or 0.80 percent, more than the least cost plan in twenty-year present worth dollars. However, the additional reliability benefits provided by the two new substations outweigh the additional costs. The two new substations will reduce line exposure and provide back feeds for area loads. The new estimated project cost for Girdler Substation and Tap is \$1,863,000. The new estimated project cost for Alex Creek Substation and Tap is \$1,013,000.

Board Agenda Item

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- C. The Woodstock Substation and Tap Project was originally included in the November 8, 2005 EKPC Three-Year Work Plan (November 2005 – October 2008) with a total estimated project costs of \$1,500,000. New engineering cost estimates indicate that the actual project cost will be approximately \$686,000, or 46 percent, more than the original Board approved amount.

The project is now approximately \$487,000, or 9.9 percent, more than the least cost plan in twenty-year present worth dollars. However, the additional reliability benefits outweigh the additional costs. The new Woodstock Substation will reduce line exposure and provide distribution back feed capability for area loads. The new Woodstock 69 kV tap line will most likely be extended to Pulaski County 161/69 kV Substation in the future to provide additional transmission support for area loads. The new estimated project cost is \$2,186,000.

- D. The Liberty Church Substation and Tap Project was originally included in the November 8, 2005 EKPC Three-Year Work Plan (November 2005 – October 2008) with a total estimated project costs of \$965,000. New engineering cost estimates indicate that the actual project cost will be approximately \$281,000, or 29 percent, more than the original Board approved amount.

The project is still the least cost plan with a total present worth cost savings of \$482,000 when compared to the next best plan. The new estimated project cost is \$1,246,000.

- E. The Big Creek Substation and Tap Project was originally included in the February 5, 2001 Amendment to the EKPC RUS approved Three-Year Work Plan (November 1999 – October 2002) with a total estimated project cost of \$2,661,000. New engineering cost estimates indicate that the actual project cost will be approximately \$2,901,000, or 109 percent, more than the original Board approved amount.

The project is now approximately \$1,177,000, or 9.7 percent, more than the least cost plan in twenty-year present worth dollars. However, the additional reliability benefits outweigh the additional costs. The new Big Creek Substation will reduce line exposure and provide distribution back feed capability for area loads. The new Big Creek 69 kV tap line will be extended to Goose Rock Substation in 2008 to provide a transmission back feed to Goose Rock, Oneida and Big Creek Substations. The new estimated project cost is \$5,562,000.

- F. The Garrard County – KU Lancaster 69 kV Tie Line and Garrard County 69 kV Breaker Additions Projects were originally included in the November 1999 Three-Year Work Plan (November 1999 – October 2002) with a total estimated project cost

Board Agenda Item

JANUARY

of \$337,000. New engineering cost estimates indicate that the actual project cost will be approximately \$419,000, or 124 percent, more than the original Board approved amount.

The project is still the least cost plan with a total present worth cost savings of \$8,342,000 when compared to the next best plan. The new estimated project cost is \$756,000.

RUS requires approval of the Board for amendment of the current EKPC RUS-approved Three-Year Work Plan. Construction of the added projects requires review by the Power Delivery Committee and approval pursuant to Board Policies No. 103 and 106.

Recommendation

Management recommends that the EKPC Board approve an Amendment of the current EKPC RUS approved Three-Year Work Plan (November 2005-October 2008) dated January 9, 2007, to include those projects identified above at an updated estimated total cost of \$14,800,000 – which is approximately \$6,000,000 more than the original total amount approved for these projects – and to approve construction of these projects along with authorization to acquire necessary permits, approvals, real property and associated easements necessary and desirable to implement these projects.

RMM

January 26, 2007

Board of Directors
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc., Board of Directors** will be held on ***Tuesday, February 6, 2007***, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EST**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

AGENDA

- I. CALL TO ORDER**
- II. INVOCATION**
- III. ROLL CALL**
- IV. ACTION ON PREVIOUS BOARD MINUTES**
- V. ADOPTION OF AGENDA**
- VI. REPORT OF OFFICERS**
 - A. Report of the President and Chief Executive officer – MARSHALL**
 - 1. Review of Annual Twenty-Year Financial Forecast 2007-2026 - EAMES
- VII. BUSINESS MANAGEMENT PLAN**
- VIII. AUDIT COMMITTEE ITEMS**

William Shearer, Chairman

 - B. Board Action Requested:**
 - 1. Approval of Update to Board Policy 201 – Authorized Check Signatories - EAMES

2. Approval of Property Insurance Renewal – EAMES/OLIVA

C. Information and Discussion Items:

IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS

Donnie Crum, Chairman

A. Board Action Requested:

1. Approval of the Certificate of Resolutions and Incumbency for Clean Renewable Energy Bonds – EAMES/OLIVA
2. Approval of Resolution to Honor Anthony P. Overbey - MARSHALL
3. Ratification of Waiver of Board Policy 110 – CEO Search and Selection in the Selection of Robert M. Marshall as President and Chief Executive Officer of East Kentucky Power Cooperative, Inc. - MARSHALL

B. Information and Discussion Items:

X. FUEL & POWER SUPPLY COMMITTEE ITEMS

Jimmy Longmire, Chairman

A. Board Action Requested:

1. Approval to Close-Out Contract E201 With Alstom for the Boiler Island for the Gilbert Unit at Spurlock Power Station - DIALS
2. Approval to Award Contract C262 to Baker Concrete Construction, Inc., to Provide Substructure for the Unit No. 1 Scrubber - DIALS
3. Approval to Award Contract C224 to Karrena International, LLC to Engineer, Provide, and Construct the Chimney for the Spurlock Unit No. 1 Scrubber - DIALS
4. Approval to Request a Zoning Change for Spurlock Power Station - DIALS

B. Information and Discussion Items:

XI. POWER DELIVERY COMMITTEE ITEMS
Mike Adams, Chairman

None.

A. Information and Discussion Items:

XII. MEMBER SYSTEM NEEDS

XIII. EKPC BUSINESS UNIT MONTHLY REPORTS

Coordinated Planning
Corporate Strategy & Technology Applications
Finance
Governmental Affairs
Human Resources and Support Services
Legal
Member Services
Power Delivery
Power Production

XIV. AGENDA ITEMS FOR NEXT AGENDA

XV. OTHER BUSINESS

XVI. EXECUTIVE SESSION

1. Approve Executive Session Minutes from December 5, 2006

XVII. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.



A. L. Rosenberger, Secretary
c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING
FEBRUARY 6, 2007**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, February 6, 2007, at 10:25 a.m. EST, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Mr. Stratton gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

BOARD MINUTES

On motion of Danny Divine, seconded by Mike Adams, the minutes of the January 9, 2007, board meeting were approved.

ADOPTION OF AGENDA

The Agenda was adopted as mailed.

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer – Robert Marshall

Status of EKPC Rate Case – Bob Marshall reported that the rate case was filed on January 29, 2007. There were a few minor deficiencies cited and those are being dealt with. This material will be posted to the Public Service Commission site

(http://psc.ky.gov/pscscf/2006-00472/EKP_App_012907.pdf). Anyone wishing specific information may contact Bill Bosta.

Warren RECC ("Warren") Unwind Update – Discussions are still ongoing. Warren has made an analysis and that is being evaluated. An EKPC committee has been appointed and is working on the issues of costs recovery and closing this matter positively for all involved. TVA met at EKPC on January 30 as a follow-up of teleconference several weeks prior. Among the issues being reviewed involve interest in materials, easements, and the FERC ruling.

ACES Meeting – Bob Marshall attended the ACES meeting as well as met with its representatives to better understand ACES and its benefits to EKPC. Topics at the meeting included discussion regarding procedures in the case of a pandemic influenza outbreak.

The ACES Annual Conference will be held again this year. Mr. Marshall requested feedback from the member systems as to invitees.

Twenty-Year Financial Forecast 2007-2026

David Eames distributed and reviewed the Twenty-Year Financial Forecast and Equity Development Plan for 2007-2026 and Financial Forecast graphs. Anyone with additional questions should contact either Frank Oliva or David Eames. This item will be brought before the Board for approval in March.

Spurlock Power Station Limestone Supply

Craig Johnson gave a presentation on limestone requirements and supply for Spurlock Station. It has been learned that the Spurlock property sits on high quality limestone. In the process of obtaining bids to mine this limestone, Hilltop Resources in its bid proposed a partnership with EKP. EKP is participating with Hilltop on a Due Diligence Study, which should be complete by the end of February. Mr. Johnson discussed the benefits and risks associated with this project and noted that finalization of a Limestone Supply Agreement is anticipated by April. A confidentiality agreement is in place with Hilltop.

Spurlock Unit 2 Update

Randy Dials gave a brief update on the Spurlock 2 Scrubber. An RFP has been sent for a stack for this scrubber. This RFP will address several design options for the stack including splitting the flue gas between a relined Spurlock 2 stack and the existing Spurlock 1 stack.

Cumberland System – Wolf Creek Dam Update

Jim Lamb distributed and reviewed a presentation regarding the Wolf Creek Dam and its needed repairs, which in turn affects the power produced by Wolf Creek, some of which is

purchased by EKPC through Southeast Power Administration (SEPA). This also affects lake levels at Cumberland, which could affect Cooper Power Station's water-level requirements. Several EKPC representatives are meeting today in Chattanooga with TVA about these matters. Randy Dials discussed water pumps and their use to ensure water supply if and when needed. The situation continues to be monitored and solutions explored.

Strategic Planning Initiatives

Discussions have been held with the Board officers regarding EKPC's plan to work with MCR, a group out of Chicago, on our strategic plan. Jim Lamb said the kick-off would take place in several weeks. It is anticipated that Board work shops will be held possibly beginning in March.

BUSINESS MANAGEMENT PLAN

This information will be available on a once-a-quarter basis.

AUDIT COMMITTEE ACTION ITEMS

Update to Board Policy 201—Authorized Check Signatories

After review of the applicable information, a motion was made by Bill Shearer and, there being no further discussion, passed to approve the following:

Whereas, Board Policy No. 201 lists the authorized check signatories for EKPC; and

Whereas, the general accounting supervisor needs to be added as an authorized check signatory; and

Whereas, Management and the Audit Committee recommend amending the policy; now, therefore, be it

Resolved, That the EKPC Board amends Board policy No. 201, as attached.

Renewal of EKPC's Property Insurance Policy

After review of the applicable information, a motion was made by Bill Shearer and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") has evaluated the insurance market to determine the best course of action for property insurance coverage;

Whereas, FM Global has issued membership credits in the past, and EKPC has received a 2006 membership credit of \$340,761, and there is potential for future credits;

Whereas, The Terrorism Risk Insurance Act of 2002 as extended by the Terrorism Risk Extension Act in 2005, which provides a federal backstop for insurers in the event of future catastrophic terrorist attacks, is facing expiration December 31, 2007;

Whereas, FM Global's quotation, with a \$2 million deductible coverage, is \$0.0614 per \$100 valuation, for a premium of \$1,832,751 plus \$164,948 for terrorism coverage (certified and non-certified), less \$340,761 membership credit; and

Whereas, The Audit Committee recommends approval of the property insurance policy with FM Global, for an annual premium of \$1,656,938 plus taxes as applicable; now, therefore, be it

Resolved, That the Board of Directors ("Board") hereby approves the use of general funds to renew EKPC's property insurance policy with FM Global for the period of March 1, 2007 to March 1, 2008, for an annual premium of \$1,656,938 plus applicable taxes; and

Resolved, That the Board hereby authorizes the President and CEO, or his designee, to execute all necessary documents on behalf of EKPC to bind this insurance coverage.

AUDIT COMMITTEE INFORMATION ITEMS

No Audit Committee informational items were brought before the Board.

OPERATIONS, SERVICES AND SUPPORT ("OSS") COMMITTEE ACTION ITEMS

Financing Renewable Energy Projects with Proceeds from Clean Renewable Energy Bonds

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") has been notified by the National Rural Utilities Cooperative Finance Corporation ("CFC") that its request to finance certain qualified renewable energy projects identified on Exhibit A (attached) has been approved in an aggregate amount not to exceed \$20,985,552.00;

Whereas, Such financing will require the approval of the Kentucky Public Service Commission (the "PSC"), and a lien accommodation from the Rural Utilities Service ("RUS"); and

Whereas, CFC has requested EKPC Board of Directors ("Board") approval of the financing through Clean Renewable Energy Bonds, authorization to execute a Certificate of Resolutions and Incumbency ("Certificate") certifying the terms and conditions set forth in such Certificate (attached) are true, and authorization of certain designated officers on

behalf of EKPC to execute and deliver all such documents as may be necessary to carry out the intent of the Certificate; now, therefore, be it

Resolved, That EKPC borrow from CFC from time to time as determined by the officers or proper persons designated by the EKPC Board, an aggregate amount not to exceed \$20,985,552.00 to finance certain qualified projects identified on Exhibit A hereto pursuant to Section 54 of the Internal Revenue Code of 1986, as supplemented and amended, and purchase Loan Capital Term Certificates ("LCTCs"), if required, with general funds or with the proceeds of additional unsecured loans from CFC, in an amount not to exceed the amount set forth in the loan agreements governing the project loans approved hereby (each a "Loan Agreement" and collectively, the "Loan Agreements");

Resolved, That the proceeds of the loans be used solely for the purposes set forth in each Loan Agreement;

Resolved, That the appropriate officers of EKPC are further authorized to purchase a Loan Capital Term Certificate, if required by CFC in connection with the loan;

Resolved, That EKPC provide to the RUS a certified copy of these resolutions as evidence of the Board's request to RUS for approval of a Pari Passu lien accommodation of the Government's mortgage lien in order to enable EKPC to obtain the above-described loan from CFC for the purpose of funding the projects identified on Exhibit A;

Resolved, That the individuals listed below ("Authorized Officers") are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required) containing such terms and conditions as such Authorized Officers deem necessary and appropriate:

- a) the Loan Agreements;
- b) a project agreement relating to each qualified project;
- c) six secured promissory notes payable to the order of National Rural Utilities Cooperative Finance Corporation, which in aggregate equal the principal amount of \$20,985.552.00, bearing such interest and providing for such payment as is set forth in the Loan Agreements and each note; and
- d) a mortgage and security agreement with CFC and the United States of America as mortgagee.

If EKPC elects to borrow funds for the purchase of the required LCTCs:

- e) loan agreements with CFC, the proceeds of which are to be used solely for the purchase of LCTCs ("LCTC Loan Agreements"); and

f) six unsecured promissory notes payable to the order of the National Rural Utilities Cooperative Finance Corporation, which in aggregate equal the amount of the LCTCs required under the Loan Agreements, bearing such interest and providing for such payment as is set forth in the LCTC Loan Agreement and each note;

Resolved, That each of the individuals listed below is hereby authorized on behalf of EKPC to execute and deliver under its corporate seal, which the Secretary, Assistant Secretary or any of the individuals listed below is directed to affix and attest:

if required by CFC or RUS, an amended, restated or supplemental mortgage, security agreement and financing statement for purposes of securing the loan(s) provided for herein, in such form as the officers authorized herein may negotiate with CFC and RUS;

Resolved, That each of the Authorized Officers is hereby authorized in the name and on behalf of EKPC to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Title or Office</u>	<u>Name</u>
President and CEO	Robert M. Marshall
Chairman, Board of Directors	R. Wayne Stratton
Vice President, Finance	David G. Eames

Resolved, That the EKPC Board approves execution of the attached Certificate of Resolutions and Incumbency and authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents to carry out the intent of the Certificate, and to take all required actions to obtain any necessary approval for such financing from the PSC, the RUS, and CFC.

Resolution Honoring Anthony P. Overbey

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, The East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") expresses its appreciation for the many contributions made by Tony Overbey for his support of EKPC's many programs and projects; for his years of guidance as President and Chief Executive Officer of Fleming-Mason Energy Cooperative; and his efforts in building a strong rural electric program in Kentucky; now, therefore, be it

Resolved, That the EKPC Board does hereby convey upon Tony Overbey its most sincere thanks and best wishes for his future health and contentment.

Waiver of Procedures in Board Policy 110 with Regard to 12/5/06 Meeting

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, On December 5, 2006, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") selected Robert M. Marshall as the President and Chief Executive Officer ("CEO") of EKPC;

Whereas, In taking this action, it was the intent of the Board to waive the procedures contained in Board Policy 110 – CEO Search and Selection;

Whereas, Questions have been raised by some members of the Board related to the lack of a formal waiver of this policy; and

Whereas, The Board now desires to formally ratify the waiver of this policy; now, therefore, be it

Resolved, That the Board hereby formally ratifies the waiver of the procedures contained in Board Policy 110 – CEO Search and Selection, in the selection of Robert M. Marshall as the CEO of EKPC at its December 5, 2006 meeting.

OSS COMMITTEE INFORMATION ITEMS

OSS Chairman Donnie Crum noted that Dave Eames reviewed several reports included in the Board book—RUS Form 12a, Net Margins, and Schedule of Debt by Term.

FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

Close-Out of Contract E201 w/Alstom Power, Inc.—Boiler & Boiler Island—Spurlock Unit 3 (Gilbert)

After review of the applicable information, a motion was made by P. D. Depp and, there being no further discussion, passed to approve the following:

Whereas, At the September 2001 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting the Board of Directors ("Board") approved the award of a contract to Alstom Power, Inc. ("Alstom") to engineer, provide, and construct the boiler and boiler island required for the Gilbert Unit at Spurlock Power Station;

Whereas, The original target price was \$127,674,000, with an expected contract exposure of \$140,674,000;

Whereas, Change authorizations in the amount of \$9,663,310.36 were necessary during the performance of this work, with the largest being for craft labor escalation of approximately \$5 m.;

Whereas, The adjusted target price is \$137,337,310.36;

Whereas, The target price is made up of two main components; one is material and the other construction labor;

Whereas, Originally the material target was \$83,074,000 with \$3,104,691.18 added for changes, such as, topcoat painting steel at the factory and changing to a 72 hour ash handling system;

Whereas, The material target came in within the 105% range, the markup allowed is 5%, making the final material price for this contract \$90,487,625.74;

Whereas, Construction labor is made up of variable costs and fixed costs, with variable costs originally at \$29,291,000 and additions of \$5,654,054, primarily for craft labor escalation, with a new target price of \$34,945,054 and a total capped variable labor price of \$43,681,317.50;

Whereas, The fixed fee portion of the construction labor was originally \$10,448,820 with changes of \$240,168 for a final total fixed fee of \$10,688,988;

Whereas, As variable and fixed fee construction dollars increased so did the dollars associated with the 12.23% construction markup, with those figures at \$4,441,457.35 for overhead and profit of \$1,658,345.31;

Whereas, The allowable final price of this contract is a total of material at \$90,487,625.74 and construction of \$60,470,108 for a total contract price of \$150,957,733.90;

Whereas, The Alliance Agreement that EKPC has with Alstom allows for shared savings for total costs below the target price and shared overages if the target price is exceeded;

Whereas, The final cost of this contract is actually \$172,329,101.66 but with the limits of the alliance agreement, EKPC did not pay once 105% was exceeded on material and after 115% was exceeded on construction, saving over \$21 million;

Whereas, As this material has been installed and tested, it is recommended that this contract be closed out and final payment of \$1,919,109.90 be made at this time;

Whereas, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that EKPC's generating units have sufficient power supply for our Member Systems in the future; and

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the approval of the close out of Contract E201; now, therefore, be it

Resolved, That the EKPC Board hereby approves the close out and final payment of \$1,919,109.90 for Contract E201 with Alstom for providing the boiler and boiler island for the Gilbert Unit at Spurlock Station for a total contract price of \$150,957,733.90, and authorizes the President and Chief Executive Officer, or his designee, to execute any necessary documents to close out this contract.

Award of Contract C262 to Baker Concrete Construction, Inc.—Spurlock Unit 1 Scrubber Project

After review of the applicable information, a motion was made by P. D. Depp and, there being no further discussion, passed to approve the following:

Whereas, At the January 2006 East Kentucky Power Cooperative, Inc., (“EKPC”) Board Meeting the EKPC Board of Directors (“Board”) approved the engineering, purchase, and construction of a Limestone Scrubber at Spurlock Power Station on Unit 1 at an estimated cost of \$145 million;

Whereas, Beginning with the Unit 4 Project, several calls were made to concrete companies in an effort to obtain at least three bids but due to the volume of work in the country and the knowledge that there is a concrete company already mobilized on site, it is difficult to convince companies to spend funds to put together a bid or travel to a pre-bid meeting when they don’t feel they will be able to submit a competitive bid;

Whereas, On December 18, 2006 requests for proposals were sent to Kokosing of Westerville, Ohio and to Baker Concrete Construction, Inc. (“Baker”) of Monroe, Ohio to provide a price to install substructures for the Spurlock Scrubber Unit 1 Project;

Whereas, A letter was received from Kokosing declining to bid;

Whereas, A proposal was received from Baker on January 18, 2007 and the bids were opened on January 19th with Mr. Gilbert of the Contracting Subcommittee attending;

Whereas, Baker’s base bid for the work as specified is \$4,303,700, with separate prices provided for excavation and construction of duct banks required to supply power to the scrubber of \$510,000; a price to excavate for the chimney foundation of \$30,000; and a price to cut off the tops of piles of \$10,500;

Whereas, It would be cost efficient to have this contractor do the items priced in addition to providing the substructure for the Scrubber Unit 1 Project and, therefore, the total price of this contract is \$4,854,200, with the engineer’s estimate at \$4,775,000;

Whereas, This project is in the 2007 Budget and Work Plan and the latest Three Year Construction Work Plan;

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to Baker to provide and install the substructure required for the

Spurlock Unit 1 Scrubber and to perform the required excavation and construction of duct banks, chimney foundation excavation, and cutting tops off piles, for a total contract price of \$4,854,200;

Whereas, The installation of this substructure supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves the award of a contract (C262) to Baker for \$4,854,200 to supply and install substructure for the Spurlock Unit 1 Scrubber Project, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract; and

Resolved, That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Award of Contract C224 to Karrena International, LLC—Chimney—Spurlock Unit 1 Scrubber Project

After review of the applicable information, a motion was made by P. D. Depp and, there being no further discussion, passed to approve the following:

Whereas, At the January 2006 East Kentucky Power Cooperative, Inc., (“EKPC”) Board Meeting the EKPC Board of Directors (“Board”) approved the engineering, purchase, and construction of a Limestone Scrubber at Spurlock Power Station on Unit 1 at an estimated cost of \$145 million;

Whereas, A chimney for this scrubber was included in this approval;

Whereas, On September 29, 2006 requests for proposals were sent to Hamon Custodis, Inc. (“Hamon”) of Somerville, NJ; Pullman Power, LLC (“Pullman”) of Kansas City, MO; and to Karrena International, LLC (“International”) of Joliet, IL to provide a proposal to engineer, provide, and construct the necessary chimney for the Spurlock Scrubber Unit 1 Project;

Whereas, A letter was received from Hamon declining to bid;

Whereas, A pre-bid meeting was held on October 17, 2006 with both Pullman and International attending;

Whereas, Proposals were received from Pullman and International on November 17th and the bids were opened on November 20th with Mr. Gilbert of the Contracting Subcommittee attending;

Whereas, Pullman’s base bid for the work as specified was \$23,482,000 and International’s was \$19,215,000; with International providing alternate pricing, as

requested, for two other liner materials; one with carbon steel and borosilicate liner for \$18,170,000 and alternate two with carbon steel/alloy clad flue for \$27,410,000;

Whereas, A clarification meeting was held with Pullman on January 11, 2007 and with International on January 12th to go over various options and technical and commercial issues with Jim Longmire of the Contracting Subcommittee attending these meetings;

Whereas, Both companies were asked to revise their proposals, with Pullman stating their price would not change nor their schedule, which did not meet EKPC's required dates for having the scrubber operational by December 30, 2008;

Whereas, International's original schedule did meet the required dates to maintain our schedule and their price was reduced to \$17,800,000, with the engineer's estimate at \$19,700,000;

Whereas, This project is in the 2007 Budget and Work Plan and the latest Three Year Construction Work Plan;

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to International to engineer, provide, and install the chimney required for the Spurlock Unit 1 Scrubber for a contract price of \$17,800,000;

Whereas, The installation of this substructure supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves the award of a contract (C224) to International for \$17,800,000 to engineer, provide, and construct the chimney for the Spurlock Unit 1 Scrubber Project, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract; and

Resolved, That approval is given for the use of general funds for this contract, subject to reimbursement from loan funds, when and if such funds become available.

Rezoning of H. L. Spurlock Power Station Property

After review of the applicable information, a motion was made by P. D. Depp and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") owns approximately 2,200 acres of land at H. L. Spurlock Power Station ("Spurlock") in Mason County, and this land is currently zoned for agricultural usage;

Whereas, KRS 100.324 exempts regulated utilities from the locational requirements for local planning and zoning with respect to facilities directly used to fulfill its service obligations such as power plants, substations, and transmission lines;

Whereas, The landfill area should be included in this exemption since it is a part of the power plant operation;

Whereas, The Mason County Planning and Zoning Commission has questioned whether or not the activities associated with Special Waste Landfill expansion are covered by this exemption and has held up the issuance of a building permit for a service facility at the landfill that is required by statute;

Whereas, While it is EKPC's opinion that the statutory exemption from local planning and zoning applies to activities at Spurlock that support the production of electricity such as the landfill expansion, rezoning the land to an Industrial classification would clear up, once and for all, any confusion concerning ongoing and future projects; and

Whereas, There are no current added fees concerning property tax if the land is rezoned; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves the filing of an application with the Mason County Planning and Zoning Commission to rezone the entire Spurlock property from an agricultural use to an industrial use.

F&PS COMMITTEE INFORMATION ITEMS

No F&PS Committee information items were brought before the Board

POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS

No PD Committee action items were brought before the Board

PD COMMITTEE INFORMATION ITEMS

PD Committee Chairman Mike Adams reported that the Committee heard several reports from Mary Jane Warner.

MEMBER SYSTEM NEEDS

No other member system needs were brought before the Board.

EKPC DIVISION MONTHLY REPORTS

Chairman Stratton noted the monthly reports as included in the Board books.

AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.


OTHER BUSINESS

EXECUTIVE SESSION

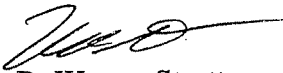
At approximately 11:55 a.m., Chairman Stratton requested the Board go into Executive Session. Wade May made the motion and Danny Divine seconded same, with those remaining to include the Directors, Alternate Directors, and Bob Marshall. At this time, everyone else left the room.

The minutes of the remainder of the **Executive Session** are included in the separate February 6, 2007, Executive Session Minutes of the regular Board meeting.

There being no further business, the Executive Session and the EKPC Board meeting were adjourned at 12:25 p.m.


A. L. Rosenberger, Secretary

Approved:


R. Wayne Stratton
Chairman of the Board

Date: *March 5, 2007*

EKPC Board Minutes for 2/6/2007
Attachment A, Page 1 of 2

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 201

JULY 6, 1979

AUTHORIZED CHECK SIGNATORIES

I. OBJECTIVE

To authorize signatories for checks drawn against East Kentucky Power Cooperative's ("EKPC") accounts to maintain effective financial controls and meet the requirements of the lending and regulatory agencies.

II. CONTENT

A. All checks must have two signatures.

1. The authorized signatories for general and operating funds include:

(a) The President and Chief Executive Officer ("President and CEO"), and either the Vice President, of Finance and Planning or the Accounting and Materials Management Process Manager or the General Accounting Supervisor

or

(b) In the absence of the President and CEO, the Vice President, of Finance and Planning and either the Accounting and Materials Management Process Manager or the General Accounting Supervisor.

~~2.~~ ~~_____~~ ~~2.~~ The electronic signature system may be used on disbursements up to \$200,000.

B. The authorized signatories for construction funds-trustee accounts include:

Chairman of the Board or Treasurer of the Board
and
President and CEO or Vice President, Finance and Planning

Use of the electronic signature system is not permitted.

EKPC Board Minutes for 2/6/2007
Attachment A, Page 2 of 2

POLICY NO. 201

-2-

JULY 6, 1979

III. RESPONSIBILITY

- A. It shall be the responsibility of the President and CEO to establish procedures and controls to ensure the prompt and orderly payment of obligations of EKPC and to make sure that adequate controls and safeguards have been established to assure the disbursement and utilization of funds only for proper corporate purposes.
- B. It is the responsibility of the check signatory to make sure the check has documentation containing the required approvals.

Amended: 11-13-85

Amended: 05-14-91

Amended: 08-03-93

Amended: 12-06-94

Amended: 12-03-96

EKPC Board Minutes for 2/6/2007
Attachment B, Page 1 of 4

CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, A.L. Rosenberger, do hereby certify that (i) I am the Secretary of EAST KENTUCKY POWER COOPERATIVE, INC. (hereinafter called "EKPC"); (ii) the following are true and correct copies of resolutions duly adopted by the Board of Directors of EKPC at a meeting held on February 6, 2007; (iii) the meeting was a duly and regularly called and held in accordance with the articles and bylaws of EKPC; (iv) EKPC is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of EKPC; (v) none of the following resolutions has been rescinded or modified as of this date; and (vi) the persons authorized below have been duly elected or appointed to their respective positions:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") has been notified by the National Rural Utilities Cooperative Finance Corporation ("CFC") that its request to finance certain qualified renewable energy projects identified on Exhibit A (attached) has been approved in an aggregate amount not to exceed \$20,985,552.00;

Whereas, Such financing will require the approval of the Kentucky Public Service Commission (the "PSC"), and a lien accommodation from the Rural Utilities Service ("RUS");

Whereas, CFC has requested EKPC Board of Directors approval of the financing through Clean Renewable Energy Bonds, authorization to execute a Certificate of Resolutions and Incumbency ("Certificate") certifying the terms and conditions set forth in such Certificate (attached) are true, and authorization of certain designated officers on behalf of EKPC to execute and deliver all such documents as may be necessary to carry out the intent of the Certificate; now, therefore, be it

Resolved, That EKPC borrow from National Rural Utilities Cooperative Finance Corporation, from time to time as determined by the officers or proper persons designated by the board of directors of EKPC, an aggregate amount not to exceed \$20,985,552.00 to finance certain qualified projects identified on Exhibit A hereto pursuant to Section 54 of the Internal Revenue Code of 1986, as supplemented and amended, and purchase Loan Capital Term Certificates ("LCTCs"), if required, with general funds or with the proceeds of additional unsecured loans from CFC, in an amount not to exceed the amount set forth in the loan agreements governing the project loans approved hereby (each a "Loan Agreement" and collectively, the "Loan Agreements"); and

Resolved, That the proceeds of the loans be used solely for the purposes set forth in each Loan Agreement; and

EKPC Board Minutes for 2/6/2007
Attachment B, Page 2 of 4

Resolved, That the appropriate officers of EKPC are further authorized to purchase a Loan Capital Term Certificate, if required by CFC in connection with the loan; and

Resolved, That EKPC provide to the RUS a certified copy of these resolutions as evidence of the Board's request to RUS for approval of a Pari Passu lien accommodation of the Government's mortgage lien in order to enable EKPC to obtain the above-described loan from CFC for the purpose of funding the projects identified on Exhibit A; and

Resolved, That the individuals listed below (Authorized Officers") are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required) containing such terms and conditions as such Authorized Officers deem necessary and appropriate:

- a) the Loan Agreements;
- b) a project agreement relating to each qualified project;
- c) six secured promissory notes payable to the order of National Rural Utilities Cooperative Finance Corporation, which in aggregate equal the principal amount of \$20,985,552.00, bearing such interest and providing for such payment as is set forth in the Loan Agreements and each note; and
- d) a mortgage and security agreement with CFC and the United States of America as mortgagee.

If EKPC elects to borrow funds for the purchase of the required LCTCs:

- e) loan agreements with CFC, the proceeds of which are to be used solely for the purchase of LCTCs ("LCTC Loan Agreements"); and
- f) six unsecured promissory notes payable to the order of the National Rural Utilities Cooperative Finance Corporation, which in aggregate equal the amount of the LCTCs required under the Loan Agreements, bearing such interest and providing for such payment as is set forth in the LCTC Loan Agreement and each note; and

Resolved, That each of the individuals listed below is hereby authorized on behalf of EKPC to execute and deliver under its corporate seal, which the Secretary, Assistant Secretary or any of the individuals listed below is directed to affix and attest:

if required by CFC or RUS, an amended, restated or supplemental mortgage, security agreement and financing statement for purposes of securing the loan(s) provided for herein, in such form as the officers authorized herein may negotiate with CFC and RUS; and

Resolved, That each of the Authorized Officers is hereby authorized in the name and on behalf of EKPC to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, and to do all such other acts as in the opinion of such

EKPC Board Minutes for 2/6/2007
Attachment B, Page 3 of 4

authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Title or Office</u>	<u>Name</u>
President and CEO	Robert M. Marshall
Chairman, Board of Directors	R. Wayne Stratton
Vice President, Finance	David G. Eames

Resolved, That the EKPC Board of Directors approves execution of the attached Certificate of Resolutions and Incumbency and authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents to carry out the intent of the Certificate, and to take all required actions to obtain any necessary approval for such financing from the PSC, the RUS, and CFC.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of East Kentucky Power Cooperative, Inc. this _____ day of _____.

Secretary

(SEAL)

EXHIBIT A

Project Type	Project Location	Amount
Landfill gas facility	Lily, Kentucky	\$120,548
Landfill gas facility	Maysville, Kentucky	\$1,391,250
Landfill gas facility	Elizabethtown, Kentucky	\$3,744,753
Landfill gas facility	Jeffersonville, Kentucky	\$5,199,600
Landfill gas facility	Frankfort, Kentucky	\$5,199,600
Landfill gas facility	Butler, Kentucky	\$5,329,800

February 23, 2007

Board of Directors
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Monday, March 5, 2007**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EST**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

AGENDA

- I. CALL TO ORDER
- II. INVOCATION
- III. ROLL CALL
- IV. ACTION ON PREVIOUS BOARD MINUTES
- V. ADOPTION OF AGENDA
- VI. REPORT OF OFFICERS
 - A. Report of the President and Chief Executive officer – MARSHALL
- VII. BUSINESS MANAGEMENT PLAN
- VIII. AUDIT COMMITTEE ITEMS
 - William Shearer, Chairman
 - A. **Board Action Requested:**

None.
 - B. **Information and Discussion Items:**

IX. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS

Donnie Crum, Chairman

A. Board Action Requested:

1. Request to Change May 2007 Board Meeting Date - MARSHALL
2. Twenty-Year Financial Forecast and Equity Development Plan 2007-2026 – EAMES (*Financial Forecast Binders were distributed to Directors and Alternate Directors and discussed at the February 6 Board meeting – Please bring your binders to the March meeting.*)

B. Information and Discussion Items:

X. FUEL & POWER SUPPLY COMMITTEE ITEMS

Jimmy Longmire, Chairman

A. Board Action Requested:

1. Approval for Peaking Generating Capacity at Smith Power Station – LAMB (ADDED TO AGENDA)

B. Information and Discussion Items:

XI. POWER DELIVERY COMMITTEE ITEMS

Mike Adams, Chairman

A. Board Action Requested:

1. Approval of the Marion County 161/138 kV Transformer Purchase - TWITCHELL
2. Approval of the Fall Rock 161/69 kV Transformer Purchase - TWITCHELL

B. Information and Discussion Items:

XII. MEMBER SYSTEM NEEDS

XIII. EKPC BUSINESS UNIT MONTHLY REPORTS

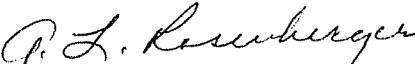
Finance
G&T Operations—Power Delivery
G&T Operations—Power Production
Human Resources and Support Services
Legal
Legal—Governmental Affairs
Member Services
Power Supply

XIV. AGENDA ITEMS FOR NEXT AGENDA

XV. OTHER BUSINESS

XVI. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING
MARCH 5, 2007**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Monday, March 5, 2007, at 10:15 a.m. EST, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Jackie Browning gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

Taylor County was not represented.

ANNOUNCEMENTS

- Allen Anderson's mother-in-law passed away recently
- Frank Jackson, Owen Electric Director, will soon undergo a medical procedure.
- A note of appreciation was received from the Spurlock Bible Church acknowledging a donation in memory of former Big Sandy manager Bill Wells.
- A hospitality room is being provided by the United Utility Supply for those attending the NRECA Annual Meeting.

BOARD MINUTES

On motion of Donnie Crum, seconded by E. A. Gilbert, the minutes of the February 6, 2007, board meeting were approved.

ADOPTION OF AGENDA

The Agenda was adopted as amended with one item added to the Fuel & Power Supply Committee pertaining to peaking generation capacity at Smith Power Station.

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer – Robert Marshall

Cooper Power Station/Wolf Creek Dam Update – Chuck Dugan distributed and reviewed a presentation regarding the leak at the Wolf Creek Dam and the effects to EKPC due to a reduction of peaking power from Southeast Power Administration (SEPA).

Bob Marshall reported that EKP received notice on February 9, 2007 from the Army Corps of Engineers describing the grouting procedures being done and putting EKP on notice that if the grouting procedures are not effective (this will be determined by the latter part of September), EKPC must be prepared for the lowering of the lake level from 680' to 650' by the end of 2007.

John Twitchell described procedures EKP is taking to meet the challenges in this matter, including evaluations of modifications to the cooling system to protect against lower water levels. The minimum depth necessary at Cooper Station before the inlet to the cooling system is uncovered is in the 675'-673' range.

Strategic Planning Initiatives Process with MCR – Several meetings have been held with the Chicago-based group MCR regarding strategic planning, with another meeting scheduled for March 13. Mr. Marshall suggested that the first workshop with the Board be April 9 and a final workshop to be held in late April or early May. Details will be forthcoming.

Kentucky Public Service Commission Hearings – Two PSC hearings—the rate case and the on-going case regarding EKP generation needs (Spurlock Unit 4, Smith Unit 1, and CTs) will take place on March 6.

Big Rivers Electric – Bob Marshall recently met with Mike Core, P&CEO of Big Rivers Electric and discussed the benefits of our planning groups working together. Both Mike Core and Bob Marshall will be visiting and addressing each other's Board of Directors.

ACES PM Annual Conference – Packets regarding the annual conference were distributed to the member system managers. Following discussion with Board Chairman Wayne Stratton, authorization is given for EKPC Directors to attend the ACES conference at EKP's expense.

Coal In the News – Mr. Marshall briefly spoke on items in the news regarding coal and global warming and reduction in coal-fired generation power plants. Congress has been delivered a plan that by the year 2025, 25 percent of the total energy consumed in the U. S. will be provided by America's farms, ranches and forests. This certainly will be an issue on EKPC's planning session.

EKPC Board Policies, Board Committees – These continue to be reviewed. There will possibly be discussion on these issues during strategic planning sessions.

BUSINESS MANAGEMENT PLAN

This information will be available on a once-a-quarter basis.

AUDIT COMMITTEE ACTION ITEMS

No Audit Committee action items were brought before the Board.

AUDIT COMMITTEE INFORMATION ITEMS

Dave Eames reported that Crowe Chizek made a presentation to the Audit Committee this morning regarding the 2006 audit. Their representative(s) will be here in April to give a final report to the Board.

OPERATIONS, SERVICES AND SUPPORT (“OSS”) COMMITTEE ACTION ITEMS

May 2007 Board Meeting

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, On May 6-9, 2007, the Legislative Rally/Congressional Breakfast is scheduled to be held in Washington, DC. This will conflict with our regular Board meeting scheduled for May 8.

Whereas, Management and the Operations, Services & Support Committee recommend changing the May 2007 Board meeting date; now, therefore, be it

Resolved, That the May 2007 Board meeting date be changed to May 1, 2007, due to the conflict with the above-stated meeting events.

Financial Forecast

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, The Rural Utilities Service requires that East Kentucky Power Cooperative, Inc., (“EKPC”) maintain a current long-range financial forecast as a guide to managing costs while maintaining reliability and competitive rates; and

Whereas, EKPC Management and the Operations, Services and Support Committee recommend approval of the Twenty-Year Financial Forecast and Equity Development Plan 2007-2026, a copy having been provided to each director and alternate director prior to presentation at the February Board of Directors (“Board”) meeting; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves the Twenty-Year Financial Forecast and Equity Development Plan 2007-2026 (revised 2/14/07).

OSS COMMITTEE INFORMATION ITEMS

No OSS informational items were brought before the Board.

FUEL AND POWER SUPPLY (“F&PS”) COMMITTEE ACTION ITEMS

Peaking Generation Capacity at Smith Power Station

After review and discussion of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, The power supply plan outlined in East Kentucky Power Cooperative, Inc.’s (“EKPC”) 2006 Integrated Resource Plan has been revised due to significant changes in load requirements since Warren RECC has decided not to become an EKPC member system;

Whereas, Approximately 200 MW of peaking capacity (winter rating) is needed to meet the capacity needs of the member systems in the 2009 timeframe, and to keep any purchased power needs in the winter to a level that can be reliably imported;

Whereas, EKPC issued Request for Proposals No. 2004-01 (the “RFP”) to evaluate peaking and baseload capacity alternatives and determine the most economically competitive and reliable alternatives for supplying the needs of EKPC’s member systems;

Whereas, A proposal by General Electric for their LMS100 units to be constructed at J. K. Smith Power Station was evaluated by EKPC’s consultant, EnerVision, Inc., and EKPC’s

RFP evaluation staff as the best evaluated peaking alternative, and the EKPC Board of Directors (the "Board") approved the construction of such units on December 14, 2004; however, the cost for those units have subsequently escalated, between 2004 and the present, by more than \$20,000,000 per unit;

Whereas, EKPC's self-build option utilizing GE 7EA units is now considered to be the most cost effective option at an estimated cost of \$33,000,000 per unit, if outstanding issues can be satisfactorily resolved with GE concerning the LMS100 contract termination charges;

Whereas, EKPC management and the Fuel and Power Supply Committee recommend that the Board rescind its prior approval of the construction of five GE LMS 100 combustion turbines at Smith Power Station, and now authorize the construction of, two GE 7EA combustion turbines at Smith Power Station ("Smith CTs 8-9"), and approve the filing of an application with the Kentucky Public Service Commission requesting necessary approvals for such project, along with authority to file and modify requests for any other permits, licenses or approvals necessary, including Rural Utilities Service ("RUS") and National Rural Utilities Cooperative Finance Corporation ("CFC") approvals, approval to use general funds, and environmental or other approvals, to construct and operate the project; and

Whereas, Pursuant to EKPC Board Policy No. 107, this item requires review by the Fuel and Power Supply Committee and approval of the EKPC Board, now, therefore, be it

Resolved, That the Board hereby rescinds its December 14, 2004, approval for the construction of five GE LMS 100 combustion turbines at the Smith Power Station, and authorizes the construction of two GE 7EA combustion turbine units of approximately 100 MW (winter rating) each at Smith Power Station, at an estimated cost of \$66.0 million (2007\$), subject to the satisfactory resolution of all outstanding LMS100 contract issues with GE, and subject to the receipt of all necessary lender or governmental approvals; and

Resolved, That the President and Chief Executive Officer ("President and CEO") or his designee is hereby authorized to negotiate all outstanding LMS100 contract issues with GE and, upon satisfactory resolution of such contract issues, to file an application with the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and any other necessary or appropriate approvals for the construction of two GE 7EA combustion turbine units of approximately 100 MW each (winter rating) at Smith Power Station, and is authorized to file any requests for issuance or modifications of any other necessary permits, licenses or approvals, including any RUS, CFC, environmental or other approvals necessary to construct and operate the project; and

Resolved, That the President and CEO, or his designee, is authorized to execute any necessary documents related to such approvals and construction; and

Resolved, That approval is hereby given for the use of general funds for this project, subject to reimbursement from loan funds, when and if such funds become available.

F&PS COMMITTEE INFORMATION ITEMS

F&PS Committee Chairman Jimmy Longmire reported that among the items presented to that committee was an update on J. K. Smith Power Station activities by Craig Johnson.

POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS

Award of Contract to Pauwels Canada, Inc. for Transformer for Marion Co. Transmission Sub.

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, On July 11, 2006, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") approved an Amendment to the Rural Utilities Service ("RUS")-required Three Year Work Plan (November 2005-October 2008) for the replacement of the Marion County transformer with a new 200 MVA transformer;

Whereas, EKPC Board Policy No. 103 requires that budgeted items over \$1,000,000 be presented and approved by the Board;

Whereas, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer ("President and CEO"), or his designee, to award and execute one (1) contract, to Pauwels Canada, Inc. the total amount of \$1,246,834 subject to the escalation clause proposed by the bidder that is estimated to result in a final cost of \$1,297,459; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it;

Resolved, That the President & Chief Executive Officer, or his designee, is authorized to award this contract and execute all documents necessary for the proposed contract price of \$1,246,834 (subject to the proposed escalation Clause) for the purchase of a 200 MVA transformer for the Marion County Transmission Substation.

Award of Contract to Pennsylvania Transformer Technology, Inc.; Transformer for Fall Rock

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, On November 8, 2005, the Board of Directors (“Board”) approved an Amendment to the East Kentucky Power Cooperative’s (“EKPC”) Rural Utilities Service (“RUS”) required Three-Year Work Plan (November 2005 -- October, 2008) for the replacement of the Tyner transformer;

Whereas, due to a change in the J.K. Smith Transmission outlet plan, it is advisable and prudent to install a new and larger transformer at Fall Rock instead of Tyner;

Whereas, EKPC Board Policy No. 103 requires that budgeted items over \$1,000,000 be presented and approved by the Board;

Whereas, EKPC management and the Power Delivery Committee recommend that the Board authorize the President & Chief Executive Officer (“President and CEO”), or his designee, to award and execute one (1) contract, to Pennsylvania Transformer Technology, Inc. the total amount of \$1,024,365 subject to an escalation clause, that is estimated to result in a final cost of \$1,168,482; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it;

Resolved, That the President & Chief Executive Officer, or his designee, is authorized to award this contract and execute all documents necessary for the proposed contract price of \$1,024,365 plus escalation in accordance with the proposed terms, to purchase a transformer for the Fall Rock Transmission Substation.

PD COMMITTEE INFORMATION ITEMS

PD Committee Chairman Mike Adams reported that Mary Jane Warner updated the Committee on construction in progress.

MEMBER SYSTEM NEEDS

No other member system needs were brought before the Board.

EKPC DIVISION MONTHLY REPORTS

Chairman Stratton noted the monthly reports as included in the Board books.

AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.

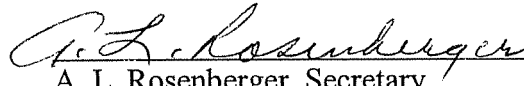
OTHER BUSINESS

EXECUTIVE SESSION

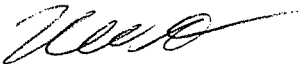
At approximately 11:10 a.m., Chairman Stratton requested the Board go into Executive Session. Fred Brown made the motion and Mike Adams seconded same, with those remaining to include the Directors, Alternate Directors, Bob Marshall and David Smart. Della Damron stayed to assist the Secretary with the minutes. The main topic is to be an update on litigation matters. At this time, everyone else left the room.

The minutes of the remainder of the **Executive Session** are included in the separate March 5, 2007, Executive Session Minutes of the regular Board meeting.

There being no further business, the Executive Session and the EKPC Board meeting were adjourned at 11: 50 p.m.


A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton
Chairman of the Board

Date: April 10, 2007

WAIVER OF NOTICE

We, the directors of EAST KENTUCKY POWER COOPERATIVE, INC.
(hereinafter called the "EKPC"), waive all notice of the time, place and purpose of a
regular meeting of the board of directors and fix 4775 Lexington Road, Winchester,
Kentucky as the place and the 5th day of March, 2007 for the holding of such meeting.

IN WITNESS WHEREOF, we have hereunto set our hands this 5th day of

March, 2007.

Michael Adams
Michael Adams

Wade May
Wade May

Fred M. Brown
Fred M. Brown

A. L. Rosenberger
A. L. Rosenberger

Daniel L. Divine
Daniel L. Divine

Randy Sexton
Randy Sexton

E. A. Gilbert
E. A. Gilbert

Richard Stephens
Richard Stephens

William P. Shearer
William P. Shearer

R. Wayne Stratton
R. Wayne Stratton

Donnie Crum
Donnie Crum

Elbert Hampton
Elbert Hampton

Hope Kinman
Hope Kinman

Lonnie Vice
Lonnie Vice

Jimmy Longmire
Jimmy Longmire

P. D. Depp
P. D. Depp

being all the Directors of
East Kentucky Power Cooperative, Inc.
without exception.

March 16, 2007

Board of Directors
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that a special meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, March 20, 2007**, by teleconference at **10:00 a.m. Eastern Daylight Time** for purposes of considering and taking action on those matters shown on the agenda, to-wit:

AMENDED AGENDA

I. CALL TO ORDER

II. INVOCATION

III. ROLL CALL

IV. ADOPTION OF AGENDA

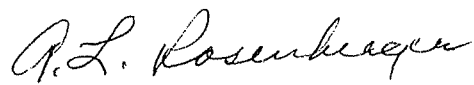
V. ACTION ITEMS

1. Consideration of the Approval of a Settlement Agreement in PSC Case No. 2006-00472 Which Would Allow EKPC an Interim Rate Increase, Pending the PSC Review of EKPC's Rate Increase Application - LAMB
2. Amendment of Vesting Date of Pension Restoration Plan for Roy M. Palk to April 1, 2007 – MARSHALL

VI. OTHER BUSINESS

VII. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.


A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF SPECIAL BOARD MEETING
MARCH 20, 2007**

A special meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held via teleconference on Tuesday, March 20, 2007, at 10:00 a.m. EDT pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order and gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The recording secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

Cumberland Valley was not represented.

ADOPTION OF AGENDA

On motion of Danny Divine, seconded by Rick Stephens, the Amended Agenda was approved. The Amended Agenda was provided less than five business days prior to the meeting date and included an item pertaining to amendment of vesting date of Pension Restoration Plan for Roy Palk. Due to the timing of that Amended Notice, waiver from all directors participating in the Special Board meeting will be obtained.

ACTION ITEMS

Settlement Agreement with Intervenors in PSC Case No. 2006-00472

After review and extensive discussion of the applicable information, a motion was made by Rick Stephens, seconded by Jimmy Longmire, and, following further discussion, passed to approve the following:

Special Board Meeting Minutes
Page 2
March 20, 2007

Whereas, East Kentucky Power Cooperative, Inc. (“EKPC”) has filed a rate adjustment application with the Public Service Commission (the “Commission”) in PSC Case No. 2006-00472, and has requested an interim rate increase, during any period of suspension of the new rate by the Commission, effective on April 1, 2007;

Whereas, In anticipation of a hearing in regard to this interim rate increase request, which has been scheduled by the Commission for March 22, 2007, EKPC reached an agreement with the Intervenor in the case, including the Attorney General, Kentucky Industrial Utility Customers, Inc. (“KIUC”), and the Sierra Club, for an interim rate increase corresponding to an annual increase of \$19 million, with certain terms which limit EKPC to earning no more than a 1.15 TIER or a 1.0 DSC during the interim period;

Whereas, The Sierra Club has withdrawn from the interim rate settlement, for stated reasons that do not relate to the terms of the agreement, but EKPC, the AG and KIUC still plan to submit the proposed interim rate settlement terms to the Commission at the scheduled hearing; and

Whereas, Management recommends that the Board of Directors (the “Board”) approve EKPC’s participation in the interim rate settlement with the AG and KIUC in the case, since the joint submission of the Agreement will provide significant support for EKPC’s request for interim rate relief; now, therefore, be it:

Resolved, That the Board approves EKPC’s execution, through Counsel, of an Interim Rate Increase Settlement Agreement with Intervenor in PSC Case No. 2006-00472, on terms substantially the same as those contained in the attached draft agreement, for submission to the Public Service Commission in said case.

At this time, P&CEO Bob Marshall asked that EKPC staff in attendance at the Headquarters location, except Doug Oliver and David Smart leave the room. Della Damron stayed to assist in taking minutes.

Amendment of Vesting Date of Pension Restoration Plan for Roy M. Palk

After review and discussion of the applicable information, a motion was made by Mike Adams, seconded by P. D. Depp and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. (“EKPC”) management periodically reviews and revises benefit plans to ensure they remain viable and cost competitive while meeting stated objectives;

Special Board Meeting Minutes
Page 3
March 20, 2007

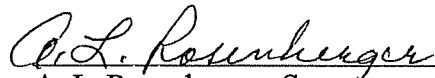
Whereas, The EKPC Board of Directors ("Board") approved the adoption of the NRECA Pension Restoration Plan ("PRP") consisting of the Pension Restoration Severance Pay Plan and the Pension Restoration Deferred Compensation Plan effective the first day of January, 1994 to provide certain employees supplemental payments upon severance of their employment with EKPC because of limitations in the federal pension law relating to allowable payments from qualified pension plans; and

Whereas, EKPC Management recommends the amendment as herein identified; now, therefore, be it

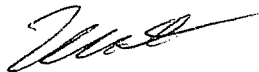
Resolved, That the Board amend the Deferred Compensation portion of the PRP to have a vesting date of April 1, 2007 for Roy M. Palk.

No other business was brought before the Board.

There being no further business, the EKPC special Board meeting was adjourned at 11: a.m.


A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton
Chairman of the Board

Date: *April 10, 2007*

Draft 03/16/2007

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

In The Matter Of: General Adjustment of Electric
Rates of East Kentucky Power Cooperative, Inc.

Case No. 2006-00472

SETTLEMENT AGREEMENT

This Settlement Agreement, is entered this ___ day of March, 2007, by and among East Kentucky Power Cooperative, Inc., (hereinafter referred to as "EKPC"); representing itself and its member distribution systems: Big Sandy RECC, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Cumberland Valley Electric, Farmers RECC, Fleming-Mason Energy, Grayson RECC, Inter-County Energy Cooperative, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen Electric Cooperative, Salt River Electric, Shelby Energy Cooperative, South Kentucky RECC and Taylor County RECC (hereinafter collectively referred to as the "EKPC Member Systems"); the Kentucky Office of the Attorney General (hereinafter referred to as the "Attorney General"); and Kentucky Industrial Utility Customers, Inc. (hereinafter referred to as "KIUC").

WITNESSETH:

WHEREAS, EKPC filed an Application with the Kentucky Public Service Commission (the "Commission") on January 29, 2007 for approval of a general adjustment of electric power rates. The Commission subsequently approved the Application for filing on February 6, 2007. The Application requests immediate implementation of the proposed wholesale rate adjustment effective for service rendered on and after April 1, 2007, and the pass-through of such rates to the retail rates of EKPC's Member Systems on the same date,

subject to refund of any amounts in excess of the rates that are authorized by the Commission in this case pursuant to KRS 278.190(2).

WHEREAS, the Attorney General and KIUC were made parties to PSC Case No. 2006-00472 by orders of the Commission dated February 19, 2007.

WHEREAS, the Parties to the above-referenced cases conducted and reviewed extensive discovery, reviewed EKPC's pre-filed direct testimony, and participated in a settlement conference on March 6, 2007 at the offices of the Commission, and Commission Staff was advised of the outcome.

WHEREAS, the Parties discussed and resolved the single issue of EKPC's request for immediate implementation of the proposed wholesale rate adjustment effective for service rendered on and after April 1, 2007, and the pass-through of such rates to the retail rates of EKPC's Member Systems on the same date, subject to refund of any amounts in excess of the rates that are authorized by the Commission in this case.

WHEREAS, The Parties desire to settle this single issue in the above-referenced case based on the terms contained in this Settlement Agreement.

WHEREAS, The Parties agree that it is highly likely that EKPC's credit or operations will be materially impaired or damaged if a rate increase is not permitted during the suspension period beginning on April 1, 2007, pursuant to the standard set forth in KRS 278.190(2).

NOW, THEREFORE, for and in consideration of the premises and conditions set forth herein, the Parties hereby agree, as follows:

1. The Parties agree that on April 1, 2007, EKPC and the Member Systems will raise rates by an annualized \$19.0 million.

EKPC Special Board Meeting Minutes
Attachment A, Page 3 of 7

2. The Parties agree that this rate increase will be allocated to EKPC's individual customer classes on the same percentage basis and according to the same rate design methodology as in the proposed tariffs filed with the Commission by EKPC in its Application accepted for filing by the Commission on February 6, 2007, except that the increase reflected in the proposed tariffs will be scaled down on a prorata percentage basis to reflect the annual increase of \$19.0 million rather than \$43.4 million (a reduction of 56.2% from the full increase requested).
3. The Parties agree that if the Commission's final order on EKPC's request for approval of a general adjustment of electric power rates in this Matter results in a rate increase of less than \$19.0 million per year, EKPC shall refund the difference between the revenue collected pursuant to Paragraphs 1 and 2 of this Agreement and the amount of the Commission's approved rate increase, if any, to its customers plus interest at EKPC's cost of capital. The parties agree that the cost of capital for any payment of interest on a refund shall be based on EKPC's average cost of debt as of the end of March 2007. In the event of such a refund, each retail customer of the EKPC Member Systems will receive a pass-through refund equal to any excess amount paid by the customer over the amount that the retail customer would have paid if the Commission's final order was in effect during the period beginning with the effective date of this Agreement and ending on the effective date of the Commission's final order, plus a pass-through of the interest paid by EKPC on such amounts.
4. The Parties agree that EKPC's margins, excluding extraordinary items, shall be tracked for each month during the "interim period" from April 2007 through August 2007, or through the last month of the Commission's suspension of EKPC's requested rates, whichever is earlier, using per books amounts, but excluding the effects of all extraordinary writeoffs or writeups. If during the period beginning on April 1, 2007 and ending on the last day of the last month of the Commission's suspension of EKPC's proposed rates in this case, or ending August 31, 2007, whichever is earlier, EKPC earns a Times Interest Earned Ratio ("TIER") greater than 1.15 and Debt Service Coverage ("DSC") greater than 1.0, then EKPC shall refund to its customers either its margins above a TIER of 1.15 or above a DSC of 1.0, whichever calculation yields a lesser amount, plus interest at EKPC's cost of capital. If EKPC earns margins less than a TIER of 1.15 or less than a DSC of 1.0 then EKPC shall not be entitled to collect any additional revenue for the period prior to the effective date of the Commission's final order, nor will there be any refund.
5. The Parties agree that if a refund is required pursuant to Paragraph 4, each retail customer of the EKPC Member Systems will receive a pass-through refund equal to any excess amount paid by the customer over the amount that the retail customer would have paid during the interim period if EKPC's rates would have resulted in a TIER of 1.15 or a DSC of 1.0, whichever is used to calculate the amount of the total refund, plus a pass-through of the interest paid by EKPC on such amounts.
6. EKPC agrees that it will not make any additional requests for interim rate relief to the Commission during the "interim period" of April 1, 2007 through August 31, 2007 or the effective date of the Commission's final order in this matter, whichever is earlier, without the advance approval of the Attorney General and KIUC.
7. During the "interim period" beginning on April 1, 2007 and ending on the effective date of the Commission's final order in this matter, EKPC agrees to provide the Commission, the Attorney General and KIUC with a monthly accounting of its expenses and revenues, excluding extraordinary items, in a monthly format, year-to-date format, and twelve month ending format to enable the Commission and the Parties to monitor EKPC's level of margins during the "interim period." EKPC also agrees to provide monthly budget information for the year 2007.

EKPC Special Board Meeting Minutes
Attachment A, Page 4 of 7

8. The Parties agree to make their best efforts to work toward a global settlement of the case in chief prior to September 1, 2007.
9. The Parties agree that if the Commission materially alters this Settlement Agreement, then any Party to this Agreement may elect to withdraw its consent to this Settlement Agreement and the Settlement Agreement will be null and void. Before withdrawing from the Settlement Agreement the Parties agree to renegotiate in good faith to try to reach a supplemental settlement.
10. The Parties acknowledge that this Settlement Agreement shall in no way preclude the effectiveness of any provisions of KRS §278.190 (2), as they apply to the rates proposed by EKPC in PSC Case No. 2006-00472. The Parties agree to jointly move the Commission to amend EKPC's Application in PSC Case No. 2006-00472, as provided hereinabove, to approve EKPC's request for immediate rate relief according to the terms set forth in this Settlement Agreement.
11. This Settlement Agreement is subject to the approval of the Commission and shall not be deemed to affect the jurisdiction of the Commission or to in any way supersede Chapter 278 of the Kentucky Revised Statutes.
12. The Parties agree that this Settlement Agreement is reasonable given EKPC's status as an electric power generating and transmission cooperative, owned by its members, rather than an investor-owned utility. Moreover, the parties agree that failure to grant the amount of emergency relief set forth in this agreement will likely materially impair or damage the Company's credit or operations. The parties acknowledge that the emergency rate relief agreed to in the instant case is highly extraordinary, and applies solely to the unique and unusual circumstances in this proceeding which were brought about in part due to extreme and unforeseen events and circumstances. Neither EKPC, its member cooperatives, nor any other utility shall construe this settlement, or any portion thereof as precedent in future cases before the Commission.
13. Upon formal adoption and acceptance by the Commission of this Settlement Agreement as a full resolution of the sole issue of EKPC's request for immediate implementation of its proposed wholesale rate adjustment effective for service rendered on and after April 1, 2007, without suspension, all Parties agree that no petition for rehearing, pursuant to KRS §278.400, nor any appeal, pursuant to KRS §278.410, will be filed by any Party regarding this single issue. Parties do not agree to waive their rights to petition for rehearing or appeal the Commission's final order concerning EKPC's request for a permanent rate increase as set forth in any final order by the Commission.

IN WITNESS WHEREOF, the duly authorized counsel for the Parties have affixed their signatures to this Settlement Agreement on the date first above written.

EKPC Special Board Meeting Minutes
Attachment A, Page 5 of 7

Dennis Howard, Esq.
Lawrence W. Cook, Esq.
Assistant Attorney General
OFFICE OF THE ATTORNEY GENERAL
UTILITY & RATE INTERVENTION DIVISION
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Charles A. Lile, Esq.
Senior Corporate Counsel
EAST KENTUCKY POWER COOPERATIVE, INC.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

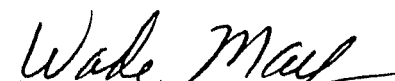
**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS INC.**

WAIVER OF NOTICE

We, the directors of EAST KENTUCKY POWER COOPERATIVE, INC. (hereinafter called the "EKPC"), waive all notice of the time, place and purpose of a special meeting of the board of directors by teleconference and the 20th day of March, 2007, beginning at 10:00 a.m. (Eastern Daylight Time) regarding the addition of an agenda item with less than the required five (5) days notice.

IN WITNESS WHEREOF, we have hereunto set our hands this 20th day of March, 2007.

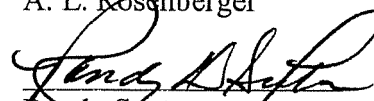

Michael Adams



Wade May

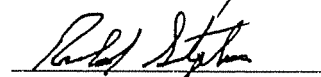
✓
Fred M. Brown

✓
A. L. Rosenberger

✓
Daniel L. Divine


Randy Sexton

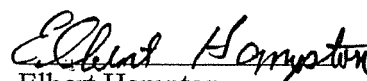

E. A. Gilbert

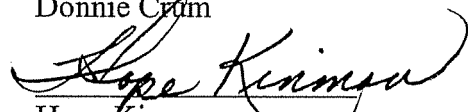

Richard Stephens

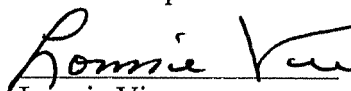
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William P. Shearer

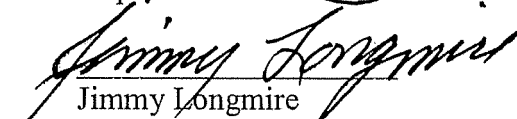

R. Wayne Stratton

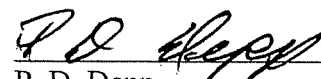
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Donnie Crum


Elbert Hampton


Hope Kinman


Lonnie Vice


Jimmy Longmire


P. D. Depp

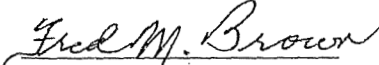
being all the Directors of
East Kentucky Power Cooperative, Inc.
without exception.

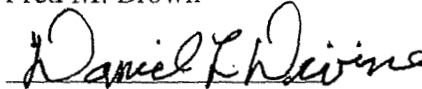
WAIVER OF NOTICE

We, the directors of EAST KENTUCKY POWER COOPERATIVE, INC. (hereinafter called the "EKPC"), waive all notice of the time, place and purpose of a special meeting of the board of directors by teleconference and the 20th day of March, 2007, beginning at 10:00 a.m. (Eastern Daylight Time) regarding the addition of an agenda item with less than the required five (5) days notice.


IN WITNESS WHEREOF, we have hereunto set our hands this 20th day of March, 2007.

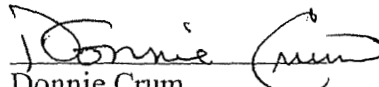
Michael Adams


Fred M. Brown


Daniel L. Divine

E. A. Gilbert



William P. Shearer


Donnie Crum

Hope Kinman

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Wade May


A. L. Rosenberger

Randy Sexton

Richard Stephens

R. Wayne Stratton

Elbert Hampton

Lonnie Vice

P. D. Depp

being all the Directors of
East Kentucky Power Cooperative, Inc.
without exception.

March 30, 2007

Board of Directors
East Kentucky Power Cooperative, Inc.

Ladies and Gentlemen:

Notice is hereby given that the regular meeting of the **East Kentucky Power Cooperative, Inc.**, Board of Directors will be held on **Tuesday, April 10, 2007**, at the **East Kentucky Power Cooperative, Inc. headquarters building, 4775 Lexington Road, Winchester, Kentucky 40391**, immediately following the three standing committee meetings (**beginning at 9:30 a.m. EDT**), for purposes of considering and taking action on those matters shown on the agenda, to-wit:

AGENDA

- I. CALL TO ORDER**
- II. INVOCATION**
- III. ROLL CALL**
- IV. ACTION ON PREVIOUS BOARD MINUTES**
 - March 5, 2007, Regular Board Meeting
 - March 20, 2007, Special Board Meeting
- V. ADOPTION OF AGENDA**
- VI. SEATING OF FLEMING-MASON ENERGY COOPERATIVE ALTERNATE DIRECTOR**
- VII. REPORT OF OFFICERS**
 - A. Report of the President and Chief Executive officer – MARSHALL**
 - 1. A presentation of the 2006 Auditor's Report by Crowe, Chizek and Company, LLP.
 - 2. A presentation of EKPC's 2006 Financial Results – Eames
 - B. Report of Secretary-Treasurer on Directors' Fees and Expenses for the first quarter of 2007 - ROSENBERGER.**
- VIII. BUSINESS MANAGEMENT PLAN**

IX. AUDIT COMMITTEE ITEMS
William Shearer, Chairman

A. Board Action Requested:

1. Review and take appropriate action on 2006 Audit Reports as prepared by Crowe, Chizek and Company - SHEARER

B. Information and Discussion Items:

X. OPERATIONS, SERVICES & SUPPORT COMMITTEE ITEMS
Donnie Crum, Chairman

A. Board Action Requested:

1. Execution of CFC e-Pay/Paying Agent Service – Re-enactment of EKPC Board Resolution - EAMES

B. Information and Discussion Items:

XI. FUEL & POWER SUPPLY COMMITTEE ITEMS
Jimmy Longmire, Chairman

A. Board Action Requested:

1. Approval of Coal Supply Contract Amendment No. 9 with Argus Energy, LLC – Spurlock Power Station Unit Nos. 1 and 2 - LAMB
2. Approval of Amendment No. 1 to Contract F211 with Dearborn Mid-West Conveyor Company to Engineer, Provide, and Construct the Limestone Conveyor and Supporting Equipment for the Spurlock Unit No. 1 and Unit No. 2 Scrubber Projects - TWITCHELL
3. Approval to Award Contract D224 to Karrena International, LLC, to Engineer, Provide, and Construct the Chimney for the Spurlock Unit No. 2 Scrubber Project - TWITCHELL
4. Approval for Amendment No. 1 to Contract F261 with Baker Concrete Construction for Substructures for Spurlock Unit No. 4 - TWITCHELL
5. Approval for Amendment No. 1 to Contract F11 with Thermal Engineering, Inc., for Providing a Condenser for Spurlock Unit No. 4 - TWITCHELL
6. Approval of a Low Water Mitigation Plan for Cooper Power Station - TWITCHELL

B. Information and Discussion Items:

XII. POWER DELIVERY COMMITTEE ITEMS

Mike Adams, Chairman

A. Board Action Requested:

1. Approval to Sell One Acre in Bullitt County, Kentucky - WARNER
2. Approval of Phil Substation Expansion Project, Stanton Substation Expansion Project, West Berea Substation Upgrade Project, Jabez Substation and Tap Project, and Amendment of EKPC Three Year Work Plan (November 2005-October 2008) (Construction and Finance) - LAMB

B. Information and Discussion Items:

XIII. MEMBER SYSTEM NEEDS

XIV. EKPC BUSINESS UNIT MONTHLY REPORTS

Finance
G&T Operations—Power Delivery
G&T Operations—Power Production
Human Resources and Support Services
Legal
Legal—Governmental Affairs
Member Services
Power Supply

XV. AGENDA ITEMS FOR NEXT AGENDA

XVI. OTHER BUSINESS

XVII. ADJOURN

EAST KENTUCKY POWER COOPERATIVE, INC.



A. L. Rosenberger, Secretary

c: Alternate Directors

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING
APRIL 10, 2007**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, April 10, 2007, at 10:45 a.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Jackie Browning gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

ANNOUNCEMENTS

- Many concerns were mentioned with regard to co-op family and friends.
- Welcomed were Wayne Anderson, Vice President and Manager of Engineering with Shelby Energy; RUS representative Mike Norman; and Crowe Chizek representatives Steve Jennings and Lynn Griffin.

BOARD MINUTES

On motion of E. A. Gilbert, seconded by Donnie Crum, the following minutes were approved:

- March 5, 2007, regular Board meeting,
- March 20, 2007, special Board meeting.

ADOPTION OF AGENDA

The Agenda was adopted as amended with one item pertaining to General Counsel to the Board added to the Operations, Services & Support Committee

SEATING OF ALTERNATE DIRECTOR

On motion of E. A. Gilbert, seconded by Bill Shearer and passed, Chris Perry was seated as an Alternate Director representing Fleming-Mason Energy Cooperative (replacing Tony Overbey who has retired).

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer – Robert Marshall

KAEC Safety Awards – President and CEO Bob Marshall presented Kentucky Association of Electric Cooperative safety awards for zero lost-time injuries for 2006 to five EKPC crews—Heavy Equipment represented by John Neal (no loss-time injury ["LTI"] since June 5, 2001); Bardstown represented by Earl Dickerson (no LTI since February 3, 2003); Crittenden represented by Don Walters (no LTI since October 31, 2005); Spurlock represented by Gayle Watson (no LTI since June 20, 2002); and Winchester Service Center represented by Linville Spangler (no LTI from July 1, 2003-January 19, 2007). Mr. Marshall also recognized Vernon Shearer, EKPC Corporate Safety and Compliance Supervisor.

EKPC 2006 Financial Results – Dave Eames distributed and reviewed a set of graphs depicting financial results for 2006, as well as a 2006 Financial Results booklet. Mr. Eames stressed that if questions arise outside the meeting, please contact him.

Crowe Chizek and Company, LLP – Representatives Steve Jennings and Lynn Griffin were present and Mr. Jennings provided a brief review of the audit findings. EKPC financial booklets were mailed to each Director and Alternate Director on March 30, 2007.

Fuel Adjustment Clause Report – Jim Lamb distributed and reviewed this presentation dated February 2007.

Cooper Power Station/Wolf Creek Dam Update – John Twitchell gave an update to the Wolf Creek Dam situation through a Power Point presentation. The Fuel and Power Supply Committee has reviewed and will give its recommendation to the full Board today regarding a Low-Water Mitigation Plan for Cooper Power Station.

NRECA National Consulting Group Update – The Group has completed its two-week review of material and interviews and will present a final report on April 26. Mr. Marshall said he will review this report with the Board and the EKPC employees.

Rate Increase Questions – Several questions were addressed by Dave Eames.

Report of the Secretary-Treasurer

Secretary/Treasurer A. L. Rosenberger reported on his review of directors' fees and expenses for the first quarter of 2007, which indicated that all fees and expenses were in compliance with Board Policy No. 111, Compensation of Directors. The written report was included in the Board book of each Director.

BUSINESS MANAGEMENT PLAN

Gary Crawford reviewed the quarterly Business Management Plan as included in the Board book.

AUDIT COMMITTEE ACTION ITEMS

2006 Audit Reports

After review of the applicable information, a motion was made by Bill Shearer and, there being no further discussion, passed to approve the following:

Whereas, At the May 9, 2006 meeting, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") selected Crowe Chizek and Company LLC ("Crowe Chizek") to conduct the audit the EKPC financial records for 2006;

Whereas, After review and discussions of the 2006 Audit Reports as presented by a representative of Crowe Chizek, the Audit Committee recommends acceptance of said reports; now, therefore, be it

Resolved, That the EKPC Board accepts the 2006 Audit Reports prepared by Crowe Chizek, including the following documents: Reports on Audits of Consolidated Financial Statements, and various reports contained in the Audit Committee Communication.

AUDIT COMMITTEE INFORMATION ITEMS

Audit Committee Chairman, Bill Shearer, reported that a verbal summary of EKPC Natural Gas Hedging was presented to the Committee by Julie Tucker.

OPERATIONS, SERVICES AND SUPPORT (“OSS”) COMMITTEE ACTION ITEMS

CFC e-Pay/Paying Agent Service – Re-enactment

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., (“EKPC”) desires to have National Rural Utilities Cooperative Finance Corporation (“CFC”) act as its Paying Agent in certain transactions in which EKPC is obligated to make payments to others; and

Whereas, EKPC, in providing funds with which CFC may make such payments on the organization’s behalf, desires to use those funds due EKPC as a result of the maturity on the investment in CFC Commercial Paper and/or advances on a Line of Credit now or hereafter established with CFC, or such other funds (“Other Authorized Funds”) on deposit with CFC as shall be deemed eligible by CFC from time-to-time to be utilized to make such payments; now, therefore, be it

Resolved, That persons listed on Exhibit 1 hereto (the “Authorized Personnel”) are each individually authorized hereby to direct CFC to make payments on behalf of EKPC to the creditors or accounts listed on Exhibit 2 hereto (the “Authorized Accounts”);

Resolved, That the President and Chief Executive Officer or Vice President Finance is hereby authorized on behalf of EKPC to amend the list of Authorized Personnel by notifying CFC in writing of the name and position of any such Authorized Personnel being added or deleted from Exhibit 1;

Resolved, That the Authorized Personnel are each individually hereby authorized, on behalf of EKPC (i) to add or delete Authorized Accounts by providing written notice to CFC, or (ii) when necessary, to provide CFC with revised account information for the Authorized Accounts;

Resolved, That CFC is hereby authorized and directed to make payments to Authorized Accounts on behalf of EKPC as directed by any of the Authorized Personnel;

Resolved, That CFC is hereby authorized and directed to use funds from any or all of the following sources, as indicated by the Authorized Personnel in order to make said payments:

- Proceeds of maturing CFC Commercial Paper purchased by EKPC;
- Advances on a Line of Credit, now or hereafter established with CFC;
- Other Authorized Funds

Resolved. That CFC shall be entitled to rely upon the directions and instructions given by any of the Authorized Personnel, or by the President and Chief Executive Officer or Vice President Finance, without further inquiry and without any further action by this Board;

Resolved. That this resolution shall remain in full force effect until CFC is provided with a written copy of resolutions rescinding or modifying these resolutions, certified by the Secretary of EKPC;

Resolved. That the Secretary is hereby authorized and directed to furnish a certified copy of this resolution to CFC.

Board General Counsel

This item will be taken up during an Executive Session.

OSS COMMITTEE INFORMATION ITEMS

OSS Committee Chairman Donnie Crum noted that Dave Eames reviewed, for the Committee, various reports provided in the Board book.

FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

Amendment 9 to Argus Energy, LLC Coal Supply Contract for Spurlock Units 1 and 2

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., ("EKPC") has a coal supply contract with Argus Energy, LLC, ("Argus") for 360,000 tons per year for Spurlock Power Station Unit No. 2 and 240,000 tons per year for Spurlock Power Station Unit No. 1 that began January 1, 2003, and extends through December 31, 2007;

Whereas, Argus has been a dependable coal supplier to EKPC;

Whereas, EKPC's projected activation date for the scrubber for Unit No. 2 at Spurlock Power Station is now October 2008 and January 2009 for Spurlock Power Station Unit No. 1, and low-sulfur type coals currently shipped by Argus will be needed until these times;

Whereas, Management has negotiated a contract extension amendment with Argus to continue shipping 30,000 tons per month of coal for Spurlock Power Station Unit No. 2

through August 31, 2008, and 20,000 tons per month of coal for Spurlock Power Station Unit No. 1 through November 30, 2008;

Whereas, Said amendment will include a market reopener provision that requires a market assessment in September and October of 2007 to determine the price of the additional coal shipped during the extension period; and

Whereas, EKPC management and the Fuel and Power Supply Committee have reviewed the terms of this amendment, find them to be reasonable, and recommend the approval of coal supply contract Amendment No. 9 with Argus; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves a coal supply contract Amendment No. 9 with Argus, and the President and Chief Executive Officer, or his designee, is hereby authorized to execute said contract amendment based on the terms presented herein and in the Executive Summary.

Amendment No. 1 to Contract F211 w/ Dearborn Mid-West Conveyor Co.; Limestone-Handling System for Spurlock Units 1 and 2 Scrubber Projects

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, At the September 2005 and the January 2006 East Kentucky Power Cooperative, Inc. ("EKPC") Board Meetings, the Board of Directors ("Board") approved the construction of the Limestone Scrubbers at Spurlock Power Station for Unit No. 2 and Unit No. 1, respectfully;

Whereas, At the April 2006 EKPC Board Meeting, the Board approved Contract F211 to Dearborn Mid-West ("Dearborn") at a firm price of \$12,078,400 to engineer, purchase, and construct coal-handling equipment for Spurlock Power Station Unit No. 4;

Whereas, The Unit 1 and Unit 2 Scrubbers will be supplied a limestone slurry used for sulfur dioxide removal from a common limestone preparation system, which includes two limestone silos, weigh feeders, ball mills, and various supporting electrical and mechanical systems;

Whereas, The supply of limestone for the scrubbers will require a single limestone conveyor and material handling system to transport limestone from the current storage pile to the limestone silos;

Whereas, The proposed design for this limestone handling system consists of a 650 foot limestone conveyor extending from the current limestone stockpile to the limestone silos;

Whereas, Dearborn was asked to provide a price to engineer, purchase, and construct this limestone handling system and Dearborn quoted a firm price of \$4,132,000, with the engineer's estimate being \$4,460,106;

Whereas, Dearborn just satisfactorily completed modifications to the coal-handling system for Spurlock Power Station Unit No. 1 and Unit No. 2;

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the award of Amendment No. 1 to Contract F211 with Dearborn to engineer, purchase, and construct a limestone handling system needed for the Spurlock Power Station Unit No. 1 and Unit No. 2 scrubbers at a cost of \$4,132,000; and

Whereas, The installation of this limestone handling system supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves Amendment No. 1 to Contract F211 with Dearborn for \$4,132,000 to engineer, purchase, and construct a limestone handling system for the Spurlock Power Station Unit No. 1 and Unit No. 2 scrubbers resulting in an amended contract price of \$16,210,400, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for processing this amendment.

Award of Contract D224 to Karrena Int. for Chimney; Spurlock Unit No. 2 Scrubber Project

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, At the September 2005 East Kentucky Power Cooperative, Inc., ("EKPC") Board Meeting the EKPC Board of Directors ("Board") approved the construction of a Limestone Scrubber to be added to Unit No. 2 at Spurlock Power Station;

Whereas, Studies were conducted on the suitability of operating the existing Unit No. 2 chimney under wet conditions, due to the addition of the scrubber with results being that it was not advisable to use the existing chimney due to excessive acidic liquid carryover out of the stack;

Whereas, On January 23, 2007, Stanley Consultants mailed a request for proposal to Pullman Power, LLC ("Pullman") of Kansas City, MO, and to Karrena International, LLC ("International") of Joliet, IL to provide a proposal to engineer, provide, and construct a new chimney for the Spurlock Power Station Unit No. 2 Scrubber Project;

Whereas, Pullman and International both submitted bids on February 28, 2007, and the bid opening was held on March 1, 2007, with Mr. E.A. Gilbert of the Contracting Subcommittee attending;

Whereas, The bid from Pullman for a carbon steel borosilicate-lined flue was \$20,989,000 and they could not meet the required schedule for completion of the chimney, however, the bid from International for this same flue was \$20,015,000 and they are able to meet the required schedule;

Whereas, International also offered a \$1,020,000 discount if they were to be awarded both the chimney for Unit No. 2, as well as Unit No. 1 resulting in a revised bid price of \$18,995,000;

Whereas, The engineer's estimate for this contract is \$21,000,000;

Whereas, The scrubber project is in the 2007 Budget, Work Plan, and the latest Three-Year Construction Work Plan ("CWP"), however a new chimney was not included in the cost estimate;

Whereas, Amendment of the current CWP is requested to include the new chimney;

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the award of a contract to International to engineer, provide, and install the chimney required for the Spurlock Power Station Unit No. 2 scrubber for a contract price of \$18,995,000; and

Whereas, The installation of this chimney supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves the award of a contract (D224) to Karrena International, LLC for \$18,995,000 to engineer, provide, and construct a 650 foot concrete chimney for the Spurlock Power Station Unit 2 Scrubber, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this contract; and

Resolved, That the Board approves the amendment of the Production Three-Year Construction Work Plan to include the \$18,995,000 for the chimney required for Spurlock Power Station Unit No. 2, and

Resolved, That approval is given for the use of general funds for this project, subject to reimbursement from loan funds, when and if such funds become available.

Amendment No. 1 to Contract F261 w/ Baker Concrete Const.; Substructures for Spurlock Unit 4

After review and discussion of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, On September 14, 2004, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW at Spurlock Power Station;

Whereas, At the May 2005 Board Meeting, the Board awarded a contract to Baker Concrete Construction ("Baker") in the amount of \$16,913,176 (plus contingency of \$250,000 for winter protection) for providing substructure required for the Spurlock Power Station Unit No. 4 Project;

Whereas, Three change authorization requests ("CARs") have been necessary thus far on this contract for a total of 3,405,834;

Whereas, The first CAR was for \$125,274 and was due to revised drawings for electrical work on duct banks, grounding, and manholes;

Whereas, The second CAR for \$1,778,386 and was for Baker to accelerate their schedule and this allowed the Spurlock Power Station Unit No. 4 schedule to be compressed;

Whereas, The third CAR was for delayed start cost impact due to the delay in getting the required air permit and is for \$1,502,174;

Whereas, The total of these CARs is \$3,405,834 and is slightly more than 20% of the original contract amount and requires an amendment at this time;

Whereas, It is recommended that Amendment No. 1 of \$3,405,834 be approved for Contract F261; and

Whereas, This contract supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves Amendment No. 1 of \$3,405,834 to Contract F261 with Baker for providing substructure as required for Spurlock Power Station Unit 4 and resulting in an amended contract price of \$20,319,010 and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the completion of this amendment.

Amendment No. 1 to Contract F11 w/Thermal Engineering, Inc.; Condenser for Spurlock Unit 4

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, On September 14, 2004, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors ("Board") approved the construction of a circulating fluidized bed base load unit of 278 MW (Unit 4) at Spurlock Power Station;

Whereas, At the March 2005 EKPC Board Meeting, approval was given to award a contract to Thermal Engineering, Inc. (“TEI”) for providing a condenser for Spurlock Power Station Unit No. 4 at a price of \$2,144,100;

Whereas, Three change authorization requests (“CARs”) have become necessary to this contract, primarily for the addition of two connections to the condenser for a total of \$120,120;

Whereas, The total of these three CARs represent Amendment No. 1 to this contract, with the amended contract total now \$2,264,220; and

Whereas, The purchase of this equipment supports corporate objectives 2.0 and 3.0 to strategically manage costs and optimize use of assets, now, therefore, be it;

Resolved, That the EKPC Board hereby approves Amendment No. 1 of \$120,120 to Contract F11 with TEI for an amended contract price of \$2,264,220, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute all necessary documents for the completion of this amendment.

Low-Water Mitigation Plan for Cooper Power Station/Wolf Creek Dam on Lake Cumberland

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, The Wolf Creek Dam on Lake Cumberland in South Central Kentucky is in need of repair by the Department of the Army, Corps of Engineer (“COE”);

Whereas, On February 9, 2007, the COE notified East Kentucky Power Cooperative, Inc. (“EKPC”) J.S. Cooper Power Station (“Cooper Power Station”) to be prepared for the water level at Lake Cumberland to be lowered to 650 feet National Geodetic Vertical Datum (“NGVD”) by December 31, 2007;

Whereas, Cooper Power Station requires the water level on Lake Cumberland to be at approximately 675 feet or higher in order to operate;

Whereas, EKPC retained Stanley Consultants (“Stanley”) to identify alternatives that would permit the Cooper Power Station to operate at a water level of 650 feet;

Whereas, EKPC’s staff, in conjunction with Stanley has selected a method of protecting the ability of Cooper Power Station to operate in a low water level environment;

Whereas, This project is not in the 2007 Budget and Work Plan and the latest Three-Year Construction Work Plan; and it is requested on an emergency basis;

Whereas, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that the generating units of EKPC have sufficient power supply for the Members Systems in the future; and

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the approval of Option No. 3, Supplemental Supply System for High Water Temperature, and Option No. 6, Hybrid Plan which is a Cooling Tower on Unit No. 2 and Barge Mounted Pumps on Unit No. 1; now, therefore, be it

Resolved, That the EKPC Board hereby gives EKPC's staff approval to proceed with the installation of the recommended options to mitigate against the possibility of low water levels on Lake Cumberland; and

Resolved, That EKPC management is authorized to spend up to \$24 million to install said mitigation options; and

Resolved, That the Interest During Construction dollars are not included in the project due to the project being less than one year; and

Resolved, That EKPC management is authorized to apply for any and all permits necessary to install and operate the said mitigation alternative; and

Resolved, That EKPC management is authorized to acquire any necessary materials and services for the installation of said mitigation alternative as cost effectively as possible within the time constraints established by the COE and hereby authorized the President and Chief Executive Officer, or his designee, to execute all necessary documents for the award of this project; and

Resolved, That approval is given for the use of general funds for this project, subject to reimbursement from loan funds, when and if such funds become available.

F&PS COMMITTEE INFORMATION ITEMS

Real-Time Pricing Pilot Project - Jim Lamb described the concept of real-time/time-of-day pricing. This is a retail-pricing concept usually applied to large loads, where the price can vary hour-by-hour. The Kentucky Public Service Commission ("PSC") has ordered EKPC and Big Rivers to work to develop a real-time pricing concept, and EKPC's Pricing staff is currently working on developing this project. This will be a voluntary program; and when filed with the PSC, each member system will be contacted as to interest in the project.

POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS

Sale of Property in Bullitt County, Kentucky

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. ("EKPC") is the record owner of approximately one acre of land, located in Bullitt County, Kentucky, which is subject to the Rural Utilities Service ("RUS") blanket mortgage;

Whereas, EKPC no longer needs the site for a substation or other use, present or future;

Whereas, The 1998 appraised fair market value of the property was \$2,000;

Whereas, A Phase I Environmental Assessment was conducted by EKPC staff, in June 2006;

Whereas, The conveyance of this property to Kenneth R. and Joyce Young will have no impact on present or future operations of EKPC;

Whereas, The conveyance of this property along with an additional settlement of \$8,500 will serve as reasonable and adequate compensation for the new easement and work to be done on the Young property;

Whereas, EKPC Management and the Power Delivery Committee recommend that said property be conveyed to Kenneth R. and Joyce Young; now, therefore, be it

Resolved, That the EKPC Board of Directors hereby approves the conveyance of the one-acre tract of real property to Kenneth R. and Joyce Young for partial consideration of \$2,000 toward the purchase of an easement for the Bullitt Co. – Joe Tichenor Transmission Line. The President & Chief Executive Officer of EKPC, or his designee, shall have the authority to execute any and all documents or take other steps as necessary to consummate this conveyance; and

Resolved, That EKPC will secure a release for the subject property from the RUS blanket mortgage.

Substations and Tap Projects

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., ("EKPC") engineering studies have confirmed the necessity and advisability of the following projects included in the November 2006 Amendment to the EKPC Rural Utilities Service ("RUS") approved Three-Year Work Plan (November 2005-October 2008):

Phil Substation 12.5 kV Expansion	\$100,000
Stanton Substation 12.5 kV Expansion	\$100,000
West Berea 15/20/25 MVA, 69-12.5 kV Substation	\$612,000
Jabez 12/16/20 MVA, 161-25 kV Substation	\$1,188,000
Jabez 0.65 Mile, 161 kV Tap Line	\$420,000;

Whereas, Review by the Power Delivery ("PD") Committee and approval of the EKPC Board of Directors ("Board") is required for the construction and financing of these projects pursuant to Board Policies No. 103 and 106;

Whereas, The current EKPC Three-Year Work Plan (November 2005-October 2008) dated November 2005, has been submitted to RUS for approval, which requires that any amendment thereto be approved by the Board and;

Whereas, EKPC management and the PD Committee recommend that the Board amend the current EKPC RUS approved Three Year Work Plan and approve construction of these projects, the acquisition of all real property and easement rights, by condemnation if necessary, and the obtaining of permits and approvals necessary and desirable for these projects and include the financing of these projects with general funds, subject to reimbursement from construction loan funds should they become available and the Board will act upon said recommendation this date; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality; now, therefore, be it

Resolved, That EKPC management is authorized to amend the current EKPC RUS approved Three-Year Work Plan to include the above projects summarized in more detail in the attached Executive Summary;

Resolved, That approval is hereby given for construction of said projects included in the April 10, 2007 Amendment to the EKPC Three-Year Work Plan (November 2005-October 2008), at an estimated total cost of \$2,420,000 and for the acquisition of all real property and easement rights, by condemnation if necessary, as well as all necessary permits and approvals for these projects; and

Resolved, That approval is hereby given to amend the EKPC Annual Budget and Work Plan to include the projects and to finance them with general funds, subject to reimbursement from construction loan funds should they become available.

PD COMMITTEE INFORMATION ITEMS

PD Committee Chairman Mike Adams reported that Mary Jane Warner updated the Committee on construction in progress and Jim Lamb report on April's Transmission Constraints.

MEMBER SYSTEM NEEDS

No other member system needs were brought before the Board.

EKPC DIVISION MONTHLY REPORTS

Chairman Stratton noted the monthly reports as included in the Board books.

AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.

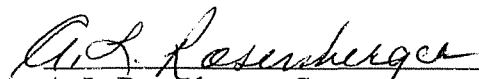
OTHER BUSINESS

EXECUTIVE SESSION

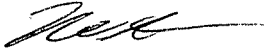
At 12:10 a.m., Chairman Stratton requested the Board go into Executive Session. P. D. Depp made the motion and Jimmy Longmire seconded same, with those remaining to include the Directors, Alternate Directors, Bob Marshall and Senior Staff. Della Damron stayed to assist the Secretary with the minutes.

The minutes of the remainder of the **Executive Session** are included in the separate April 10, 2007, Executive Session Minutes of the regular Board meeting.

There being no further business, the Executive Session and the EKPC Board meeting were adjourned at 12: 45 p.m.


A. L. Rosenberger, Secretary

Approved:



R. Wayne Stratton
Chairman of the Board

Date: May 1, 2007

CFC e-Pay/Paying Agent Service Board Resolution
Exhibit 1
Authorized Personnel

Name: David G. Eames

Position with Organization: Vice President, Finance and

Name: Frank J. Oliva

Position with Organization: Manager, Finance and Risk Management and

Name: Thea P. Kamber

Position with Organization: Treasury Management Supervisor and

Name: Elsie Mathews

Position with Organization: Senior Analyst and

Name: Kandy Allen

Position with Organization: Cash Management Specialist and

Name: Susan J. Mefford

Position with Organization: Budget Supervisor

EKPC Board Minutes for 4/10/2007
Attachment A, Page 2 of 2

CFC e-Pay/Paying Agent Service Board Resolution
Exhibit 2
Authorized Accounts

- EKPC - Our Organization:** for the purpose of reinvestment(s) in Commercial Paper and other eligible CFC investment products
- National Rural Utilities Cooperative Finance Corporation (“CFC”)**
- Rural Utilities Service (“RUS”) /Federal financing Bank (“FFB”):** Rural Utilities Service (RUS), such payments to be made by wire transfer to the Department of Treasury account of RUS at the Federal Reserve Bank of New York (in accordance with RUS Bulletin 20-9, Exhibit N; for this purpose EKPC's ID NUMBER IS KY059).
- Deutsche Bank:**
such payments are to be made by wire transfer to its Account:
(number) 01419647 at (bank name) Deutsche Bank Trust Company Americas, Corporate Trust Agency Services, located in (city) New York City, (state) NY, ABA# 021001033; or
- US Bank:**
such payments are to be made by wire transfer to its Account:
(number) 180121167365 at (bank name) US Bank National Association, US Bank Trust National Association, located in (city) St Paul, (state) MN, ABA# 091000022; or
- National Cooperatives Services Corp (“NCSC”):**
such payments are to be made by wire transfer to its Account:
(number) 910-2-711273 at (bank name) JPMorgan Chase, located in (city) New York City, (state) NY, ABA# 021000021; or
- National Rural Utilities Cooperative Finance Corporation (“CFC”):**
such payments are to be made by wire transfer to its Account:
CFC Admin Account – EKPC, (number) 642-270-326 at (bank name) JPMorgan Chase, located in (city) New York City, (state) NY, ABA# 021000021.

Board Agenda Item

APRIL

TO: Fuel and Power Supply Committee and Board of Directors

FROM: Robert M. Marshall *Robert M. Marshall*

DATE: March 30, 2007

SUBJECT: Approval of Coal Supply Contract Amendment No. 9 with Argus Energy, LLC—Spurlock Power Station Unit Nos. 1 and 2 (Executive Summary)

KEY MEASURE(S) This Supports Reliable and Competitive Energy Costs

Background

East Kentucky Power Cooperative, Inc., (“EKPC”) has a coal supply contract with Argus Energy, LLC, (“Argus”) that currently provides 360,000 tons of coal per year for Spurlock Power Station Unit No. 2 and 240,000 tons of coal per year for Spurlock Power Station Unit No. 1. This contract is due to expire December 31, 2007. EKPC entered into this contract with Argus to begin January 1, 2003. Argus has been a reliable supplier to EKPC since this time.

EKPC’s current projected date for the activation of the scrubber for Unit No. 2 at Spurlock Power Station is October 2008 and January 2009 on the scrubber for Unit No. 1. Therefore, management has negotiated with Argus to extend the term and monthly tonnage commitments of 30,000 tons per month for Spurlock Power Station Unit No. 2 through August 31, 2008, and 20,000 tons per month for Unit No. 1 through November 30, 2008. Language will be included in this amendment for a market reopener to occur in September and October of 2007 to establish market price of the additional coal for the proposed extension period.

Justification and Strategic Analysis

The purchase recommended by management will provide an adequate fuel supply source for EKPC’s generating units and will enable EKPC to continue to generate power for the lowest cost possible for its Member Systems. This recommendation supports EKPC’s key measures for reliable and competitive energy costs.

Board Agenda Item

APRIL

Recommendation

Management recommends that the Board of Directors approve Amendment No. 9 with Argus to extend the term and monthly shipments of the current contract through August 31, 2008, for Spurlock Power Station Unit No. 2 and November 30, 2008, for Spurlock Power Station Unit No. 1, with a market price re-opener to occur in September and October of 2007.

eh/gv

Board Agenda Item

APRIL

TO: Power Delivery Committee and Board of Directors

FROM: Robert M. Marshall *Robert M. Marshall*

DATE: March 30, 2007

SUBJECT: Approval of Phil Substation Expansion Project, Stanton Substation Expansion Project, West Berea Substation Upgrade Project, Jabez Substation and Tap Project, and Amendment of EKPC Three Year Work Plan (November 2005-October 2008)
(Construction and Finance) (Executive Summary)

KEY MEASURE(S) This action supports the delivery of facilities at a competitive cost, on time and of good quality, and the reliable delivery of power to our Members.

Background

An Amendment to the East Kentucky Power Cooperative's ("EKPC") Rural Utilities Service ("RUS")-required Three-Year Work Plan (November 2005-October 2008) identifies additional transmission facilities and modifications needed by EKPC to economically and reliably serve projected load growth. This work plan amendment was developed from the results of load flow and economic analysis using input from EKPC member system work plans, EKPC's Market Research Process, Power Delivery Maintenance Process and Power Delivery Expansion Process.

This amendment covers two categories of projects including:

- (1) Transmission Line Additions and/or Modifications
- (2) New Substations, Substation Additions and/or Modifications

Justification and Strategic Analysis

Categories (1) and (2) above consist of facilities related to member system distribution substations and improvements to the transmission system.

Board Agenda Item

APRIL

- A. Taylor County Rural Electric Cooperative Corporation (“TCRECC”) has requested a 12.5 kV distribution circuit addition at the existing Phil Substation in Casey County. The existing 12.5 kV low-voltage bus will need to be expanded to accommodate TCRECC’s request. The total estimated project cost is \$100,000 with a target in service date of June 2007.
- B. Clark Energy Cooperative, Inc. (“CEC”) has requested a 12.5 kV distribution circuit addition at the existing Stanton Substation in Powell County. The existing 12.5 kV low-voltage bus will need to be expanded to accommodate CEC’s request. The total estimated project cost is \$100,000 with a target in service date of December 2007.
- C. Blue Grass Energy Cooperative Corporation (“BGECC”) is experiencing significant load growth in the vicinity of West Berea Substation in Madison County. The 2006 Power Requirements Study (“PRS”) projects West Berea Substation to reach 18.7 MVA under extreme 2008/09 winter conditions. The existing transformer has a maximum winter rating of 18.1 MVA and would experience a 3.3 percent overload under these conditions. A joint planning study between EKPC and BGECC has confirmed the need and justification for upgrading the existing West Berea Substation to 15/20/25 MVA. The total project cost is \$612,000 with a target in service date of December 2008.
- D. South Kentucky Rural Electric Cooperative Corporation (“SKRECC”) is experiencing significant load growth in the vicinity of the Nancy Substation in Russell County. The PRS projects Nancy Substation to reach 18.4 MVA under extreme 2009/10 winter conditions. The existing transformer has a maximum winter rating of 18.1 MVA and would experience a 1.7 percent overload under these conditions.

A joint planning study between EKPC and SKRECC has confirmed the need and justification for a new 161-25 kV, 12/16/20MVA distribution substation (“Jabez”) and 0.65 mile, 69 kV transmission tap line from EKPC’s South Oak Hill – Jamestown 161 kV line. The new Jabez Substation will reduce the Nancy Substation load by approximately thirty-eight percent and improve system reliability for loads in the Jabez community.

This project is the least cost alternative with a twenty-year present worth cost savings of approximately \$37,000 when compared with the next best alternative. The total estimated project cost is \$1,608,000 with a target in service date of December 2009.

Board Agenda Item

APRIL

RUS requires approval of the Board for amendment of the current EKPC RUS-approved Three-Year Work Plan. Construction of the added projects requires review by the Power Delivery Committee and approval pursuant to Board Policies No. 103 and 106.

Recommendation

Management recommends that the EKPC Board approve an Amendment of the current EKPC RUS approved Three-Year Work Plan (November 2005-October 2008) dated April 10, 2007, to include those projects identified above at an estimated total cost of \$2,420,000 and to approve construction of these projects along with authorization to acquire necessary permits, approvals, real property and associated easements necessary and desirable to implement these projects.

GM

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING
MAY 1, 2007**

A regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. ("EKPC") was held at the Headquarters Building, 4775 Lexington Road, Winchester, Kentucky, on Tuesday, May 1, 2007, at 10:25 a.m. EDT, pursuant to proper notice.

Chairman Wayne Stratton called the meeting to order. Donnie Crum gave the invocation. The minutes were kept under the supervision of Secretary A. L. Rosenberger. The secretary took the roll call with the following directors present:

Michael Adams	Licking Valley
Fred Brown	Jackson
Donnie Crum	Grayson
P. D. Depp	Taylor County
Danny Divine	Inter-County
E. A. Gilbert	Blue Grass
Elbert Hampton	Cumberland Valley
Hope Kinman	Owen
Jimmy Longmire	Salt River
Wade May	Big Sandy
A. L. Rosenberger	Nolin
Randy Sexton	Farmers
William Shearer	Clark Energy
Rick Stephens	South Kentucky
Wayne Stratton	Shelby
Lonnie Vice	Fleming-Mason

ANNOUNCEMENTS

- Many concerns were mentioned with regard to co-op family and friends.
- Recognized J. B. Johnson, EKPC Board's Counsel.

BOARD MINUTES

On motion of P. D. Depp, seconded by Mike Adams, the minutes of the April 10, 2007, board meeting were approved.

ADOPTION OF AGENDA

On motion of Danny Divine, seconded by Wade May, the agenda was adopted as amended with the following changes under the Operations, Services and Support Committee:

- Revisions to the item pertaining to the AG8 Loan application; and
- Addition of an item pertaining to execution of documents for the AC8, AD8 and Y8 loans.

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer – Robert Marshall

June Board and Annual Meetings – Kevin Osbourn reviewed the schedule for the upcoming June 11 Committee and Board meetings and the June 12 Annual meeting, all being held at EKPC Headquarters. Kevin noted that no special outings would be held during this time and information will be mailed soon. National Rural Utilities Cooperative Finance Corporation's Governor and CEO, Sheldon Petersen, will be the key speaker at the Annual meeting.

NRECA National Consulting Group Update – Bob Marshall reported that the Group, which did a two-week review at EKPC, presented a final report to him on April 26. The results have been shared with the executive team and will be provided to the Board in the next several weeks.

Second Annual Bank Meeting – A meeting will be held at EKPC Headquarters on May 10 with NRUCFC and other banking partners in attendance. We will update them on the status of various EKPC situations and financial issues.

Work-Out Plan – EKP is in the process of submitting to RUS a required work-out plan due to EKP not meeting TIER and debt-service requirements. This information will be provided to the Board at the June Board meeting.

Big Rivers EC – Bob Marshall will address Big River's Board at its May 18 meeting and will be informing them of EKPC activities. Mr. Marshall said he has invited Mike Core to do the same with the EKP Board and that will take place later in the year.

Cooper Power Station—Approval of Equipment – EKP filed with the Kentucky Public Service Commission on April 27 an application for a Certificate of Public Convenience and Necessity, seeking approval of equipment to ensure continued operation of Cooper Station at lower Lake Cumberland levels due to the repair activity at Wolf Creek Dam. This is required as a first step for EKP to seek rate relief for the project.

Combustion Turbines (CTs) Decision – EKP is reviewing the assessment and there is ongoing discussion with GE regarding the CTs. It is anticipated this will come before the Board for approval in June.

Partnering Opportunities – While in Atlanta for the G&T Managers meeting, Bob Marshall talked with several co-op representatives regarding possible partnering opportunities for CFB technology and joint dispatch. Discussions continue with TVA as well.

G&T Managers Meeting – The main topics at this G&T Managers meeting included CO2 capture, coal challenges, and nuclear. Also discussed was funding. Mr. Marshall noted that Dave Eames has been assigned to work on indenture procedures with a group of G&Ts and RUS.

Co-op Annual Meetings – Mr. Marshall will attempt to attend those annual meetings where possible, but EKPC will be represented.

BUSINESS MANAGEMENT PLAN

This information will be available on a once-a-quarter basis.

AUDIT COMMITTEE ACTION ITEMS

Selection of Auditor for 2007

After review of the applicable information, a motion was made by Bill Shearer and, there being no further discussion, passed to approve the following:

Whereas, Crowe Chizek and Company LLC (“Crowe Chizek”) has provided an audit agreement outlining the terms of its engagement to audit the financial records of East Kentucky Power Cooperative, Inc. (“EKPC”) for 2007;

Whereas, Crowe Chizek meets the Rural Utilities Service qualifications to perform an audit;

Whereas, Crowe Chizek performed the previous audit in a satisfactory and professional manner and at a reasonable cost;

Whereas, The Audit Committee has considered the qualifications and proposed fees of Crowe Chizek, and has voted that the Board of Directors (“the Board”) select Crowe Chizek to perform the EKPC audit for 2007; now, therefore, be it

Resolved, That the EKPC Board hereby awards the 2007 EKPC audit engagement to Crowe Chizek for an audit fee of \$83,000, plus expenses, and an SFAS 106 valuation of \$7,500, and authorizes the President and Chief Executive Officer, or his designee, to execute any required agreements relating to such services.

AUDIT COMMITTEE INFORMATION ITEMS

No information or discussion items were noted by Audit Committee Chairman, Bill Shearer.

OPERATIONS, SERVICES AND SUPPORT (“OSS”) COMMITTEE ACTION ITEMS

AG-8 Loan Application—Spurlock 1 & 2 Scrubbers and Spurlock 4 Additional Expenditures

After review of the applicable information, a motion was made by Donnie Crum and, following further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative, Inc., (“EKPC”) has incurred and will incur capital costs for expenditures associated with the engineering services, preliminary structural design, and construction of the Unit #1 and #2 Scrubbers at the H.L. Spurlock Power Station site, and additional expenditures associated with the construction of the Spurlock #4 generating unit (the “Facilities”) as shown on R-DUP Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, which are the basis for an application for: Rural Utilities Development Program (“R-DUP”) Guaranteed Federal Financing Bank (“FFB”) AG-8 Loan Requested for Facilities in an amount not to exceed \$ 460,000,000;

Whereas, After review and discussion of the applicable information, management and the Operations, Services and Support Committee recommend that an application be made for a loan to meet said requirements; and

Whereas, Said recommendation supports EKPC key measure of providing competitive energy by allowing EKPC to minimize financing costs on capital projects while managing cash flow; now, therefore, be it

Resolved, That the EKPC Board of Directors (“Board”) applies to the R-DUP, pursuant to 7 CFR Part 1710, for a guaranteed FFB loan in an amount not to exceed \$ 460,000,000, as specified above, for the Facilities, as more specifically outlined in the application, to be used in accordance with the provisions of 7 CFR Part 1710, subject to possible adjustment of loan amounts by R-DUP; and

Resolved, That the EKPC Board authorizes its officers to execute and attest all necessary papers, documents, and applications related to the foregoing; and

Resolved, That the R-DUP guaranteed loan shall bear a maturity date of December 31, 2040; and

Resolved, That the President and Chief Executive Officer, or the Vice President of Finance, is hereby authorized on behalf of EKPC (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments; and

Resolved, That EKPC hereby authorizes the R-DUP to release appropriate information and data relating to the application to the FFB and any existing supplemental lenders.

Execution of AC8 and AD8 Loan Documents and Y8 Substitute Note

After review of the applicable information, a motion was made by Donnie Crum and, there being no further discussion, passed to approve the following:

Resolved, That East Kentucky Power Cooperative, Inc. (“the Corporation”) borrow from the Federal Financing Bank (“FFB”) amounts not to exceed \$64,240,000 (AC8), \$481,388,000 (AD8) and \$223,500,000 (Y8 Substitute Note), such loans being guaranteed by the United States of America (the “Government”), acting through the Administrator of the Rural Utilities Service (“RUS”), to be used for such purposes as approved by the Government; and

Resolved, That the Corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and

Resolved, That the Chairman of the Board is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:

- (a) As many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
- (b) Two notes payable to FFB and guaranteed by RUS in the principal amounts of \$64,240,000 (AC8), and \$481,388,000 (AD8), substantially in the form of the FFB notes submitted to this meeting; and
- (c) Two notes payable to the Government, acting through the Administrator of RUS, substantially in the form of the reimbursement notes submitted to the meeting; and

- (d) Substitute note payable to FFB and guaranteed by RUS in the principal amount of \$223,500,000, substantially in the form of the substitute note submitted to this meeting; and
- (e) As many counterparts as shall be deemed advisable of a Supplemental Mortgage and Security Agreement by and among the Corporation, the Government and National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$3,000,000,000 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and

Resolved, That the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

Resolved, That the President and Chief Executive Officer, or the Vice President of Finance are authorized to act in such corporate positions and to perform the functions of such positions and are authorized on behalf of the Corporation (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

OSS COMMITTEE INFORMATION ITEMS

OSS Committee Chairman Donnie Crum noted that Bill Prather reviewed the 2006 Propane Business Report for the committee.

FUEL AND POWER SUPPLY ("F&PS") COMMITTEE ACTION ITEMS

Contract to Stanley Consultants, Inc. for Cooper Power Station Low Water Mitigation Project

After review of the applicable information, a motion was made by Jimmy Longmire and, there being no further discussion, passed to approve the following:

Whereas, On April 10, 2007 East Kentucky Power Cooperative, Inc.'s ("EKPC") Board of Directors ("Board") approved the Low Water Mitigation Plan for J.S. Cooper Power Station ("Cooper Power Station") for an estimated price of \$24 million;

Whereas, EKPC retained Stanley Consultants, Inc., (“Stanley”) to identify alternatives that would permit the Cooper Power Station to operate at a water level of 650 feet;

Whereas, The Board approved the implementation of Option No. 3, which protects the Cooper Power Station from derations due to high lake water temperatures during the summer of 2007, and Option No. 6, the Hybrid Plan, will protect Cooper Power Station from low lake water levels for the duration of the Wolf Creek Dam emergency;

Whereas, This project is not in the 2007 Budget and Work Plan and the latest Three-Year Construction Work Plan; and it is requested on an emergency basis;

Whereas, In order to strategically manage costs and optimize the use of assets, careful planning must take place to ensure that the generating units of EKPC have sufficient power supply for the Members Systems in the future; and

Whereas, The Fuel and Power Supply Committee and EKPC management recommend the approval to Award a Contract to Stanley for Engineering Services for the Cooper Power Station Low Water Mitigation Project; now, therefore, be it

Resolved, That the EKPC Board hereby approves the Contract with Stanley for the Engineering Services for Cooper Power Station Low Water Mitigation Project for an estimated cost of \$980,000, and hereby authorizes the President and Chief Executive Officer, or his designee, to execute the necessary documents to award this Contract; and

Resolved, That approval is given for the use of general funds for this project, subject to reimbursement form loan funds, when and if such funds become available.

F&PS COMMITTEE INFORMATION ITEMS

Coal Supply Purchase Order to Progress Fuels, LLC – Jerry Bordes briefly reviewed this item, included in the Board book, which was approved by the F&PS Committee.

POWER DELIVERY ("PD") COMMITTEE ACTION ITEMS

Close-Out of Contract 0617X w/Aubrey Silvey Enterprises, Inc.—Construction of J. K. Smith Substation 138 kV Expansion

After review of the applicable information, a motion was made by Mike Adams and, there being no further discussion, passed to approve the following:

Whereas, The East Kentucky Power Cooperative, Inc. (“EKPC”) Board of Directors, (“Board”) at its October 3, 2006 meeting, authorized the award of contract for the construction of the expansion of the J.K. Smith 138kV Transmission Substation.

Whereas, This project was awarded to Aubrey Silvey Enterprises, Inc. (“Aubrey-Silvey”) under Contract 0617X based on a firm unit price totaling \$1,013,266.46 exclusive of owner furnished materials and was completed, with change orders, for the amount of \$1,040,915.46;

Whereas, Aubrey-Silvey has completed this project and fulfilled all of the terms and conditions of Contract 0617X and is entitled to and has earned the balance remaining on this contract of \$104,091.55;

Whereas, EKPC Management and the Power Delivery Committee recommends close-out of this contract for the amount of \$1,040,915.46 and a final payment to Aubrey – Silvey of \$104,091.55; and

Whereas, This recommendation supports the delivery of facilities at a competitive cost, on time, and of good quality and the reliable delivery of power to our Members; now, therefore, be it

Resolved, That the Board approve the close-out of Contract 0617X for the sum of \$1,040,915.46 and authorizes the President and Chief Executive Officer or his designee, to make final payment of \$104,091.55 to Aubrey -Silvey and to execute all documents necessary to close-out this contract.

PD COMMITTEE INFORMATION ITEMS

PD Committee Chairman Mike Adams reported that Mary Jane Warner updated the Committee on construction in progress.

MEMBER SYSTEM NEEDS

No other member system needs were brought before the Board.

EKPC DIVISION MONTHLY REPORTS

Chairman Stratton noted the monthly reports as included in the Board books.

AGENDA ITEMS FOR NEXT AGENDA

No agenda items for the next agenda were brought before the Board.

OTHER BUSINESS

Margins – Dave Eames and Bob Marshall responded to a question about what is driving margins. Mr. Eames said there was a timing difference in the Fuel Clause Adjustment. There was a large fuel expense in February, resulting in \$4 million under budget; and the revenue recovery was received in March, making the March margins higher. Also, February was colder and resulted in more margins, and there was more purchased power than originally budgeted which helped the margin.

EXECUTIVE SESSION

At 11:00 a.m., Chairman Stratton requested the Board go into Executive Session. Lonnie Vice made the motion and A. L. Rosenberger seconded same, with those remaining to include the Directors, Alternate Directors, Board Counsel J. B. Johnson, Bob Marshall, and Executive Staff. Della Damron stayed to assist the Secretary with the minutes.

The minutes of the remainder of the **Executive Session** are included in the separate May 1, 2007, Executive Session Minutes of the regular Board meeting.

There being no further business, the Executive Session and the EKPC Board meeting were adjourned at 11: 40 a.m.

A. L. Rosenberger, Secretary

Approved:

R. Wayne Stratton
Chairman of the Board

Date:

FEBRUARY 2007

Coordinated Planning

JANUARY 2007

Transmission Planning

Summary of Future Transmission Projects Identified as of February 2007

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2007 through 2016):

- 162 miles of new transmission line construction, including 55 miles of new 345 kV line required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 14 new transmission switching substations, including three new 345 kV switching substations required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 168 miles of re-conductor or rebuild of existing transmission line
- 19 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 17 new 69 kV capacitor banks totaling 267 Mvars
- 154 miles of transmission line requiring high-temperature upgrades
- 24 new distribution substations
- 2 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

No significant modifications have been made to these plans since the previous information was provided.

Resource Planning

The following graphs show the projected winter peak load and capacity resources broken down by baseload and other resources. Capacity resources include existing and committed resources as noted following the graphs. The peak loads shown do not include reserves. The winter graph shows that there will be tight winter margins due to delays in adding new capacity. EKPC will need to make some seasonal purchases of transmission and/or power to help cover the peak load and reserves throughout the period. Summer seasonal purchases should not be necessary although it may be economical to purchase transmission to bring in economy power. The graphs assume that Smith CT 8 and 9 will be available by January of 2009.

Responses to the first round of questions from the PSC on the 2006 IRP were filed January 17.

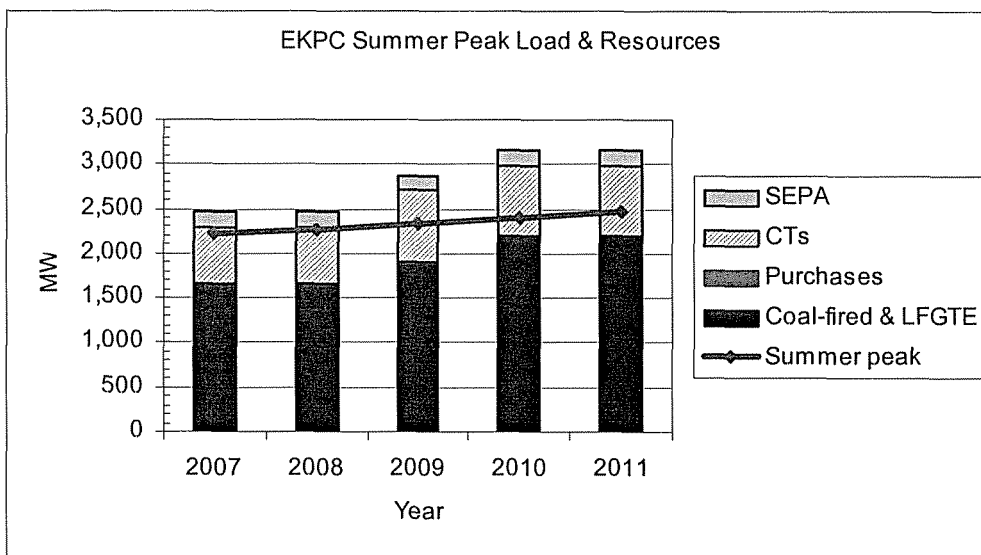
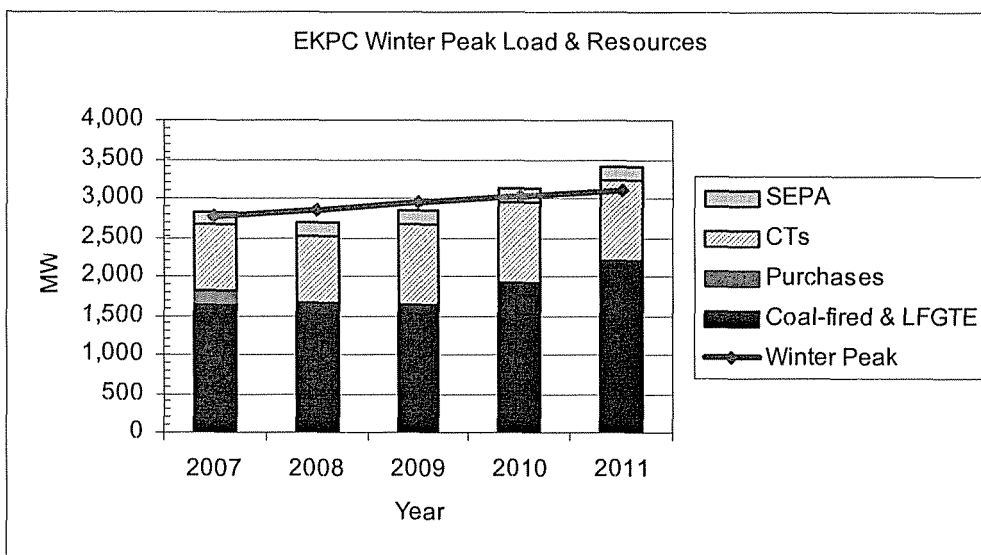
The updated resource plan without WRECC's load requirements has been completed.

Coordinated Planning

EKPC will still need Smith 1 and Smith CTs 8-9 on their current schedules for supplying native load requirements.

The Corps of Engineers plans to hold meetings on changes in the operational guidelines for Wolf Creek Dam soon due to concerns over the seepage problems at the dam. This may have an impact on our SEPA power allocation next summer.

Resource Planning and Mid Term Planning staff met with the City of Hamilton, OH, on January 16 to discuss Hamilton's plans to develop the Meldahl Hydro Project and see if there is potential for partnership with EKPC.



NOTES:

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

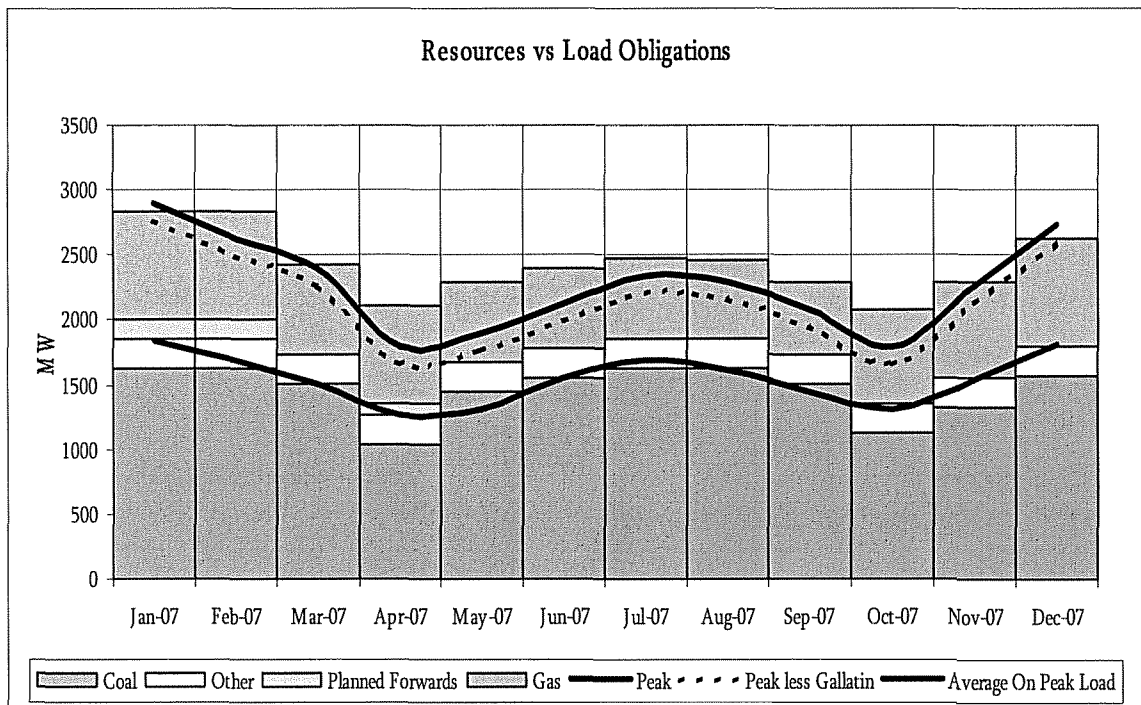
Coordinated Planning

Pendleton Co. LFGTE assumed to be on-line by February 2007.
 Smith CTs 8-9 assumed to be on-line January 2009.
 Spurlock 4 unit assumed to be on-line in Spring 2009.
 Smith CFB 1 assumed to be on-line Summer 2010.

Mid-Term Planning

Mid-Term Planning focuses on EKPC's power supply issues from one month out to three or more years. It functions to optimize the use of EKPC's assets for power supply to our Members focusing on the mid-term time frame. We are working with other areas of the company to compile a view of hedging activity that aims to mitigate risk exposure and reduce price volatility. The following list summarizes those activities.

- Coal costs are being hedged by entering into long-term purchase contracts for approximately 60% of our needs. The remaining 40% is locked up by purchase orders on a month to two-month ahead basis. We are investigating other ways to potentially mitigate transportation cost risk.
- Emission allowances are being purchased ahead to build an inventory to average the allowance costs resulting in levelizing that portion of the environmental surcharge.
- Transmission rights are being purchased for the next year to guarantee a transportation flow into our system for the market purchases that will be needed to supply Member's needs.
- Power purchases are being evaluated to estimate our future needs and along with contracts to supply those needs.



Coordinated Planning

MONTHLY REPORT

- In June 2006, EKPC started a Natural Gas Procurement and Price Management Program with Fellon-McCord & Associates. The objective of the program is to mitigate natural gas price volatility, create a known future cost of gas, stabilize fuel adjustment charges, and protect corporate margins and cash flow while obtaining the most reliable gas supply and transportation. EKPC will use a strategy involving fixed price forward natural gas purchases as a means to manage future natural gas price exposure.
 - Projected monthly gas usage based on historical data
 - Hedge 30% of monthly historical use
 - Hedge with financial instruments

EKPC Natural Gas Hedging Summary

<u>Delivery Month</u>	<u>Hedged Quantity (Dth)</u>	<u>Current Market Price</u>	<u>Average Hedged Price</u>	<u>Current Market Price Less Hedged Price</u>	<u>Average Gas Price w/ Hedge*</u>
Jun-06	40,000	6.570	7.170	(0.600)	6.755
Jul-06	140,000	6.099	7.360	(1.261)	6.475
Aug-06	200,000	7.965	7.540	0.425	7.838
Sep-06	0	4.201		4.201	4.201
Oct-06	0	7.153		7.153	
Nov-06	40,000	7.850	8.651	(0.801)	8.097
Dec-06	60,000	8.090	9.210	(1.120)	8.426
Jan-07	80,000	6.601	9.235	(2.634)	7.381
Feb-07	40,000	6.698	9.146	(2.448)	7.451
Mar-07	60,000	6.768	7.774	(1.006)	7.070
Apr-07	0	6.846			
May-07	40,000	6.926	8.015	(1.089)	7.261
Jun-07	60,000	7.012	7.491	(0.479)	7.156
Jul-07	105,000	7.092	8.082	(0.990)	7.352
Aug-07	150,000	7.157	8.488	(1.331)	7.556
Sep-07	50,000	7.292	8.008	(0.716)	7.506
Oct-07	0	7.957			
Nov-07	20,000	8.612	10.185	(1.573)	8.854
Dec-07	30,000	8.922	8.868	0.055	8.914
Jan-08	20,000	8.937	8.920	0.017	8.936
Feb-08	10,000	8.742	9.520	(0.778)	8.802
Mar-08	15,000	7.582	7.460	0.122	7.573

* Based on historical gas usage and current market prices.

Coordinated Planning

Generation Dispatch

System Peak – EKPC's coincident peak in December 2006 was 2735 MWh, occurring at hour 0800 on the 8th. Member system requirements for the month of December 2006 were 1177558 MWh, a decrease of -11.59 % below December 2005. During December, there were 169 fewer heating degree days than normal, temperature was 16.3% warmer than normal.

Forecasting and Market Analysis

- Analyzed customer data for Nolin RECC cost of service study.
- Updated maps with industrial sites for website.
- Continued evaluating demand-side management and conservation efforts with working group of other utilities and the Sierra Club. In addition met with the Office of Energy Policy to discuss same issues.
- Prepared responses for PSC question sets.

JANUARY 2007

Finance & Risk Management Process – Frank Oliva, ManagerTreasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On January 29, EKPC had \$98,860,000 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.09% to 5.23%. \$22,966,101 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

As of January 29, a total of 83 bank wires/transfers were initiated for a total amount of \$130,968,952. These bank wires/transfers include cash investments, benefit reimbursements, purchasing card payments, MISO payments, emission purchases, coal payments, contract payments, purchased power, debt service payments, and all expenditures related to payroll.

- Construction Funds

No advances were requested nor received for January.

The interest rates on our floating/fixed rate pollution bonds through January 30 were:

Cooper – 6 Month fixed rate – 3.68%

Smith – 6 Month fixed rate – 3.55%

Spurlock – weekly floating rate ranged from 3.48% to 4.08%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of January 31, 6 of the 72 loans remain outstanding with balances totaling \$68,415.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of January 31, EKPC has purchased \$1,566,000 in capital stock and has loaned \$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the

Finance Monthly Report
Page 2
January 2007

four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of January 31 is \$3,392,387.

As of January 31, \$476,221 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. In January, the CFC interest rate for lines of credit was 7.15% and the CFC variable, long-term rate was 7.30%. FFB interest rates on January 26 were 4.94% and 4.98% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on January 29 for the CFC thirty-year long-term fixed rate loan was 7.45%. As of January 29, the interest rates on EKPC's Revolving Credit Facility ranged from 6.15% to 6.23%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared actual-to-budget comparison reports for December 2006 for all departments and business units.

The Budget Team provided assistance to various personnel with the 2006 year-end closing.

Provided historical, current, and projected volume and cost of coal, oil, gas, methane gas, emission allowances, and purchased power for the Business Management Plan. This information will be used in comparison of historical and projected trends of these large expenses for the cooperative.

Provided various information to the Pricing Team for the PSC's initial data request in the case reviewing EKPC's rate increase application.

Finance Monthly Report
Page 3
January 2007

A list of proposed additional 2007 Budget reductions was provided to the Board at the January meeting for their review and discussion. Final changes to the 2007 Annual Budget and Work Plan have been completed and will be provided to the Board at the February meeting. These actions support EKPC's Mission to provide competitive energy to member systems.

- Financial Planning

Finalized the Twenty-Year Financial Forecast and Equity Development Plan 2007-2026. Analysis was done of various financial statements including Balance Sheets, Statement of Operations and Cash Flow Schedules. Actual operating data and capital expenditures for 2005 and 2006 as well as future capital requirements are being reviewed at this time. This forecast has been modified since Warren RECC will no longer be joining EKPC. These actions support EKPC's mission to provide competitive energy to the member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Property Insurance – Staff continues work on the property renewal/placement.

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the CTs, Smith #1 and renewing coverage for Spur #4.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – No open claims.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents continue to be reviewed by EKPC and APM. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC's credit is being reviewed and negotiated for purchases of power, transmission, Financial Trading Rights (FTR's) emission allowances and coal. Risk Management

Finance Monthly Report

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January 2007

personnel continue to obtain, monitor and manage the credit support provided by trading counterparties, in the form of parental guarantees and payment netting provisions. Agreements are being negotiated with several counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market.

**East Kentucky Power 2006-2007 Business Insurance
as of January 31, 2007**

	<u>Carrier</u>	<u>Broker</u>	<u>Coverage Limit</u>	<u>Self-Insured Retention</u>	<u>Annual Premium*</u>	<u>Coverage Period</u>
Property	FM Global	n/a	\$2,869,666,209	\$50,000 Headquarters \$1,000,000 -All other	\$2,136,752	3/01/06-3/01/07
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	Acordia (Lex)	\$35,000,000	\$1,000,000	\$531,858	10/15/06-10/15/07
Excess Workers' Compensation	AEGIS	Acordia (Lex)	\$35,000,000	\$250,000	\$167,697	10/15/06-10/15/07
Marine (Landing Dock Liability)	CNA/MOAC	Acordia (Lex)	\$1,000,000	\$100,000	\$8,840	10/15/06-10/15/07
Excess Marine (Landing Dock Liability)	CNA/MOAC		\$4,000,000	n/a	\$8,526	10/15/06-10/15/07
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	Acordia (Lex)	\$1,000,000/10,000,000/\$25,000/\$100,000	\$28,928	\$28,928	10/15/06-10/15/07
Directors & Officers Liability	AEGIS	Acordia (Lex)	\$10,000,000	\$75,000	\$59,134	11/14/06 - 11/14/07
Fiduciary Liability	St. Paul/Travelers	Acordia (Lou)	\$10,000,000	\$0	\$11,409	11/14/06-11/14/07
Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year.</i> Transit coverage included.	FM Global		\$375,000,000	\$500,000	\$384,329	10/03/06-10/03/07
ENVISION, LLC						
Professional Liability	Lloyds of London	Acordia (Lex)	\$1,000,000	\$5,000	\$3,326	10/27/06-10/27/07

*Premium includes state surcharge and all taxes unless otherwise noted.

E.A. Gilbert Generation Project Costs thru 12/31/2006

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr.Award/Amend Over/(Under) Design Costs	(thru 12/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1		Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,602,490	\$ 16,290
E6		Feedwater Heaters	Yuba Heat	1,436,000	728,185	(707,815)	737,889	9,704
E8		Deaerator	Ecodyne	225,000	192,500	(32,500)	192,500	-
E11		Condenser	TEI	1,620,000	1,560,662	(59,338)	1,560,662	-
E16		Circ. Water Pumps	Goulds/ITT	796,000	611,700	(184,300)	611,700	-
E17		Condensate Pumps	Flowserve	260,000	232,610	(27,390)	236,056	3,446
E21		Boiler Feed Pumps	Flowserve	1,260,000	1,735,539	475,539	1,708,081	(27,458)
E36		Distributed Control System (DCS)	ABB	2,000,000	4,345,000	2,345,000	3,329,532	(1,015,469)
E101		Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103		Radial Stacker/Reclaimer	Metso Minerals	-	1,815,500	1,815,500	1,956,671	141,171
E131		Transformers	Waukesa/PSD	2,825,000	3,576,441	751,441	3,567,561	(8,880)
E146		Switchgear	Pederson	780,000	3,783,855	3,003,855	3,783,855	0
E201		Boiler Island	Alstom Power	126,900,000	146,725,985	19,825,985	150,957,734	4,231,749
E211		Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,092,380	424,907
E221		Stack	Pullman Power	4,950,000	4,604,000	(346,000)	4,604,000	-
E222		Cooling Tower	Marley Cooling	1,900,000	2,382,600	482,600	2,383,549	949
E251		Piling	Richard Goettle	9,600,000	5,071,757	(4,528,243)	5,071,757	-
E261		Substructure	Baker	-	9,650,846	9,650,846	15,343,775	5,692,929
E281		Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,287,552	1,182,452
E332		Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
			Subtotal	\$ 264,826,000	321,959,328	57,133,328	332,611,118	10,651,790
		Escalation of Contracts		\$ 4,490,000		(4,490,000)		
		Contingency		9,880,000		(9,880,000)		
		Boiler Contingency		13,000,000		(13,000,000)		
			Subtotal	\$ 27,370,000	-	(27,370,000)	-	-
			Total Contracts	\$ 292,196,000	321,959,328	29,763,328	332,611,118	10,651,790
Other Costs		Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,404,342	1,684,342
		Owners Cost	EKPC	19,500,000	19,500,000	-	20,142,354	642,354
		Spare Parts	EKPC	3,000,000	3,000,000	-	797,778	(2,202,223)
		Site Prep	EKPC	500,000	500,000	-	3,386,927	2,886,927
		Environmental Costs	EKPC	1,275,000	1,275,000	-	554,725	(720,275)
			Total Other	\$ 34,915,000	35,995,000	1,080,000	38,286,126	2,291,126
			Total Contracts + Other	\$ 327,111,000	357,954,328	30,843,328	370,897,244	12,942,916
		IDC		40,500,000	40,500,000	-	30,582,152	(9,917,848)
		Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
			Project Total	\$ 367,611,000	398,454,328	30,843,328	399,500,262	1,045,933

Spurlock #4 Generation Project Costs thru 12/31/2006

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 12/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1		TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 25,657,549	\$ (7,237,451)
F6		FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,122,645	(84,479)
F8		DEAERATOR	Ecodyne	200,000	303,094	103,094	280,040	(23,054)
F11		CONDENSER	TEI	1,600,000	2,358,510	758,510	2,144,100	(214,410)
F16		CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	494,200	(200,000)
F17		CONDENSATE PUMPS	Flowsolve	245,000	323,505	78,505	323,505	-
F21		BOILER FEED PUMPS	Flowsolve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36		DISTRIBUTED CONTROL SYSTEM	ABB	4,000,000	3,928,175	(71,825)		(3,928,175)
F46		FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	2,751,518	33,060
F71		ASH HANDLING EQ ONLY		1,500,000		(1,500,000)		-
F101		ALLOY PIPING AND ALLOY SUPPORTS	BendTec	2,450,000	3,922,297	1,472,297	4,063,339	141,042
F103		RADIAL STACKER/RECLAIMER		-		-		-
F131A		TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	549,589	(2,550,963)
F131B		TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700	301,400	(1,053,300)
F146		SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	3,923,355	8,709
F201		BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	110,232,907	(84,267,093)
F204		EMISSIONS MONITORING		300,000		(300,000)		-
F211		COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	1,936,600	(10,141,800)
F221		STACK / CHIMNEY	Pullman Power	5,700,000	5,851,000	151,000	78,000	(5,773,000)
F222		COOLING TOWER	Marley Cooling Twr.	2,454,000	3,025,100	571,100	2,918,871	(106,229)
F251		PILING	Richard Goettle	5,650,000	9,246,942	3,596,942	9,270,142	23,200
F261		SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	14,730,678	(2,447,798)
F271		STRUCTURAL STEEL		-		-		-
F263		CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	9,262,262	(1,123,358)
F264		ASH SILO'S		-		-		-
F281		BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	17,776,654	(81,798,054)
F281		TURBINE CRANE		-		-		-
F281		AUXILIARY GEN & BUILDING (2000 KW) ^c		-		-		-
F332		PAINTING		2,500,000		(2,500,000)		-
		Subtotal		\$ 353,770,000	410,936,279	57,166,279	208,981,052	(201,955,227)
		STEEL CONTINGENCY		\$ 10,000,000		(10,000,000)		
		F201 BOILER CONTINGENCY		9,025,000		(9,025,000)		
		F281 BOP CONTINGENCY		7,200,000		(7,200,000)		
		CONTINGENCY (EXCL F1,F201,F281)		6,887,500		(6,887,500)		
		Subtotal		\$ 33,112,500	-	(33,112,500)	-	-
		Total Contracts		\$ 386,882,500	410,936,279	24,053,779	208,981,052	(201,955,227)
		Other Costs						
		Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	7,868,773	(8,331,227)
		Owners Cost	EKPC	20,000,000	20,000,000	-	7,550,852	(12,449,148)
		Spare Parts	EKPC	-	-	-	-	-
		Site Prep	EKPC	-	-	-	2,150,560	2,150,560
		Environmental Costs	EKPC	-	-	-	-	-
		Total Other		\$ 36,270,000	36,200,000	(70,000)	17,570,186	(18,629,814)
		Total Contracts + Other		\$ 423,152,500	447,136,279	23,983,779	226,551,238	(220,585,041)
		Interest During Construction	IDC	46,546,775	46,546,775	-	8,855,046	(37,691,729)
		Fuel Credit during Commissioning						(1,979,134)
		Project Total		\$ 469,699,275	493,683,054	23,983,779	235,406,284	(260,255,904)

Finance

Finance Monthly Report

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January 2007

Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 995 checks from January 1, 2007, through January 26, 2007, totaling approximately \$45,513,000.

EKPC submitted responses to the PSC regarding the two-year fuel adjustment clause hearing. EKPC proposes to use the March 2006 expense month as its new basing point. The hearing will be held March 14, 2007.

EKPC submitted its rate case application on January 29, 2007.

East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of December 31, 2006

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh
Jul-05	20.25	25.69	5.44	18.10	24.81	6.71
Aug-05	20.25	31.34	11.09	18.10	25.70	7.60
Sep-05	20.25	29.12	8.87	18.10	24.80	6.70
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31
Dec-05	20.25	33.34	13.09	18.10	20.73	2.63
Jan-06	20.25	27.81	7.56	18.10	20.13	2.03
Feb-06	20.25	27.13	6.88	18.10	22.50	4.40
Mar-06	20.25	26.38	6.13	18.10	25.30	7.20
Apr-06	20.25	27.37	7.12	18.10	24.18	6.08
May-06	20.25	27.91	7.66	18.10	25.33	7.23
Jun-06	20.25	24.96	4.71	18.10	26.39	8.29
Jul-06	20.25	26.08	5.83	18.10	27.57	9.47
Aug-06	20.25	27.85	7.60	18.10	31.09	12.99
Sep-06	20.25	27.00	6.75	18.10	23.18	5.08
Oct-06	20.25	22.81	2.56	18.10	25.91	7.81
Nov-06	20.25	25.40	5.15	18.10	22.49	4.39
Dec-06	20.25	27.14	6.89	18.10	21.84	3.74

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Materials Management

- A supplier meeting was arranged for Power Delivery engineering personnel to learn more about fabricated steel buildings for possible future use at substations; pricing and specifications will be evaluated.
- Team members have been heavily involved in the Warren Wrap-Up project.
- A meeting of the Production/Purchasing Team was held January 19 with constructive discussion on items such as the disposal/sale of scrap metals and used oil, contract requirements, and terms and specifics of blanket orders.
- Team members are working to place appropriate charges on the P-Card, primarily non-purchase order/contract payments, to capture rebate dollars on the annual spend.

The Winchester Warehouse inventory increased in December by \$307,163, with an ending balance of \$12,924,898. Stock-related material handled during the month totaled \$812,331, and included material for seventeen (17) Power Delivery Expansion projects and credits for four (4) projects. 6,117 gallons of fuel were pumped at the fuel facility during December. 8,050 gallons of unleaded fuel were purchased for \$2.15/gallon and 6,671 gallons of diesel were purchased for \$2.57/gallon.

Payroll

During January, Payroll compiled data from Benefits, Third Party Administrator, and employee records in order to issue a W2 for each employee, including retired and disabled employees. As a result, 794 W2's were mailed on January 26, 2007.

Plant Accounting

The depreciation study adjustments have been tested and posted in PeopleSoft.

Pricing Process – Bill Bosta, Manager

EKPC/LG&E Transmission and Interconnection Agreement Dispute, FERC Case ER-02-2560

Following LG&E's admission in mid-December regarding errors made in their Refund Compliance report and their submission to EKPC of an additional

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\$31,000, only one issue remains – whether the entire refund period should reflect use of EKPC’s \$1.62/KW-mo. rate for service by EKPC for LG&E’s loads. The FERC will have to rule on this issue. If approved by FERC, it amounts to an additional \$155,000 in refunds to EKPC. With the addition of the \$31,000 from LG&E, the total refund is approximately \$1.64 million.

The Commission’s Final Order results in the following impact on an annual basis for the period in late 2002, when the case was filed, until the end of August 2006.

	Proposed Increase		Increase as Ordered	
Interconnection Agmnt	\$581,000	70.0%	\$62,000	7.4%
Transmission Agmnt	\$278,000	23.5%	\$35,000	2.9%
Total	\$859,000	42.6%	\$97,000	4.8%

Both EKPC and Gallatin Steel requested rehearing in the proceeding on October 2. The major issues for rehearing include the need for the Commission to recognize an additional \$3.5 million refund to EKPC as a result of LG&E billing EKPC for pancaked rates over the four-year period and the need to eliminate MISO Schedule 10 administrative fees being paid by EKPC. On October 30, the Commission issued an Order granting rehearing but did not set a date for the rehearing. This is known as a “tolling” order and means that the Commission met the requirement to act in 30 days on the rehearing request. The Commission, however, is under no time constraint to set a rehearing date.

Aside from the Commission’s Order, as a part of the LG&E request to exit MISO at the FERC, EKPC was able to negotiate a provision that allows LG&E to reimburse EKPC for the pancaked rates issue going forward beginning December 1, 2005. To date, EKPC has received a credit of about \$310,000. EKPC and LG&E have completed the negotiation of a new Interconnection Agreement. The new Agreement became effective on September 1.

Including the effects of pancaking cited above, it appears that LG&E’s proposed filing in 2002 resulted in a net loss to them rather than the 43% increase they had originally sought.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

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EKPC Filing to Amend its OATT at the FERC - Case No. NJ07-1-000

On November 14, EKPC filed with the FERC to amend its Open Access Transmission Tariff (OATT). The filing was made to inform the FERC that EKPC was amending its OATT to reflect a change in its network transmission rate to a "stated" rate of \$1.62/KW-mo. from its existing methodology. The change is expected to garner an additional \$200,000 to \$300,000 annually for service to LG&E under the new Interconnection Agreement with LG&E, effective September 1. In addition, the filing includes several language changes and incorporates the FERC-approved procedure for small and large generator interconnections to the transmission system.

On December 12, LG&E filed a protest and request for hearing with the FERC, alleging that EKPC had not adequately demonstrated that its proposed stated rate was comparable to the rate EKPC charges itself. On December 29, EKPC filed a response to LG&E's protest, claiming that LG&E's request for a hearing should be denied as it was based on pure speculation and contained no evidence to demonstrate that a hearing is warranted. EKPC cited that LG&E had not disputed the validity of any of the cost support submitted by EKPC, nor had LG&E demonstrated that the change to a stated rate of a \$1.62/KW-mo., instead of a revenue requirement times a load ratio method, would violate the Commission's comparability standard. On January 12, LG&E yet again made a filing with FERC, arguing that EKPC should be subject to a hearing. On January 22, the NRECA expects to file comments in support of EKPC. The Commission is expected to issue a ruling on whether a hearing is required in the near future.

Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On January 19, EKPC submitted its nineteenth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 8.34% to be applied to service rendered in January 2007 and billed the first week of February 2007. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 5.11% to 6.89%.

In early August, as requested by the Commission, EKPC filed a response on behalf of itself and all Member Systems that the Commission may issue an Order based on the existing record in the case. Gallatin Steel, an intervenor in the case, filed a

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similar response. The Case is ripe for decision and an Order is expected in the near future. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

**East Kentucky Power Cooperative, Inc.
 Estimated Monthly Environmental Surcharge Factors
 January 2007 through December 2008**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Jan-07	\$49,092,909	\$6,023,536	11.76%
Feb-07	\$49,225,624	\$5,089,149	9.83%
Mar-07	\$49,332,101	\$4,875,353	9.37%
Apr-07	\$49,579,138	\$4,187,136	7.94%
May-07	\$50,081,587	\$4,870,981	9.22%
Jun-07	\$50,069,149	\$5,336,447	10.15%
Jul-07	\$50,266,604	\$5,769,720	10.97%
Aug-07	\$50,336,452	\$6,259,746	11.93%
Sep-07	\$50,921,734	\$5,621,168	10.53%
Oct-07	\$51,003,615	\$4,791,032	8.88%
Nov-07	\$51,749,925	\$4,688,889	8.55%
Dec-07	\$52,380,541	\$5,528,930	10.05%
Jan-08	\$52,139,359	\$5,515,911	10.07%
Feb-08	\$51,921,626	\$5,489,983	10.06%
Mar-08	\$51,578,845	\$5,300,653	9.77%
Apr-08	\$51,596,015	\$4,782,790	8.76%
May-08	\$51,292,766	\$5,401,619	10.02%
Jun-08	\$51,740,251	\$5,705,351	10.52%
Jul-08	\$51,990,776	\$5,941,589	10.92%
Aug-08	\$52,340,413	\$5,287,220	9.59%
Sep-08	\$52,551,373	\$4,920,126	8.85%
Oct-08	\$52,637,617	\$3,854,149	6.81%
Nov-08	\$52,650,006	\$3,876,104	6.85%
Dec-08	\$52,728,617	\$4,122,223	7.31%

Current SO₂ price is \$467.50 per allowance as of January 26, 2007

Current NO_x price is \$950 per allowance as of January 26, 2007.

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Case 2006-00455 Investigation of the Financial Condition of EKPC

On October 27, the Kentucky Public Service Commission issued its initial data request to EKPC in its investigation into the Company's financial condition. On November 6, EKPC filed its responses to the Commission's data request. The Commission issued a follow-up data request on November 9, to which responses were filed on Monday, November 20. A follow-up meeting was held with the Commission on Friday, December 15 to discuss EKPC's financial condition. EKPC filed additional information with the Commission during the week of December 18. On January 3 the Commission issued its third data request in the investigation and EKPC expects to respond to the request by Wednesday, January 24.

Case 2006-00547 Request to Continue Rebate program for Touchstone Energy Home

On December 14, EKPC filed an Application with the Public Service Commission to extend the rebate provision of its Touchstone Energy Home demand side management program. The Company cited the growth in the number of participants and the potential energy efficiency gains associated with the program. EKPC asserted that the rebate program is an important element in promoting the program. On January 8, the Rate Intervention Division of the Office of the Attorney General filed a response to EKPC's application. The Attorney General lauded the program and cited the favorable growth over the last two to three years, but expressed concern about EKPC's financial condition as indicated in the Commission's investigation in Case 2006-00455. They indicated that payment of rebates in a time of financial insecurity is not warranted. As a result of their concern, the Attorney General recommended that the Commission defer action of extending the rebate program until EKPC's financial condition "improves to a substantial degree and reached stability." As of now, the Commission has not issued any further orders in the case.

Internal Audit & Performance Measures – Graham Johns, Coordinator

Internal Auditing for Member Systems

Jackson Energy Cooperative—Will begin an internal audit of health care benefits in February.

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Inter-County Energy Cooperative—Will present the reports on four internal audits completed in 2006 to the Board of Directors on February 16. These include right-of-way maintenance, health care benefits, transportation and vehicles, and employee expenses and advances.

Cost Reviews

Completed the review of vehicles and transportation and delivered the report to management.

Annual Audit

Assisted Crowe Chizek with the annual audit by auditing work orders and doing physical inventory test counts.

Credit Union Process – Brian Tyler, Process Owner

December 2006 Financial Report

Loans	14,480,653.17
Investments	2,993,168.24
Total Assets	17,796,344.37
Liabilities	1,758,237.82
Deposits	13,761,526.21
Equity	2,276,860.34
Interest on Loans	67,911.60
Investment Income	11,487.48
Total Income	79,829.35
Total Expenses	81,037.33
Retained Earnings	(1,207.98)
YTD Retained Earnings	51,564.16

Credit Union Annual Meeting and Elections

The credit union mailed out Annual Meeting notices and petitions for office with the December 31, 2006 statements. The annual meeting will be held on Wednesday, March 28, 2007 at 12:05 pm in the Board Room of the Headquarters building of East Kentucky Power. All members are invited and encouraged to attend.

Finance

MONTHLY REPORT

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The nominating committee has submitted nominees for the offices of Board of Directors and Credit Committee. Any one wishing to run for office must submit a petition to the credit union secretary by noon on Friday, February 16, 2007. More information and the official petition can be found on the credit union webpage: <http://www.ekpc.coop/cu/>.

dge/dd
c: Directors & Alternate Directors
Executive Staff
Finance Staff

Governmental Affairs

JANUARY 2007

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
-
- Monitored the organizational session of the 2007 General Assembly, which convened Jan. 2 in Frankfort. This is a 30-day “short” session of the legislature, which will re-convene Feb. 6 and end March 27. Several new legislative leaders and committee chairs were elected or appointed during the organizational session, including some strong co-op supporters. The first week’s edition of *Currents* is attached for more detailed information, as well as a look at bills of interest to co-ops.
 - Represented EKPC at the state Chamber of Commerce annual dinner in Lexington.
 - Monitored the legislature’s Administrative Regulations Review Committee and discussed co-op issues with co-chair Rep. Tanya Pullin, D-South Shore.
 - Developed the co-op bill tracker database for the 2007 session, and, at the request of Ron Sheets, developed a separate database to track bills to increase the state minimum wage.
 - Attended an internal meeting to discuss transmission, environmental, regulatory and legislative issues stemming from the Warren RECC project.
 - Contacted state and federal leaders about the potential impact of the Army Corps of Engineers’ decision to lower water levels on Lake Cumberland to 680 feet.
 - Developed the first 2007 legislative edition of *Currents*, EKPC’s electronic newsletter on issues and events in Frankfort and Washington, D.C. (attached).
 - Attended a meeting with the Governor’s Office of Energy Policy to educate them about EKPC’s EnviroWatts and other energy efficiency programs.

Governmental Affairs

- Helped coordinate a site visit to the Smith Station with the Governor's Office of Energy Policy and Smith Management Group. EKPC has submitted the Smith Station as a potential site for a coal-to-gas or coal-to-liquids facility. State leaders are working to locate and rank available sites throughout Kentucky for industrial development purposes, and to leverage federal dollars for such technologies. The Smith site has apparently scored very high in the rankings, as have two sites proposed by Big Rivers Electric Corp.
- Coordinated a meeting at EKPC with Clark County elected officials and community leaders to update them on local generation and transmission projects, and to introduce them to Bob Marshall.
- Developed a legislative handout on EKPC's proposed rate increase.
- Represented EKPC at the quarterly board meeting of the Southeastern Federal Power Customers' board meeting. Discussions included the impacts of loss of hydropower from the Wolf Creek Dam project, pricing of replacement power and funding for the major repairs at Wolf Creek. Southeastern Power Administration (which markets the power from Wolf Creek through the Cumberland System) officials have confirmed a meeting among SEPA, the U.S. Corps of Engineers Nashville District, and power customers February 6 and which EKPC will attend.

LAWMAKERS CONVENE, ELECT LEADERS & LEAVE

The odd-year “short” session opened this week, as legislators introduced more than 200 bills and elected some new people to key leadership posts.

New leaders include:



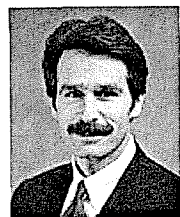
Rep. Rob Wilkey, D-Scottsville, beat Rep. John Will Stacy, D-West Liberty, to become House

Majority Whip



Rep. Charlie Hoffman, D-Georgetown, upset Rep. Bob Damron, D-Nicholasville, to become House

Majority Caucus Chairman



Rep. Stan Lee, R-Lexington, won a runoff over Rep. Ken Upchurch, R-Monticello, to become House

Minority Whip

All three are strong co-op supporters. Rep. Hoffman has worked closely with EKPC and area co-ops as chairman of the Central Kentucky Caucus.

Rep. Wilkey sponsored last year's crucial measure that allowed co-ops to continue

offering non-electric services, such as propane.

In 2002, Rep. Lee worked with EKPC and Cinergy to sponsor a critical amendment to remove regulated utilities from the governor's onerous siting bill.

It failed in a dramatic 49-49 tie in the House, but opened the way to an overhaul of the bill in the Senate – where regulated utilities were excluded.

There were no other changes in House or Senate leadership. Find the full Senate leadership [here](#), and House leaders [here](#).

New committee chairs include:

There were several changes among chairs in the House, but none in the Senate. The new House chairs are:



Rep. Tommy Thompson, D-Owensboro, Banking & Insurance Committee



Rep. Kathy Stein, D-Lexington, Judiciary Committee



Rep. Joni Jenkins, D-Shively, Licensing & Occupations Committee



Rep. Tanya Pullin, D-South Shore, Seniors, Military Affairs & Public Safety Committee



Rep. Darryl Owens, D-Louisville, Elections, Constitutional Amendments & Intergovernmental Affairs Committee.



Rep. Don Pasley, D-Winchester, Budget Review Subcommittee, Transportation

For a full list of House committee members, click [here](#).

What's next?

The four-day organizational session ended Friday, with legislators leaving for a month-long break.

They will return Feb. 6 for the remaining 26 workdays of the short session, which is scheduled to adjourn March 27. Click [here](#) for a full calendar.

HOUSE DEMOCRATS UNVEIL 2007 AGENDA

House Democratic leaders outlined their 2007 “Commitment to Kentucky Families” agenda Thursday

with a list of 15 proposals, including “strengthening energy independence.”

Other items on the list include raising the minimum wage, pay equity for women and limiting the governor’s pardon power.

Click [here](#) for the entire list.

CAPITOL NOTES BLOG

The Legislative Research Commission has launched a Web log with news from the session as it unfolds. You can view the “Capitol Notes” blog by clicking [here](#).

BILLS OF INTEREST

Service restoration

Senate Bill 7, sponsored by Sen. Ed Worley, D-Richmond, would require regulated utilities to assign at least one full-time service restoration employee in each county in which the utility has 500 or more customers. It was sent to the Agriculture & Natural Resources Committee.

HVAC

SB 10, sponsored by Sen. Gary Tapp, R-Waddy, requires a permit for the installation of heating, ventilation, and air conditioning systems (HVAC) and establishes standards for the permitting process. It was sent to the Licensing, Occupations and Administrative Regulations Committee.

Taxes

House Bill 68, sponsored by Rep. Darryl Owens, D-Louisville, would exempt from sales and use tax the charges for residential utilities billed to an owner or operator of a multi-unit residential facility or mobile home park, including charges for common areas. It was sent to the Appropriations & Revenue Committee.

Pilot meter program

HB 123, sponsored by Rep. Tanya Pullin, D-South Shore, would establish a pilot program to install electric meters inside homes so customers can view their usage data and patterns. It was sent to the House Tourism, Development & Energy Committee.

Driver fatigue

HB 150, sponsored by Rep. Tom Burch, D-Louisville, would automatically charge people with felony reckless homicide if they were fatigued or fell asleep while driving and caused a fatal wreck. It was sent to the Judiciary Committee.

Minimum wage

SB 5 and HB 54, sponsored by several House and Senate Democrats, would raise the state minimum wage to \$5.85 an hour immediately, then to \$6.55 in 2008 and \$7.25 in 2009. The state minimum wage also would match the federal rate, if that rate were higher.

HB 37, sponsored by Rep. Tom Riner, D-Louisville, would increase the minimum wage to \$6.15 an hour immediately, and to \$7 in 2008 – or match the federal rate if it was higher.

HB 17, sponsored by Rep. J.R. Gray, D-Benton, would immediately raise the minimum wage to \$7 an hour, abolish the tip credit and match the federal rate if it was higher. After July 2008, the rate would be tied to the Consumer Price Index.

ENERGY ISSUES ON THE HORIZON

There are several energy related bills being discussed, but none have been introduced. Co-op lobbyists have been asked to provide input on these issues:

- ✓ Energy efficiency, including a potential surcharge on customer bills to pay for demand side management programs
- ✓ Increased fines and tougher enforcement for violators of Call Before You Dig laws
- ✓ Energy Star standards for all public buildings

SEE YOU SOON!

Currents will resume in February when the legislature reconvenes. In the meantime, don’t forget to check out *The Political Wire*, EKPC’s new Governmental Affairs web site, on the Extranet and coming soon on the Intranet.

Human Resources & Support Services

JANUARY 2007

EKPC: To provide reliable and competitive energy and member services.

Unit: To serve and assist the Cooperative, it's employees, the Member Systems, and External Customers by:

- Managing Costs
- Ensuring the safety, well-being, and development of EKPC employees
- Providing appropriate corporate staffing requirements
- Providing effective communications
- Complying with all laws and regulations

Human Resources, Facilities Management, Corporate Support Services

1. Managing Costs

Significant Results:

- **Budget management** – Information not available at this time for **Centers 032, 040, 041, 043, 046, 047.**
- **Cost containment** – All non-critical costs are being delayed.

2. Ensuring the safety, well-being, and development of EKPC employees

Significant Results:

- OSHA Lost Time Rate of 1.80 for year ending 2006
- Four new supervisors received training to help them begin their roles as effectively as possible and to educate them on cooperative and industry knowledge.
- Eight new employees received orientation training to ensure their understanding of what EKPC expects from them as well as what they expect from the Cooperative. Three new employees received follow-up orientation related to benefits.
- Employees were provided assistance in advanced educational learning pursuits increasing their value to the cooperative.

3. Providing appropriate corporate staffing requirements

Significant Results:

- **Positions Filled:**
 - 2 – Auxiliary Operators @ Dale – Jordan Burchett & William Wills
 - Warehouseman @ Spurlock – Charles Jett

Human Resources & Support Services

- 4 – Auxiliary Operators @ Spurlock – Jon-Marc Adams, Ed McGlothin, David Mitchell & Jason Young
- Maintenance Material Specialist @ Spurlock – Anthony Orso

- **Positions Open:**
 - Construction Project Manager @ Spurlock
 - Senior Engineer (Production)
 - Senior Engineer – EMS
 - Environmentalist
 - Construction Technician Crew Leader
 - Electrician @ Spurlock
 - Computer & Instrument Technician @ Spurlock
 - Engineer – Operations
 - Maintenance Mechanic @ Cooper
 - Substation Technician – Hillsboro
 - 2 – LAN/PC Support Specialists
 - Computer & Instrument Technician @ Cooper
 - 2 – Auxiliary Operators @ Cooper
 - Warehouse Technician
 - Environmental Instrument Technician @ J.K. Smith
 - Maintenance Mechanic @ Cooper
 - Maintenance Mechanic @ Spurlock
 - Maintenance Mechanic – Welder @ Spurlock

4. Providing effective communications

Significant Results:

- Several new employees received orientation training to ensure their understanding of what EKPC expects from them as well as what they expect from the Cooperative.

5. Regulatory compliance

Significant Results:

- No notifications.

6. Member Systems Support

Significant Results:

- Provided assistance with HR-related information requests.

Human Resources & Support Services

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Payroll – Applied Tax Update 07A to the Production environment, prior to the printing of 2006 W2's and reporting. Continue testing/verification of Year-End processing.
- ◆ Benefits – Analyzing Benefits, Ben Admin, & Cobra reports that need to be changed due to recent setup changes and additions for the new benefits plans.
- ◆ Human Resources – Resolving how EEOC and OFCCP requirements will be met.

PeopleSoft Financials Version 7.5

- ◆ Asset Management – Depreciation – Processes were managed by the Business Application team to change depreciation rates/life on all Plant, Transmission, and Distribution Assets for both East Kentucky Power and Charleston Bottoms.

PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Production Management Reporting System

- ◆ The RUS Appendix A report was modified for all of the Landfill Gas plants to utilize the computed Heat Rate instead of a defaulted value of 12000.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate reporting within the Production Business Unit.

Project Justification and Tracking System

- ◆ Development and Testing of this application continues. This system will provide tracking capabilities for Production projects during the justification process as well as through project completion.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Production Business Unit.

Develop Power Delivery Scoping System

- ◆ The database has been cleaned of testing data, and system has been turned over to Power Delivery for implementation. Rollout of on-line application is starting in late January for the users.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Delivery Business Unit.

Human Resources & Support Services

Enhance Coal Accounting System

- ◆ Assisted with year-end processing and reporting for Coal Accounting.

This supports **Competitive Energy and Reliable Energy** by providing Power Production with the flexibility required to purchase contract coal in the current competitive environment.

Develop a Board Assignment Generator

- ◆ Application has been developed and is ready for beta testing. She will determine the next step in the testing phase.

This supports key measures **Competitive Energy and Reliable Energy**, by providing the capability to reassign board members to the three committees one their terms expires.

Develop Fuel Evaluation System Enhancements

- ◆ New enhancements are being developed to compute Scrubber Costs on Spurlock 1 & 2 when using Limestone.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Delivery Business Unit

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 75 support calls during the previous period.
- ◆ Continuing to replace Connect Backup with new Livebackup on user workstations. The system has been used for numerous restores in first month of operation, including 3 computer crash restores the first week of 2007.
- ◆ Completed final screening of applicants for new support specialists to fill two of the three vacancies on NCS team.
- ◆ Repaired two failed hard drives on IBM RISC server for PeopleSoft Dev and Test environments
- ◆ Replaced failed power supply on HQ1 file server
- ◆ Working on low disk space problems across HQ file servers.
- ◆ Investigating lockups of OATI web application in PD Operations.
- ◆ Installed and tested backup internet router in case of hardware failure. Upgraded and optimized load-balancing device to make better use of bandwidth from backup internet provider.
- ◆ Moved Government Affairs content from corporate internet site to intranet and members extranets. This limits access of the information to authorized people only.
- ◆ Provided information about internet surfing use to power plant management.

Computer and network services support key measures **Competitive Energy and Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Human Resources & Support Services

Provide Telecommunications to Substations and Power Plants.

- ◆ A preliminary joint site visit was made by EKPC and LG&E/KU telecom personnel to assess telecom needs to support a new tie-line from KU Lancaster to EKPC Garrard County substations.
- ◆ Telecom engineering is assisting Power Delivery in the development of a comprehensive substation location database by providing accurate ground elevations for all substations. The database will reduce the time needed to evaluate SCADA radio paths to substations.
- ◆ A fiber optic cable was installed linking Griffin substation to Pendleton Plant and various equipment in and around the plant, including an RTU and pad-mount recloser. The Pendleton Plant RTU will communicate with EKPC's EMS system via radio link from Griffin substation to Stanley Parker tower.
- ◆ A meeting was held with Power Delivery Expansion to discuss options for installing fiber optics between North Clark substation and EKPC's Winchester corporate headquarters, probably via Avon switchyard. The transmission line to Avon cannot support a standard 48-fiber or 24-fiber optical groundwire, but it might support a specially-designed cable, or two 12-fiber standard cables.
- ◆ Work continues to provide emergency backup telecommunications to respond to a disaster at our corporate headquarters.
- ◆ We are coordinating getting Salt River's data circuit from Lock 7 operable.
- ◆ Telecom cable isolation systems at several substations were repaired.

This supports key measure **Reliable Energy** by providing the ability to get substation and power plant information and do remote switching and control.

Provide Telecommunications to Members.

- ◆ Consultant completed detailed path profiles for using 950 MHz multiple address radios for SCADA at Clark Energy substations.
- ◆ A fiber optic cable was installed to link Owen Electric's RTU at Griffin substation to their distribution recloser, which is located down-line from Pendleton Plant.
- ◆ Power Delivery and Telecom personnel are finishing the install of a 960 MHZ SCADA radio for Powell-Taylor Substation.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System.

- ◆ The consultants completed a 220MHz channel reuse plan and EKPC is investigating the acquisition of addition channels needed to complete the system.

This supports key measures **Reliable Energy** and **Competitive Energy** by providing a two-way radio system that will enhance our ability to maintain and operate the transmission system and to assist in outage restoration.

Maintain the Telecommunications System

Human Resources & Support Services

- ◆ Drawings for the new digital system are being delivered to the remote sites.
- ◆ Routine maintenance was performed at six microwave sites.
- ◆ Routine maintenance was performed on emergency generators at Zion Ridge, Ault, Goddard Maysville and Taylor Knob.
- ◆ The air conditioner was replaced at the Freedom microwave site.
- ◆ Telecom personnel replaced the microwave transmitter on the Johnson Hollow to Tyner microwave link.
- ◆ High Voltage Interface Units were repaired at Thelma substation and Oakdale substation.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

IT Performance Measures

- ◆ Annual O&M Budget - Under Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 100.0%
- ◆ Two-Way Radio Availability
 - Member System Base Stations – 99.17%
 - EKPC Base Stations – 99.94%
- ◆ Application Availability – 99.53%
- ◆ Data Circuit Availability – 99.87%
- ◆ On-Time 555 Problem Resolution – 97%
- ◆ Customer Satisfaction Index
 - NCS Team – 100%
- ◆ PBX Availability – 100%

JANUARY 2007

Pending Litigation against EKPC

1. *Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit)* – Clark Circuit Court. The case has been fully briefed and submitted for a decision. At issue are allegations by a former employee seeking damages on claims of a hostile work environment, retaliation and assault and battery by a co-worker.
2. *Mark Jordan v. EKPC and CBA* – U.S. District Court for the Eastern District of Kentucky. On August 14, 2006, the Federal District Court Judge granted EKPC's Motion for Summary Judgment and dismissed the lawsuit. This lawsuit had been filed by a former employee alleging that EKPC had breached one or more of the terms of his workers' compensation settlement; and, had conspired with CBA to arbitrarily deny him continued long-term disability benefits. Jordan has now terminated his attorney and has filed a Motion to Vacate the Judgment. EKPC has filed a response, objecting to said motion. Motion is pending before Judge Coffman. Jordan has also filed an appeal with the Sixth Circuit Court of Appeals but the appeal may be dismissed as not being filed timely.
3. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On January 28, 2004, the United States, on behalf of the Environmental Protection Agency ("EPA") sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration ("PSD") provision of the Clean Air Act; the New Source Performance Standards ("NSPS") of the Clean Air Act; and the State Implementation Plan ("SIP") for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief and civil penalties. The Cooperative answered the lawsuit on June 18, 2004. Since that date, the parties engaged in and have now completed discovery. On January 17, 2006, the Cooperative filed several motions with the Court asking that most, if not all of the claims, be dismissed. These Motions for Summary Judgment involved,
 - (a) statute of limitation issues;
 - (b) federal enforceability of Title V and state operating permits;
 - (c) applicability of the routine maintenance exclusion; and
 - (d) legal standards applicable to PSD and NSPS claims, generally, as decided by the Fourth Circuit in *United States v. Duke Energy*.

On August 18, 2006, the Court entered an Order Setting Aside the Pre-Trial Conference and Bench Trial (previously scheduled for October 2) pending further Orders of the Court and stating that, "It would make the most sense to wait to try this matter until after the Supreme Court has issued a decision in *Duke Energy*." The Order also directed the parties to file a short statement with the Court by early September, "setting forth which of the outstanding Motions for Summary Judgment clearly implicate the issues raised in the *Duke Energy* case, and thus should await a decision from the Supreme Court, and which of the outstanding Motions for Summary Judgment should go forward for decision." The parties filed the statements requested by the Court, and on September 26, the Court issued an Order dismissing most of the Government's motions without prejudice pending a final decision in *Duke Energy*.

At this time, the case is effectively stayed except that the Court may enter decisions on the remaining outstanding motions not implicated in *Duke Energy*. Oral arguments in *Duke Energy* were made before the United States Supreme Court on November 1, 2006. A decision is expected in early Summer 2007.

4. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The parties have filed prehearing statements with the Court of Appeals in this case. There will be no prehearing conference. The briefing schedule will begin upon the certification of the record by the Franklin Circuit Court.
5. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. Oral arguments before the Court of Appeals in this case were held on December 14. The PSC, EKPC and the Attorney General responded to arguments by Enviropower. The judges were familiar with the facts and issues, and asked many questions during the arguments. A decision can be expected in the next few months.
6. *Robert Mulberry v. EKPC, et al* – Scott Circuit Court. On May 2, 2006, the plaintiff sued EKPC and David Eames for personal injuries resulting from an automobile accident on July 29, 2004. Subsequent thereto, the Legal Department filed an Answer on behalf of both EKPC and David Eames; and also filed Complaints against two additional parties—St. Joseph Hospital and Dr. Joseph Westerfield—alleging their primary responsibility for the events giving rise to the automobile accident. Discovery has been initiated by EKPC.
7. *Nathan Writesel v. Goodyear Tire & Rubber & EKPC, et al – (Asbestos Personal Injury)* – Court of Common Pleas, Cuyahoga County, Ohio. On June 21, 2006, Plaintiff filed this case seeking recovery for personal injuries associated with asbestos exposure while working for various contractors throughout the years. EKPC has retained an Ohio law firm to represent it for purposes of filing a Motion to Dismiss. Limited discovery undertaken reveals that EKPC’s exposure in this case is not likely and we intend to file a Motion to Dismiss at the conclusion of discovery.
8. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On June 30, 2006, the United States, acting at the request of the Environmental Protection Agency (“EPA”) sued EKPC charging operation of Dale Station Units 1 and 2 with technical violations of the Clean Air Act (“CAA”) acid rain program, and provisions of the NOx State Implementation Plan or NOx SIP Call. The issue for both units involves whether these units were subject to regulations as generators having a “nameplate” capacity greater than 25 megawatts and/or were generators used to generate 25 megawatts or more of electricity. EKPC filed its Answer on August 8, 2006. Discovery is ongoing, and is to be completed by May 9, 2007. The Court has assigned the action for trial by jury on September 25, 2007.

On July 14, 2006, the Commonwealth of Kentucky’s Motion to Intervene was granted on the basis of common questions of law and fact. The case is in discovery with depositions of EKPC employees scheduled to begin January 19, 2007.

Pending Litigation for EKPC

1. *Substation Vandalism (EKPC v. Caudill, Middleton & McElroy)* – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$79,976.72 on the Judgment has been collected from the defendants.
2. *EKPC v. Greenwich Insurance Company* – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim. Lexington Coal has attempted to transfer this action to Bankruptcy Court but the U.S. District Court, in an order entered on January 24, 2006, denied the motion to transfer the case. The case has been remanded back to Clark Circuit Court.

Claim and Topics

1. *KU and LG&E v. EKPC - FERC Docket No. ER 02-2560-003* – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreement with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E were intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objected and contended that the two agreements could not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

Over the past several years, the FERC entered several orders, some favorable to EKPC and others more favorable to KU/LG&E. Most recently, on October 4, 2006, EKPC filed its Request for Rehearing of FERC's Order dated September 1, 2006, which denied (1) East Kentucky's request to remove certain MISO administrative charges from interconnection and transmission agreements with LG&E/KU (all now expired), and (2) its proposal to remedy unjustified rate pancaking and associated refunds. At issue in the latest filing is approximately \$155,000. EKPC has already received approximately \$1,640,000 from LG&E/KU representing refunds plus interest for improper tariff charges pursuant to earlier FERC Orders which agreed with EKPC's positions.

(a) A similar and somewhat of a companion case has been docketed in the United States Court of Appeals for the District of Columbia as Docket No. 06-1003. This appeal is brought by EKPC asking for review of a FERC Order which authorized MISO to assess and collect administrative and operating costs from all users of the MISO grid including parties to grandfather transmission agreements that predated MISO's formation, including EKPC.

2. FERC Case No. TX05-1 – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission (“FERC”) seeking an order compelling the Tennessee Valley Authority (“TVA”) to physically interconnect with EKPC’s transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On January 19, 2006, FERC ordered TVA to interconnect with EKPC, and to file a modified Interconnection Agreement within 30 days. On June 20, 2006, FERC entered an order denying TVA’s Request for Rehearing.

On August 18, 2006, TVA filed a Notice of Appeal in the United States Court of Appeals for the District of Columbia Circuit asking for review of the FERC’s Final Orders on Interconnection dated January 19, 2006, and denial of TVA’s Request for Rehearing dated June 20, 2006.

3. Commonwealth of Kentucky Sales and Use Tax Audit – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. The Revenue Cabinet has advised that the matter is in abeyance pending resolution of certain related issues in the Board of Tax Appeals.
4. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.
5. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – The Commission issued an order on December 21 which directed EKPC to proceed with the development of a pilot voluntary real-time pricing program for large industrial and commercial customers, and provided that all jurisdictional electric utilities should include IEEE Standard 1547 as the basis for its technical standards for interconnection of generation resources of 10 MVA and below. The Commission did not adopt the Energy Policy Act Smart Metering or Interconnection standards.
6. PSC Case No. 2006-00131 – Six-Month Review of Environmental Surcharge – The Commission has requested all parties in this case to indicate if they believe there are any issues which require a hearing. The only intervenors, the AG and Gallatin Steel Co., indicated at an informal conference on May 24 that they did not foresee a need for a hearing. EKPC has responded that it and the member systems do not feel a hearing is needed.

7. PSC Case No. 2006-00236 - EKPC Depreciation Study – The Commission approved EKPC’s new depreciation study on November 29, with an effective date of January 1, 2007. RUS approval of the study was received on December 21 (CASE CLOSED)
8. PSC Case No. 2006-00455 – EKPC Financial Condition – EKPC has responded to a third data request in this case. It is currently unclear whether there will be further data requests, and how this proceeding will coordinate with EKPC’s rate application.
9. PSC Case No. 2006-00471 – Integrated Resource Plan – EKPC has received the Commission’s first set of data requests. Responses are due on January 17.
10. PSC Case No. 2006-00472 – Wholesale Rate Adjustment – EKPC filed its rate case application, and the member systems’ pass-through filing, on January 29. An effective date of April 1, 2007 is requested, if immediate implementation is allowed, or March 1, 2007, if the rates are suspended.
11. PSC Case No. 2006-00508 – FAC 2-Year Review – EKPC filed responses to the Commission data request on January 22.
12. Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc. – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAQ-27974-037. On July 18, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock #4 air permit. The petition filed by the Sierra Club seeks to have the air permit revoked; or, in the alternative, to have the permit re-issued with corrections to what petitioner believes to be errors and mistakes in the permit conditions.

The hearing in this matter concluded in late December 2006. A decision by the Hearing Officer expected in the Spring 2007.

On August 15, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock Unit 4 air permit. This challenge was filed under Section 505 (b)(2) of the Clean Air Act (“CAA”). The Petition requests that the United States Environmental Protection Agency (“EPA”) object to the issuance of the Title V operating permit. EKPC filed its Response on September 27, 2006. The matter is pending before the EPA Administrator.

13. FERC Case No. NJ07-1-000 – On November 13, 2006, EKPC filed with FERC a revised Open Access Transmission Tariff (“OATT”) which proposed to change the rate which EKPC charges for network integration transmission services (“NITS”). The standard under which FERC would evaluate this rate change is whether the

proposed rate is comparable to the amount that EKPC charges itself for this same service. On December 12, 2006, E.ON US challenged whether the new NITS rate is comparable to what EKPC charges itself for network service, and whether EKPC is serving itself pursuant to terms and conditions for OATT.

On December 29, 2006, EKPC filed papers with FERC setting forth both facts and arguments showing that its OATT satisfies FERC's comparability standard, and asking that E.ON's Protest be rejected.

Dale W. Henley
General Counsel

c: Dave Eames (for distribution)
(H:legal\MR-jan-07)

JANUARY 2006

Economic Development Process

- Participated in the Kentucky Chamber of Commerce's Annual Executive Committee, Board Meeting and "Chamber Day" which focused on the 2007 legislative agenda.
- Participated as the business representative of the Science, Technology, Engineering, and Mathematics Task Force on Postsecondary Education chaired by Dr. Todd of UK.
- Coordinated a meeting with Mason County Judge Gallenstein and others on a possible landfill gas to energy plant and related new business opportunities at the Mason County landfill.
- Chaired a meeting of the Regional Collaboration Committee of Commerce Lexington exploring ways to bring a seven county region together on economic development issues.
- Participated as a member of the Steering Committee of Bluegrass Tomorrow to study regional economic factors for an 18 county region in central and eastern Kentucky.
- Met with officials of Kentucky Highlands Investment Corporation to explore partnership possibilities for our member coops. Housing issues were a focus of this effort.
- Met with Lexmark representatives to determine possibilities for receiving printer donations for schools in our service territory.
- Met with Grayson RECC staff and Global Data representatives on the Stone Mountain project in Olive Hill.
- Attended MMRC and Morehead/Rowan County IDA Board.
- Attended Carroll County Community Development Board Annual Meeting.
- Attended Kentucky Environmental Assistance Program concerning air permitting requirements for businesses.
- Attended Jefferson Community College Advisory Board Meeting.
- Attended Marion County Industrial Foundation Annual Meeting.

Member Services

- Submitted proposal to New York manufacturer on available buildings in co-op service areas.
- Submitted initial information on available site for a paper products company.

Non-Traditional Power Production Process

- Met with Judge Executive Gallenstein and staff of the Mason Co. Fiscal Court to renew discussions regarding the possible development of a landfill gas to electric project at the Maysville-Mason County landfill.
- Requested a proposal from SCS Engineers for updating the gas study performed on the Mason County landfill in 2001.
- Initiated discussions with Allied Waste regarding the possible development of a Landfill Gas project near Irvine, Kentucky.
- The agreement with Buckeye Power was executed, whereas EKPC will provide consulting services through Envision for the development of the Beech Hollow LFGTE project, near Wellston, Ohio.
- Continued to provide information to CFC in anticipation of receipt of the first CREB issuance of approximately \$6.8 million to EKPC for portions of the Laurel Ridge Unit # 5, Hardin Co. Units # 1-3 and Pendleton Co. Units # 1-4 Landfill Gas Projects.
- Working with Allied Waste Company regarding the possible development of a Landfill Gas project near Frankfort, Kentucky.
- The Pendleton County Landfill Gas Project is complete and currently undergoing testing and commissioning.
- Working with EKPC legal staff on two contracts to sell surplus green tags.

Marketing & Natural Resources Process

- Hosted the Governor's Office of Energy Policy staff at EKPC.
- Conducted a meeting to review the "lessons learned" from the Warren Transmission Projects.
- Met with Planning staff to discuss new DSM and DLC initiatives.

Member Services

- Met with representatives from Clark Energy, Blue Grass Energy, Farmers RECC, Salt River RECC, Nolin RECC and SKRECC to discuss forming a committee to discuss the future of DSM programs at EKPC.
- Attended the Rates Update meeting.
- Attended the member services staff meeting at Blue Grass Energy.

Listed below are the Environmental activities for this month:

- Presented 99 Environmental Education Programs to \approx 2,475 people in 10 member service territories.
- Construction Projects Involving Environmental Activities for December: Smith-Sideview 345/69 kV Substation and Transmission Project, Inez Sub and Tap, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Big Creek Sub and Tap, Big Creek – Goose Rock, Laurel – Keavy Transmission Line, Burlington Sub and Tap, Garlin Sub and Tap, Woodstock Sub and Tap, Flint Ink Sub and Tap, Girdler Sub and Tap, Deatsville Substation and Tap, Liberty Church Substation and Transmission Line, Conway Sub and Tap, Sterling Sub and Tap, Garrard County Substation.
- Met with RUS officials regarding the Smith – West Garrard 345kV Transmission Line Project.
- Met with Daniel Boone National Forest officials regarding the proposed Big Creek to Goose Rock Transmission Line Project and the Big Creek – Oneida Transmission Line Project.
- Met with the consultants conducting the cultural resource work on the Smith – West Garrard Transmission Line project.
- Submitted the following environmental reports to RUS for adoption and approval: Fort Knox Junction – Smithersville Junction, Burlington Substation and Tap.
- Environmental approval from RUS was received for Alex Creek Sub and Tap, Keavy – Laurel Transmission Line, Garlin Sub and Tap, Campbellsville #2 Sub Expansion, Martin County – Inez.

Member and Corporate Communications Process

- Developed package of articles, brochures, bill stuffers, counter cards and other materials to explain the EKPC rate case and subsequent pass through to member

Member Services

system members. Rate Communications tools were put together and distributed (initial key accounts letter, media talking points, rate case legal notices, follow-up letter for C&I accounts, March Kentucky Living legal notice and seven articles plus a manager's column for the member system March Kentucky Living inserts).

- Attended three employee meetings at South Kentucky RECC to explain the upcoming rate case, fuel adjustment clause roll in, and impacts of lowering Lake Cumberland.
- Drafted and distributed email communication for members about upcoming fuel adjustment clause change. EKPC is proposing to adjust the basing point used to calculate the monthly fuel adjustment clause (FAC) charge to members, as required by state law. The state requires the basing point adjustment every two years so that the monthly FAC calculation more accurately reflects fuel costs. This required adjustment will not affect the bottom line of monthly bills.
- Attended Member Services staff meeting at Blue Grass Energy to discuss rate case and fuel adjustment clause changes.
- Began producing new Simple Savings energy tips to be handed out by member system customer service representatives to promote various energy conservation programs.
- Distributed the December Fuel Adjustment Clause report with a chart showing the two-year history of the FAC.
- Answered media calls about lake levels lowering on Lake Cumberland and about the rate case.
- Posted the March InterChange list of stories for member systems optional use in their Kentucky Living inserts.
- Distributed the next estimate on the upcoming Environmental Surcharge factor.
- Distributed daily stories about the electric industry and Public Service Commission orders to EKPC and member system staff.

Touchstone Energy Brand Management

- Worked with Communications to develop materials pertaining to upcoming rate case.
- Coordinated rate request legal notices with rates group, ad agency, and placement service.

Member Services

- Developed and produced new radio commercials for Touchstone Energy ALL “A” Classic radio broadcast.
- Distributed radio & TV commercials for Touchstone Energy ALL “A” finals in Richmond.
- Participated in Touchstone Energy ALL “A” Classic Scholarship interviews.
- Produced new Touchstone Energy Home commercials at Blue Grass Energy’s request.

Power Delivery Unit

JANUARY 2007

POWER DELIVERY – OPERATIONS – GEORGE CARRUBA, MANAGER

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

Outage Reports for December 2006 - EKPC Power Supply outages have accounted for .63 consumer hours out year-to-date. Of these .01 were scheduled and .62 were emergency outages. None were due to major storms. For the month of December, we experienced one emergency outage affecting two substations and one member system. Six scheduled outages occurred and 12 line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through December 2006, our reliability measure, ASUI is 32.3 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - THIS MONTH
December 2006**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	2-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SHELBY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	2-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - YEAR TODATE
December 2006**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
BLUE GRASS	2-20%	0-0%	0-0%	7-70%	0-0%	0-0%	0-0%	0-0%	0-0%	1-10%	0-0%	10-100%
CLARK	0-0%	0-0%	0-0%	4-67%	0-0%	0-0%	0-0%	0-0%	2-33%	0-0%	0-0%	6-100%
CUMBERLAND VALLEY	0-0%	0-0%	2-33%	4-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	6-100%
FARMERS	0-0%	0-0%	1-7%	7-47%	0-0%	0-0%	2-13%	1-7%	2-13%	2-13%	0-0%	15-100%
FLEMING-MASON	1-8%	3-25%	2-17%	0-0%	0-0%	3-25%	0-0%	3-25%	0-0%	0-0%	0-0%	12-100%
GRAYSON	0-0%	1-25%	0-0%	1-25%	0-0%	0-0%	0-0%	1-25%	0-0%	1-25%	0-0%	4-100%
INTER-COUNTY	3-33%	0-0%	2-22%	1-11%	0-0%	0-0%	0-0%	1-11%	0-0%	2-22%	0-0%	9-100%
JACKSON	0-0%	0-0%	1-8%	5-38%	0-0%	4-31%	2-15%	0-0%	0-0%	1-8%	0-0%	13-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	1-100%
NOLIN	0-0%	0-0%	0-0%	5-83%	0-0%	0-0%	0-0%	1-17%	0-0%	0-0%	0-0%	6-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-20%	0-0%	0-0%	3-60%	1-20%	5-100%
SALT RIVER	3-9%	0-0%	0-0%	9-28%	0-0%	6-19%	1-3%	12-38%	0-0%	1-3%	0-0%	32-100%
SHELBY	0-0%	0-0%	0-0%	8-89%	0-0%	0-0%	0-0%	0-0%	1-11%	0-0%	0-0%	9-100%
SOUTH KENTUCKY	5-28%	0-0%	1-6%	12-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	18-100%
TAYLOR COUNTY	0-0%	0-0%	1-11%	8-89%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	9-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	14-9%	4-3%	11-7%	71-46%	0-0%	13-8%	6-4%	19-12%	6-4%	11-7%	1-1%	156-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
DECEMBER 2006 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
	Consumers Out	Hours				
Emer/Sched 12/01/06 15:28 Scheduled	2 h 32 m	0	0	0	E94 Cranston Fleming-Mason	Transmission Line Equip. Failure : Other A scheduled outage was required in order to install jumpers around Goddard E5-855 MOAB switch. Center phase switch blade was heavily damaged.
12/01/06 16:10 Scheduled	0 h 56 m	3,808	11,296	4,080	E41 Flemingsburg Fleming-Mason	Transmission Line Equip. Failure : Switch Fleming-Mason RECC reported switch E41-805 arcing heavily, just outside of Flemingsburg substation. Switch contacts were damaged and required replacement during a scheduled outage,
12/06/06 21:06 Emergency	0 h 4 m	177	284	2,659	E15 East Bernstadt Jackson	Personnel Error : Accidental Tripping EKPC relay personnel had just recalibrated relays, which had been incorrectly labeled during commissioning of E. Bernstadt Substation. An incorrect relay setting during original commissioning caused relay to trip for a breaker failure type condition, when bus differential test switch was closed- this resulted in tripping of all breakers at substation.
12/06/06 21:06 Emergency	0 h 4 m	102	250	1,523	E77 Maplesville Jackson	Personnel Error : Accidental Tripping EKPC relay personnel had just re-calibrated relays, which had been incorrectly labeled during commissioning of E. Bernstadt Substation. An incorrect relay setting during original commissioning caused relay to trip for a breaker failure type condition, when bus differential test switch was closed- this resulted in tripping of all breakers at substation.
12/11/06 9:10 Scheduled	25 h 50 m	0	0	536	W9 Knob Creek 7 Salt River	System Improvements : Maintenance LGEE performing transformer Doble test at their Knob Creek station.
12/12/06 20:15 Scheduled	0 h 2 m	0	0	1,247	S95 Jamestown South Kentucky	Distribution Sub. Equip. Failure : Regulator A scheduled outage was required in order to bypass a defective regulator that was locked up and would not step.

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
DECEMBER 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
Emer/Sched	Consumers Out	Consumer Hours Out	KWH Unserved	Substation Company	Description
12/15/06 8:00 Scheduled	96 h 35 m 1	0	0	E94 Cranston Fleming-Mason	System Improvements : Maintenance A scheduled outage was required in order to repair oil leaks around bushings and perform annual testing of main power transformer.
12/28/06 9:58 Scheduled	0 h 47 m 993	0	0	S61 Three Forks Clark	System Improvements : Maintenance A scheduled outage was required in order to perform annual trip test on circuit interrupter.

TOTAL 11,040 4,087 11,830 Average Hours Outage Per 0.01

YEAR TO DATE 339,436 312,999 1,171,148 YTD Avg Hrs Outage Per 0.63

TOTAL CONSUMERS SERVED = 499,309

**EAST KENTUCKY POWER COOPERATIVE
POWER SUPPLIER OUTAGE REPORT**

December 2006

Page 1 of 1

Average Hours Outage Per Consumer

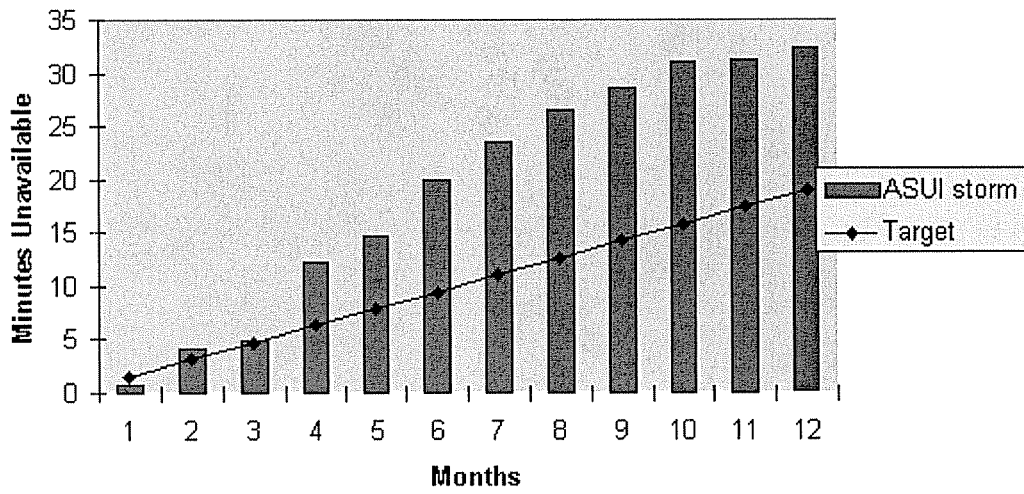
	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.03	0.05	0.08
BLUE GRASS	0.00	0.00	0.00	0.09	0.00	0.09
CLARK	0.00	0.00	0.00	0.05	0.00	0.05
CUMBERLAND VALLEY	0.00	0.00	0.00	2.24	0.00	2.24
FARMERS	0.00	0.00	0.00	0.97	0.00	0.97
FLEMING-MASON	0.00	0.17	0.17	0.41	0.17	0.58
GRAYSON	0.00	0.00	0.00	1.20	0.00	1.20
INTER-COUNTY	0.00	0.00	0.00	0.61	0.00	0.61
JACKSON	0.01	0.00	0.01	0.47	0.00	0.47
LICKING VALLEY	0.00	0.00	0.00	0.01	0.12	0.13
NOLIN	0.00	0.00	0.00	0.46	0.00	0.46
OWEN	0.00	0.00	0.00	0.05	0.00	0.05
SALT RIVER	0.00	0.00	0.00	0.84	0.00	0.84
SHELBY	0.00	0.00	0.00	5.85	0.00	5.85
SOUTH KENTUCKY	0.00	0.00	0.00	0.31	0.00	0.31
TAYLOR COUNTY	0.00	0.00	0.00	0.38	0.00	0.38
EKPC	0.00	0.00	0.00	0.17	0.00	0.17
SYSTEM AVERAGE	0.00	0.01	0.01	0.61	0.01	0.62

EKPC POWER SUPPLIER OUTAGES have accounted for .63 consumer hours out year to date. Of these .01 were scheduled, .00 were due to major storms, and .62 were other emergency outages.

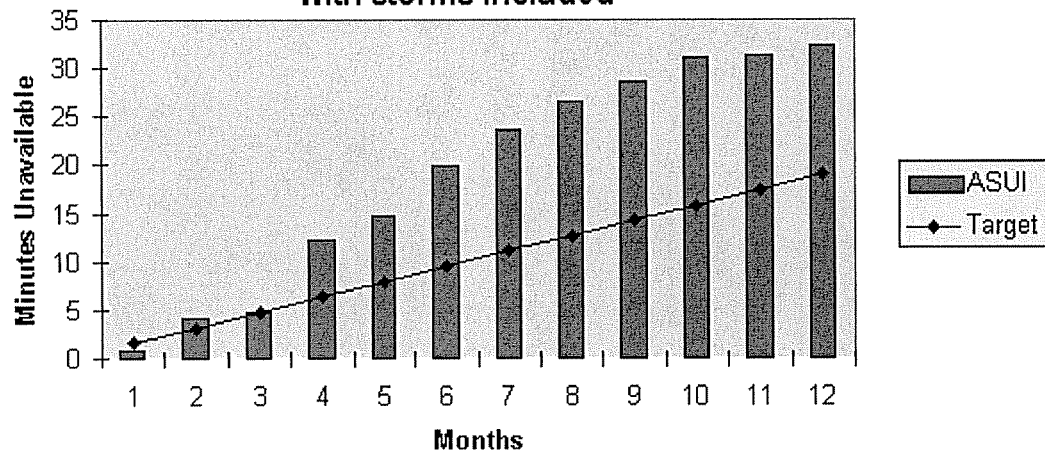
Average Service Unavailability Index Report (ASUI)

<u>Month</u>	<u>Year</u>	<u>Without Major Storms (Min.)</u>	<u>With Major Storms (Min.)</u>	<u>Threshold</u>	<u>Target</u>	<u>Stretch</u>
1	2006	0.7914	0.7914	2.08	1.58	1.08
2	2006	4.0745	4.0745	4.17	3.17	2.17
3	2006	4.8597	4.8597	6.25	4.75	3.25
4	2006	12.1789	12.1789	8.33	6.33	4.33
5	2006	14.7422	14.7422	10.42	7.92	5.42
6	2006	19.9461	19.9461	12.50	9.50	6.50
7	2006	23.5257	23.5257	14.58	11.08	7.58
8	2006	26.5085	26.5085	16.67	12.67	8.67
9	2006	28.6703	28.6703	18.75	14.25	9.75
10	2006	30.9657	30.9657	20.83	15.83	10.83
11	2006	31.2302	31.2302	22.92	17.42	11.92
12	2006	32.2784	32.2784	25.00	19.00	13.00

**Average Service Unavailability Index
with storms excluded**



**Average Service Unavailability Index
with storms included**



POWER DELIVERY-MAINTENANCE – RICK DRURY, MANAGER

The main purpose of Power Delivery maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	¹Year-To-Date Results	¹Year-To-Date Goal	Yearly Goal
Safety				
Accidents	Lost Time Accident Rate	1.73	3.36	3.3
Inspections	Avg. Inspection Rating	98%	98%	98%
Electric Service				
Duration	ASUI (without major storms)	32.28	19.00	19 min.
Cost				
Effective				
Cost	Operating Cost	\$6,542,779 ²	\$7,765,751 ²	\$8,619,073 ²
	Capital Project Cost	\$ 973,272 ²	\$3,220,363 ²	\$3,498,836 ²

Notes:

1. Year to date results and goals through December 31, 2006
2. Year to date results and goals through November 30, 2006

POWER DELIVERY – EXPANSION – MARY JANE WARNER, MANAGER

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

(h:January07 Rpt.doc)



**Power Delivery Expansion
JANUARY PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	●	●	○				08/01/08	Project Cancelled	
Alex Creek 5.6/6.44 MVA Substation	S	●	○	●	●	○				12/01/07		
Alex Creek Tap 69 kV, 1.4 mi.	L	●	❖	❖						12/01/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●	N/A	N/A	N/A	□	N/A			05/01/08	Project Cancelled	
Barren County - Magna 24 mi.	L	●	❖	○	□	□				12/26/08	Project Cancelled	
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville Rebuild, 15/20/25 mVA (CANCELLED)	S	●		○	●	❖				05/01/07	Project Cancelled	
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●		❖	❖	○				12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖	N/A	N/A	○	N/A			12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	●	●	●	□				12/01/07		
Tap, 10 mi.	L	●	●	□	□	●	○			12/01/07		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	●	●	●	●	●	●	●	11/30/06		12/01/06
Tap 0.04 mi.	L	●	●	●	●	●	●	●	●	11/30/06		09/27/06
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	01/16/06	05/04/06
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	●	N/A	●	●	12/01/06		11/30/06
Bullitt County - JTichenor/W Bardstown 69kV line	L	●	□	□	□	●	❖			09/01/07		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●	○	○	□					05/01/07		
Tap .19 mile	L	●		❖						05/01/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A	□	N/A			05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	●	●	●	12/15/06		12/14/06
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●	○	○	□	○				06/01/07		
Conway Tap 0.2 mi.	L	●	○	○	○	○				06/01/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	●	●	●	●	□	○		04/15/07		
Cynthiana Dist Sub Rebuild		○	❖	❖						05/01/08		
Cynthiana Normally Open 69 kV Tap and Switch	L	●	○	○	○	○				12/01/06		
Deatsville 11.2/14 MVA, 69-12.5 kV Distr. Sub	S	●		○		❖				05/01/07		
Tap, 0.2 mi	L	●	○	○	□	□				05/01/07		
Downing # 2 Sub 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	●	●	●	●	●	●	05/01/06	02/28/06	07/21/06
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●	●	N/A	●	○				01/01/08	Project Cancelled	
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	●	●	●	●	●	●	●	06/01/06	On Hold	
Tap 4.0 mile	S	●	○		□	❖				06/01/06	On Hold	
Fall Rock 161/69 kV 100 MVA Sub.& Install 3-69 kV Brks	S	●	N/A	N/A	N/A	❖				04/30/08		
Flint Ink 69-12.5 kV, 11.2/14 MVA Sub	S	●	○	○	○	❖				05/01/08		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●	□	□	●					12/01/07		
Tap, 0.5 mi	L	●	□	□	□					12/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	●	●	□		06/01/07		
Tap	L	●	●	□	□	●	❖	❖		06/01/07		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
JANUARY PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\R/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		03/01/07		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●	□	□	□	□				03/01/07		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●	○	●	●	○				12/01/07		
Tap, 3.5 mi	L	●	○	❖	○	○				12/01/07		
GM 161 kV Trans Sub (4 Breakers)	S	●	●	●	●	●	N/A	●	●	10/15/05	01/15/06	
GM-Memphis Jct. - 161 kV 14.5 miles	L	●	□	□	●	●				12/31/07	Project Cancelled	
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●	●	12/01/05		03/09/06
Tap, 69 kV, 3 mi.	L	●	●	●	●	●	●	●	●	02/23/06		02/23/06
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06	05/19/06	05/19/06
Tap, 69 kV, .02 mi.	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Headquarters Tap (Assoc w/Transmission Stat. Portion)	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Inez Sub (Site Acquisition Only)	S	●	❖	●	○	N/A	N/A	N/A	N/A	12/01/06		
Tap 69 kV - 6.0 mi.	L	●	○	□	□	○				05/12/07		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	●	●	●	□	□	□	06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●	N/A	N/A						06/01/07		
J. K. Smith CT Substation 345 kV	S	●	N/A	N/A	●	●	N/A	○		06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications	S	●	N/A	N/A	N/A	●	N/A	□	○	12/29/06		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	06/01/06	07/07/06	09/26/06
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	●	●	●	●	❖	❖		03/15/07		
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Laurel Co. Ind'l Park #2 Sub 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	05/05/06	05/18/06	09/28/06
Liberty Church 11.2/14 MVA, 69-13.2 kV Sub	S	●	❖	□	❖					05/01/07		
Tap, 1.8 mi	L	●		❖	❖					05/01/07		
Little Mount 161-12.5 kV Distr. Substation	S	●	●	●	●	●	●	●	●	12/01/05		06/20/06
Tap, 6 mi.	L	●	●	●	●	●	●	●	●	12/01/05		06/15/06
Memphis Jct. 161 kV Trans Sub (2 Breakers)	S	●	●	N/A	●	□				08/01/07	Project Cancelled	
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	□	□	●	●	❖	❖		03/28/08	Project Cancelled	
North Clark (Sideview) 345 kV Transmission Station	S	●	●	●	●	●	●	○		06/01/07		
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06		03/13/06
Oak Ridge Tap	L	●	●	●	●	●	N/A	●	●	05/01/06		03/10/06
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.	S	●								11/01/07		
Pine Grove # 2 Tap 69 kV, 0.1 mi.	L	●								11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	11/30/07		12/11/06
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	●	●	●	●	●	●	●	11/30/07		12/11/06

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
JANUARY PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\IR\W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		11/06
Salmons Substation 161-69 kV (Warren RECC)	S	●		N/A	●	❖				12/01/08	Project Cancelled	
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	●	●	●	□				06/01/07		
Tap .20 mi	L	●	●	□	□	□				06/01/07		
South Point 69-12.47kV, 11.2 Sub	S	●	●	●	●	●	●	●	●	12/15/06	12/04/06	
Tap	L	●	●	●	●	●	N/A	□	□	02/06/07		
Spurlock #4	S	●	●	N/A	N/A	●	N/A			02/15/08		
Sterling 138-12.5 kV 12/16/20 MVA	S	●								10/01/07		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	●	●	05/02/06		06/22/06
Tap	L	●	●	●	●	●	●	●	●	05/02/06		06/22/06
W. Bardstown Jct. 69 kV BKR Station	S	●	○	●	●	●				09/01/07		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	N/A	N/A	N/A	●	N/A	□	○	05/01/07		
W. Nicholasville Tap 69 kV, .04 mi	L	●	●							05/01/07		
Web's Cross Roads 69-12.5 11.2/14 MVA Sub	S	●	●	●	●	●	●	○		02/01/07		
Web's Cross Roads Tap .30 mi.	L	●	□	●	□	○				02/01/07		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●	○	○	□	□				01/02/09	Project Cancelled	
Woodstock 11.2/14 MVA Substation	S	●	●	●	●	○				12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●	❖	❖	□	❖				12/01/07		
STATION UPGRADES												
Avon 138 kV Line Trap (Dale Line)	S	●	N/A	N/A	N/A	●	●	●	●	Complete		
Boone Dist Sub Upgrade 15/20/25 MVA Complete	S	●	●	N/A	●	●	N/A	●	●	05/01/06	05/01/06	05/01/06
Boone Co. Station Service Relocation	S	●	N/A	N/A	N/A	●	●	●	●	05/01/06	05/01/06	05/01/06
Boone Sub Tap Reconf 69kV, 0.1 m	L	●								05/01/06	05/01/06	05/01/06
Cooper Aux. Transformer Addition	S	●	N/A	N/A	●	●	N/A	●	●	09/01/03	02/01/04	
Cooper Dist Sub Rebuild	S	●	N/A	N/A	●	●	●	●	●	12/01/05		03/14/06
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05		
McKinney Corner Substation Upgrade	S	●								05/01/08		
CAPACITOR BANKS												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●	●	●	●	●	N/A	●	●	06/01/05	09/11/05	02/09/06
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06		04/20/06
Clay Village 12.25 MVAR Cap bank	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	08/01/06	12/13/06
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●		05/01/06	10/02/06	12/18/06

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
JANUARY PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
CAPACITOR BANKS CONT'D												
Hickory Plains 25.52 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●		05/01/06		
Lees Lick 10.715 MVAR Cap Bank	S	●	N/A	●	N/A	●	N/A	●	●	01/31/02	06/21/02	
Loretto 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	12/01/04	07/31/04	
Martin County 12.25 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	08/01/06	
Maytown 10.2 MVAR Cap Bank	S	●		N/A	N/A	●	N/A	●		12/01/06	10/02/06	12/06/06
Pulaski Co.(Norwood) 18.0 MVAR Cap Bank&Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/06		
Shelby County 25.51 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	●	N/A	●	●	12/01/03	12/01/03	
Sideview 7.14 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	●	●	●	05/01/06		06/07/06
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/05	07/16/05	
Tyner 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	●	N/A	○		12/01/06		
Tommy Gooch 12.25 MVAR 69 kV Cap Bank	S	●	N/A	N/A		❖				11/01/07		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	05/01/06		06/08/06
RECONDUCTORS												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	●	●	06/01/06		08/11/06
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●								12/01/07		
Davis Jct.- Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●								05/01/12		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/09		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	○	○	09/01/06		
Headquarters - Millersburg Reconductor .09		●	N/A	N/A	●	●	N/A	●	●	05/01/06		05/24/06
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L	●								12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●								12/01/10		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReBLD.954MCM 69kV,16.71mi	L	●								01/02/09		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/09		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/07		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●	05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●								05/01/12		

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- S Substation Team
- L Line Team

JANUARY 2007

Engineering

Engineering is supporting the Smith Unit No. 1, combustion turbines, and Spurlock Unit No. 4.

Engineering is also supporting the scrubbers at Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

The administrative hearing has concluded on the Spurlock Power Station Unit No. 4 Air Quality Construction Permit. The Sierra Club is appealing the issuance of the permit. The Judge will make a recommendation to the Secretary of Natural Resources by April 16, 2007. The main issue of concern is the level of NOx control proposed for the facility. Sierra Club asked for a 0.033 lbs./MMBtu NOx Limit.

The U.S. Forest Service met at Cooper Power Station concerning the possibility of burning refuse from abandoned coal mines in the National Forest. Discussions are continuing.

Discussion continues with the Division of Water concerning violations of storm water discharge at the Yeiser Industrial site. Some ash was lost during the heavy rains earlier in the year.

Opacity trigger level testing is continuing at our power plants. This testing is required to determine the level of opacity where particulate emissions exceed the permit limits.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

Power Production

Production Monthly Report

Page 2

January 2007

Fuel

EKPC's coal inventory at the end of January 2007 will be approximately 38 days. The inventory is projected to decrease through the winter months prior to the spring maintenance outages.

Work continues on future coal and limestone sources for the new scrubbers.

Approximately 15,000 gallons of No. 2 fuel oil were purchased for Dale Power Station and approximately 7,500 gallons for Cooper Power Station. Off-road No. 2 fuel oil prices that EKPC purchases have dropped approximately 27 percent from levels just six months ago.

A solicitation has been sent for contract proposals for coal deliveries beginning October 2008 for high sulfur coal for the Spurlock Power Station scrubbers and received January 26, 2007, with a bid opening on January 29th.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Production

Dale Power Station

Dale Power Station has generated a total of 1,040,424 net MWh through December 31, 2006. Unit No. 1 was on-line and fully available until January 25th when the unit derated 13 net MWs due to the 1B pulverizer motor power supply cable burnt in two. The unit was fully available on January 17th and remained fully available the remainder of the month. Unit No. 2 was on-line and fully available until January 11th. The unit was forced off-line due to a water wall tube leak. The unit was changed to reserve standby on January 12th. The unit was returned on-line on January 15th and was fully available the remainder of the month. Unit No. 3 was on-line and fully available for the month of January. Unit No. 4 was on-line and fully available until January 7th. The unit was forced off-line due to an economizer tube leak. Unit No. 4 was back on-line January 9th and fully available the remainder of the month.

Employee meetings were held with Bob Marshall, the new President and CEO.

Production Monthly Report

Page 3

January 2007

Dale Power Station (Continues)

ABM Technical was on-site performing monthly vibration analysis on critical equipment. The Allen Company was on-site to do grade work on the backside of the coal pile. Steve Hays of Factory Mutual was on-site doing an inspection of the plant. Also, Tony Schutte of Factory Mutual was on-site to do his fire protection inspection.

Dale personnel assisted the CT Site with water treatment needs. All departments at Dale performed preventative maintenance on Dale Units No. 2 and No. 4 during the forced outages. They removed 4B circulating water pump motor oil cooler and rebuilt the cooling coil assembly. Dale personnel also removed and replaced the sulfuric acid piping to the demineralizer from the storage tank.

Other routine preventive maintenance was performed plant-wide by Dale Power Station's personnel.

Asbestos 40-hour Supervisory Class will be held on January 29th through February 2nd. Routine safety meetings were held at Dale Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

J.K. Smith Power Station

The combustion turbines have generated a total of 199,533 net MWh through December 31, 2006.

All units were available the entire month of December.

Preparation and planning are ongoing for Smith Unit No. 1 CFB and combustion turbines eight through twelve.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is ongoing at J.K. Smith.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Power Production

Production Monthly Report

Page 4

January 2007

Cooper Power Station

Cooper Power Station has generated 1,972,457 net MWh through December 31, 2006. Units No. 1 and No. 2 were on-line and fully available for the month of January.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of December. Some of the tasks that were completed were collected samples for condition monitoring oil analysis, checked both Unit No. 1 and Unit No. 2 submerged chains, coal feeders generator brushes, ash transfer conveyor belts, changed oil in 3A coal conveyor drive, inspected silo elevator, and checked condition of the batteries in the battery room. These, as well as other projects, were completed during this time.

Flowserve was on-site to repair 2-A hydraulic turbine pump rotating element. Engineered Pump Services were on-site to repair the 1B circulating water pump. Reliance Electric was also on-site to repair 1B circulating water pump motor and mag coupling.

Due to the repair of Wolf Creek Dam the Cooper Power Station's maintenance crew will be installing the low-level lake water pumps.

Other routine preventive maintenance was performed plant-wide by Cooper Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 7,897,505 MWh through December 31, 2006. Unit No. 1 was on-line and fully available until January 4th when the unit was derated to 290 MW to replace a motor bearing on 1C pulverizer. The unit was returned to service the same day and fully available until January 8th. At this time the unit was derated to 295 MW to overhaul 1B pulverizer. The unit was fully available on January 9th and fully available the remainder of the month. Unit No. 2 was on-line and fully available as of January 23rd. Unit No. 3 was on-line and fully available until January 16th. The unit was derated due to wet coal pluggage in the feed chutes. The derate, which varied from 150 to 240 MW, averaged 190 MW through January 20th. At this time the unit was fully available until January 22nd to 190 MW due to plugging problem. As of January 23rd the unit remains derated.

Production Monthly Report
Page 5
January 2007

Spurlock Power Station (Continues)

Maintenance work for January included regular routine maintenance tasks as well as repairs to feedwater heaters, heater drain lines, and the overhaul of 1C pulverizer. In addition, many man-hours have been expended cleaning plugged feed chutes to keep the unit operating.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

MARCH 2007

FEBRUARY 2007

Finance & Risk Management Process – Frank Oliva, ManagerTreasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On February 26, EKPC had \$80,321,000 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.13% to 5.20%. \$23,069,678 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

As of February 23, a total of 67 bank wires/transfers were initiated for a total amount of \$76,013,512. These bank wires/transfers include cash investments, benefit reimbursements, purchasing card payments, MISO payments, emission purchases, coal payments, contract payments, purchased power, debt service payments, and all expenditures related to payroll.

- Construction Funds

On February 20, EKPC requested advances for a total of \$46,251,000 on the Z8 FFB Guaranteed Loan for the construction of Gilbert Unit #3 and its associated transmission facilities; of which EKPC is anticipating receipt of \$23,000,000 on March 14, and \$23,251,000 on March 16.

The interest rates on our floating/fixed rate pollution bonds through February 27 were:

Cooper – 6 Month fixed rate – 3.73%

Smith – 6 Month fixed rate – 3.55%

Spurlock – weekly floating rate ranged from 3.59% to 3.72%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of February 26, 6 of the 72 loans remain outstanding with balances totaling \$66,052.

Finance Monthly Report
Page 2
February 2007

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of February 26, EKPC has purchased \$1,566,000 in capital stock and has loaned \$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of February 26 is \$3,368,785.

As of February 26, \$472,471 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. In February, the CFC interest rate for lines of credit was 7.15% and the CFC variable, long-term rate was 7.30%. FFB interest rates on February 26 were 4.72% and 4.75% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on February 26 for the CFC thirty-year long-term fixed rate loan was 7.40%. As of February 26, the interest rates on EKPC's Revolving Credit Facility ranged from 6.15% to 6.20%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared actual-to-budget comparison reports for January 2007 for all departments and business units.

The Budget Team prepared explanations for 2006 actual-to-budget variances as requested by the external auditors, Crowe Chizek.

The Budget Team provided assistance to various personnel with the 2006 year-end audit.

Provided historical, current, and projected volume and cost of coal, oil, gas, methane gas, emission allowances, and purchased power for the Business

Finance Monthly Report
Page 3
February 2007

Management Plan. This information will be used in comparison of historical and projected trends of these large expenses for the cooperative.

Provided additional information to the Pricing Team for the PSC's second data request in the case reviewing EKPC's rate increase application.

Provided information to the Pricing Team for the Kentucky Industrial Utility Customers, Inc., and the Attorney General's initial data request in the PSC case reviewing EKPC's rate increase application.

Provided information for the data request No. 1 from the NRECA National Consulting Group's organizational structure analysis.

Final changes to the 2007 Annual Budget and Work Plan were accepted by the Board of Directors at the February meeting. These actions support EKPC's Mission to provide competitive energy to member systems.

- Financial Planning

The Twenty-Year Financial Forecast and Equity Development Plan for 2007-2026 was presented to the Board of Directors on February 6, with a detailed Power Point presentation showing financial highlights. This forecast had been modified since Warren RECC will no longer be joining EKPC.

Provided additional information to the Pricing Team for the PSC's supplemental data request in the investigation into EKPC's continued need for certificated generation. These actions support EKPC's mission to provide competitive energy to the member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Property Insurance – Renewal has been put in place with FM Global effective March 1.

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the CTs, Smith #1 and renewing coverage for Spur #4.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

Finance Monthly Report

Page 4

February 2007

- Member Systems Claims for Transmission System Disturbance – No open claims.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents continue to be reviewed by EKPC and APM. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC's credit is being reviewed and negotiated for purchases of power, transmission, Financial Trading Rights (FTR's) emission allowances and coal. Risk Management personnel continue to obtain, monitor and manage the credit support provided by trading counterparties, in the form of parental guarantees and payment netting provisions. Agreements are being negotiated with several counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market.

**East Kentucky Power 2006-2007 Business Insurance
as of February 28, 2007**

	<u>Carrier</u>	<u>Coverage Limit</u>	<u>Self-Insured Retention</u> \$50,000 Headquarters \$2,000,000 -All other	<u>Annual Premium*</u>	<u>Policy #</u>
Property	FM Global	\$2,988,269,000		\$1,738,831	NC268
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$531,858	X0459A1A06
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$167,697	C0459A1A06
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$8,840	HO740494
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$4,000,000	n/a	\$8,526	EX0118820
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	81151591
Directors & Officers Liability	AEGIS	\$10,000,000	\$500,000	\$59,134	DC459A1A06
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$11,409	104388370
Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year Transit coverage included.</i>	FM Global	\$375,000,000	\$500,000	\$384,329	NC125
ENVISION, LLC					
Professional Liability	Lloyds of London	\$1,000,000	\$5,000	\$3,326	PRO00017306

*Premium includes state surcharge and all taxes unless otherwise noted.

E.A. Gilbert Generation Project Costs thru 1/31/2007

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 1/31/07) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1		Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,602,490	\$ 16,290
E6		Feedwater Heaters	Yuba Heat	1,436,000	728,185	(707,815)	737,889	9,704
E8		Deaerator	Ecodyne	225,000	192,500	(32,500)	192,500	-
E11		Condenser	TEI	1,620,000	1,560,662	(59,338)	1,560,662	-
E16		Circ. Water Pumps	Goulds/ITT	796,000	611,700	(184,300)	611,700	-
E17		Condensate Pumps	Flowserve	260,000	232,610	(27,390)	236,056	3,446
E21		Boiler Feed Pumps	Flowserve	1,260,000	1,735,539	475,539	1,708,081	(27,458)
E36		Distributed Control System (DCS)	ABB	2,000,000	4,345,000	2,345,000	3,329,532	(1,015,469)
E101		Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103		Radial Stacker/Reclaimer	Metso Minerals	-	1,815,500	1,815,500	1,956,671	141,171
E131		Transformers	Waukesa/PSD	2,825,000	3,576,441	751,441	3,567,561	(8,880)
E146		Switchgear	Pederson	780,000	3,783,855	3,003,855	3,783,855	0
E201		Boiler Island	Alstom Power	126,900,000	146,725,985	19,825,985	150,957,734	4,231,749
E211		Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,092,380	424,907
E221		Stack	Pullman Power	4,950,000	4,604,000	(346,000)	4,604,000	-
E222		Cooling Tower	Marley Cooling	1,900,000	2,382,600	482,600	2,383,549	949
E251		Piling	Richard Goettle	9,600,000	5,071,757	(4,528,243)	5,071,757	-
E261		Substructure	Baker	-	9,650,846	9,650,846	15,343,775	5,692,929
E281		Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,287,552	1,182,452
E332		Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
			Subtotal	\$ 264,826,000	321,959,328	57,133,328	332,611,118	10,651,790
		Escalation of Contracts		\$ 4,490,000		(4,490,000)		
		Contingency		9,880,000		(9,880,000)		
		Boiler Contingency		13,000,000		(13,000,000)		
			Subtotal	\$ 27,370,000	-	(27,370,000)	-	-
		Total Contracts		\$ 292,196,000	321,959,328	29,763,328	332,611,118	10,651,790
		Other Costs						
		Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,404,342	1,684,342
		Owners Cost	EKPC	19,500,000	19,500,000	-	20,142,354	642,354
		Spare Parts	EKPC	3,000,000	3,000,000	-	797,778	(2,202,223)
		Site Prep	EKPC	500,000	500,000	-	3,386,927	2,886,927
		Environmental Costs	EKPC	1,275,000	1,275,000	-	554,725	(720,275)
			Total Other	\$ 34,915,000	35,995,000	1,080,000	38,286,126	2,291,126
		Total Contracts + Other		\$ 327,111,000	357,954,328	30,843,328	370,897,244	12,942,916
		IDC		40,500,000	40,500,000	-	30,582,152	(9,917,848)
		Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		Project Total		\$ 367,611,000	398,454,328	30,843,328	399,500,262	1,045,933

399,560,285.76
60,024.10

Spurlock #4 Generation Project Costs thru 1/31/2007

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 1/31/07) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 25,657,549	\$ (7,237,451)
F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,122,645	(84,479)
F8	DEAERATOR	Ecodyne	200,000	303,094	103,094	302,460	(634)
F11	CONDENSER	TEI	1,600,000	2,358,510	758,510	2,144,100	(214,410)
F16	CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	494,200	(200,000)
F17	CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	323,505	-
F21	BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36	DISTRIBUTED CONTROL SYSTEM	ABB	4,000,000	3,928,175	(71,825)		(3,928,175)
F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	2,751,518	33,060
F71	ASH HANDLING EQ ONLY	United Conveyor	1,500,000	3,121,730	1,621,730		(3,121,730)
F101	ALLOY PIPING AND ALLOY SUPPORTS	BendTec	2,450,000	3,922,297	1,472,297	3,510,312	(411,984)
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	549,589	(2,550,963)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700	301,400	(1,053,300)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	3,888,355	(26,291)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	110,232,907	(84,267,093)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	1,936,600	(10,141,800)
F221	STACK / CHIMNEY	Pullman Power	5,700,000	5,851,000	151,000	78,000	(5,773,000)
F222	COOLING TOWER	Marley Cooling Twr.	2,454,000	3,025,100	571,100	2,788,871	(236,229)
F251	PILING	Richard Goettle	5,650,000	9,270,142	3,620,142	9,270,142	(0)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	15,902,667	(1,275,809)
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	9,262,262	(1,123,358)
F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	17,776,654	(81,798,054)
F332	PAINTING		2,500,000		(2,500,000)		-
		Subtotal	\$ 353,770,000	414,081,209	60,311,209	209,457,435	(204,623,774)
	STEEL CONTINGENCY		\$ 10,000,000	\$ 10,000,000	-		
	F201 BOILER CONTINGENCY		9,025,000	9,025,000	-		
	F281 BOP CONTINGENCY		7,200,000	7,200,000	-		
	CONTINGENCY (EXCL. F1,F201,F281)		6,887,500	6,887,500	-		
		Subtotal	\$ 33,112,500	33,112,500	-	-	-
		Total Contracts	\$ 386,882,500	414,081,209	60,311,209	209,457,435	(204,623,774)
Other Costs	Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	7,727,223	(8,472,777)
	Owners Cost	EKPC	20,000,000	20,000,000	-	7,657,472	(12,342,528)
	Spare Parts	EKPC		-	-	-	-
	Site Prep	EKPC		-	-	2,172,726	2,172,726
		Total Other	\$ 36,270,000	36,200,000	(70,000)	17,557,421	(18,642,579)
		Total Contracts + Other	\$ 423,152,500	483,393,709	60,241,209	227,014,856	(223,266,353)
	Interest During Construction	IDC	46,546,775	46,546,775	-	9,943,872	(36,602,903)
	Fuel Credit during Commissioning						(1,979,134)
		Project Total	\$ 469,699,275	529,940,484	60,241,209	236,958,728	(261,848,390)

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February 2007

Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 928 checks from February 1, 2007, through February 23, 2007, totaling approximately \$35,681,000.

EKPC submitted responses to the PSC second data request regarding the two-year fuel adjustment clause hearing. EKPC proposes to use the March 2006, expense month as its new basing point. The hearing will be held March 14, 2007.

EKPC submitted responses to the PSC first data request relating to the rate case application on February 5, 2007. Additional data requests were received from the PSC, Attorney General, and KIUC; those responses were filed February 27, 2007.

Crowe Chizek has completed their audit fieldwork. Crowe Chizek will review a draft of the financial statements and other reports at the March 5 Audit Committee meeting.

Finance

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 Page 9
 February 2007

**East Kentucky Power Cooperative
 Fuel Adjustment Comparison with Kentucky Utilities
 As of January 31, 2007**

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh
Aug-05	20.25	31.34	11.09	18.10	25.70	7.60
Sep-05	20.25	29.12	8.87	18.10	24.80	6.70
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31
Dec-05	20.25	33.34	13.09	18.10	20.73	2.63
Jan-06	20.25	27.81	7.56	18.10	20.13	2.03
Feb-06	20.25	27.13	6.88	18.10	22.50	4.40
Mar-06	20.25	26.38	6.13	18.10	25.30	7.20
Apr-06	20.25	27.37	7.12	18.10	24.18	6.08
May-06	20.25	27.91	7.66	18.10	25.33	7.23
Jun-06	20.25	24.96	4.71	18.10	26.39	8.29
Jul-06	20.25	26.08	5.83	18.10	27.57	9.47
Aug-06	20.25	27.85	7.60	18.10	31.09	12.99
Sep-06	20.25	27.00	6.75	18.10	23.18	5.08
Oct-06	20.25	22.81	2.56	18.10	25.91	7.81
Nov-06	20.25	25.40	5.15	18.10	22.49	4.39
Dec-06	20.25	27.14	6.89	18.10	21.84	3.74
Jan-07	20.25	28.24	7.99	18.10	22.10	4.00

Materials Management

- An Institute of Supply Management satellite seminar was hosted by EKPC for central Kentucky supply chain personnel. “Critical Business Skills for Effective Supply Chain Leaders” focused on supply chain groups being more strategically focused in their organizations.
- A three-year purchase agreement has been executed with Reed City Power Line Supply for transmission line hardware, providing safety stock for critical materials.

Finance

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February 2007

The Winchester Warehouse inventory decreased in January by \$81,100, with an ending balance of \$12,843,797. Stock-related material handled during the month totaled \$742,937, and included material for twelve (12) Power Delivery Expansion projects, and credits for four (4) projects. 7,029 gallons of fuel was pumped at the fuel facility during January. 8,090 gallons of unleaded fuel was purchased for \$1.59/gallon in January; no diesel fuel was purchased.

Payroll

Auditors from Crowe Chizek were on site gathering information for their annual audit. Payroll supplied the information requested from our area.

Plant Accounting

Plant Accounting ("PA") has been assisting Crowe Chizek with the 2006 audit and are beginning to work on the Property Tax return. PA is also tracking the Warren Wrap-up material movements transactions.

Pricing Process – Bill Bosta, Manager

EKPC/LG&E Transmission and Interconnection Agreement Dispute, FERC Case ER-02-2560

On February 6, the FERC issued its Final Order in the proceeding. The Commission ruled that LG&E must revert back to all aspects of the rates in effect under the Grandfathered Agreements. This is a significant ruling and means that LG&E is not allowed to charge EKPC for MISO Schedule 10, Schedule 1, Scheduling and Schedule 2, Regulation and Frequency Response for the November 2002 through August 2006 time period. LG&E must make a Refund Compliance Filing by March 8 and issue a refund check to EKPC. It is estimated that the additional refund amount will be approximately \$2.2 million, which, combined with the already issued refund of \$1.7 million, results in a total refund of \$3.9 million. The Commission reiterated that it has no jurisdiction over the rate EKPC was charging LG&E, and that LG&E would have to go to State Court to seek remedy of charges from EKPC to LG&E during the period in question. Also, the Commission ruled that EKPC's request for a \$3.5 million refund from pancaking should be denied. The Commission ruled that because the rates reverted back to pre-MISO rates, there was no basis for providing the pancaking refund. Finally, it is possible that LG&E could interpret the Final Order differently than

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February 2007

EKPC, and EKPC will make that determination following its review of the Refund report submitted by LG&E to the FERC on March 8.

As a result of the Commission's Final Order in this case, EKPC's annual rates from LG&E actually declined by 12% during the period in effect, compared to the 43% increase originally proposal.

Aside from the Commission's Order, as a part of the LG&E request to exit MISO at the FERC, EKPC was able to negotiate a provision that allows LG&E to reimburse EKPC for the pancaked rates issue going forward beginning December 1, 2005. To date, EKPC has received a credit of about \$310,000. EKPC and LG&E have completed the negotiation of a new Interconnection Agreement. The new Agreement became effective on September 1.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

EKPC Filing to Amend its OATT at the FERC - Case No. NJ07-1-000

On November 14, EKPC filed with the FERC to amend its Open Access Transmission Tariff (OATT). The filing was made to inform the FERC that EKPC was amending its OATT to reflect a change in its network transmission rate to a "stated" rate of \$1.62/KW-mo. from its existing methodology. The change is expected to garner an additional \$200,000 to \$300,000 annually for service to LG&E under the new Interconnection Agreement with LG&E, effective September 1. In addition, the filing includes several language changes and incorporates the FERC-approved procedure for small and large generator interconnections to the transmission system.

On December 12, LG&E filed a protest and request for hearing with the FERC, alleging that EKPC had not adequately demonstrated that its proposed stated rate was comparable to the rate EKPC charges itself. On December 29, EKPC filed a response to LG&E's protest, claiming that LG&E's request for a hearing should be denied as it was based on pure speculation and contained no evidence to demonstrate that a hearing is warranted. EKPC cited that LG&E had not disputed the validity of any of the cost support submitted by EKPC, nor had LG&E demonstrated that the change to a stated rate of a \$1.62/KW-mo., instead of a revenue requirement times a load ratio method, would violate the Commission's comparability standard. Each party filed several other comments and the decision is before the Commission to accept EKPC's proposal or set the case for hearing.

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February 2007

Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On January 31, the Commission issued its Final Order for the six-month review period ending November 2005 in Case No. 2006-131. The Commission agreed with EKPC's proposal in every respect and authorized a refund of approximately \$438,000 per month for the next six months as a result of the overrecovery of environmental costs in the six-month review period.

On February 20, EKPC submitted its twentieth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 9.37% to be applied to service rendered in February 2007 and billed the first week of March 2007. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 6.17% to 8.98%. These factors reflect approval of the recovery or amortization of over or under recoveries for each Member System during the next six months.

This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

Finance

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 February 2007

**East Kentucky Power Cooperative, Inc.
 Estimated Monthly Environmental Surcharge Factors
 February 2007 through December 2008**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Feb-07	\$48,954,471	\$5,114,179	9.94%
Mar-07	\$49,060,947	\$4,899,141	9.48%
Apr-07	\$49,307,984	\$4,208,006	8.02%
May-07	\$49,810,434	\$4,894,031	9.32%
Jun-07	\$49,797,995	\$5,361,051	10.26%
Jul-07	\$49,995,450	\$6,471,573	12.43%
Aug-07	\$50,065,299	\$6,284,446	12.04%
Sep-07	\$50,650,581	\$5,643,217	10.63%
Oct-07	\$50,732,462	\$4,810,077	8.97%
Nov-07	\$51,478,772	\$4,707,361	8.63%
Dec-07	\$52,109,387	\$5,550,080	10.14%
Jan-08	\$52,139,359	\$5,766,538	10.55%
Feb-08	\$51,921,626	\$5,502,469	10.09%
Mar-08	\$51,578,845	\$5,312,516	9.79%
Apr-08	\$51,596,015	\$4,792,958	8.78%
May-08	\$51,292,766	\$5,412,416	10.04%
Jun-08	\$51,740,251	\$5,719,701	10.54%
Jul-08	\$51,990,776	\$5,460,733	9.99%
Aug-08	\$52,340,413	\$5,359,049	9.73%
Sep-08	\$52,551,373	\$4,988,664	8.98%
Oct-08	\$52,637,617	\$3,920,733	6.94%
Nov-08	\$52,650,006	\$3,942,765	6.98%
Dec-08	\$52,728,617	\$4,189,710	7.44%

Current SO2 price is \$476.50 per allowance as of February 26, 2007.

Current NOx price is \$1,050 per allowance as of February 26, 2007.

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February 2007

Case 2006-00455 Investigation of the Financial Condition of EKPC

On October 27, the Kentucky Public Service Commission issued its initial data request to EKPC in its investigation into the Company's financial condition. On November 6, EKPC filed its responses to the Commission's data request. The Commission issued a follow-up data request on November 9, to which responses were filed on Monday, November 20. A follow-up meeting was held with the Commission on Friday, December 15, to discuss EKPC's financial condition. EKPC filed additional information with the Commission during the week of December 18. On January 3 the Commission issued its third data request in the investigation and EKPC responded to the request on Wednesday, January 24.

Case 2006-00472 EKPC Wholesale Rate Case

On January 29, 2007, EKPC filed for approval of a \$43.4 million annual increase in rates or 6.6%. EKPC also prepared pass-through filings for each of the Member Systems, with increases in the range of 5 percent. On February 2, the Commission issued a letter of deficiency to EKPC, citing a few minor filing deficiencies. On February 6, EKPC amended its filing to address the deficiencies and the Commission accepted the filing with a February 6 date. On February 13, the Commission issued an Order in the proceeding and established a procedural schedule for addressing the need to implement the proposed increase on April 1, subject to refund. The schedule calls for data requests to be filed on February 20, with responses due on February 27. Testimony may be filed by intervenors on March 2, and a hearing is scheduled for Tuesday, March 6.

Case 2006-00547 Request to Continue Rebate program for Touchstone Energy Home

On December 14, EKPC filed an Application with the Public Service Commission to extend the rebate provision of its Touchstone Energy Home demand side management program. The Company cited the growth in the number of participants and the potential energy efficiency gains associated with the program. EKPC asserted that the rebate program is an important element in promoting the program. On January 8, the Rate Intervention Division of the Office of the Attorney General filed a response to EKPC's application. The Attorney General lauded the program and cited the favorable growth over the last two to three years, but expressed concern about EKPC's financial condition as indicated in the Commission's investigation in Case 2006-00455. They indicated that payment of rebates in a time of financial insecurity is not warranted. On February 14, the

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February 2007

Commission Staff issued its First Data Request in the proceeding. Responses are due on February 28.

Internal Audit & Performance Measures – Graham Johns, Coordinator

Internal Auditing for Member Systems

Jackson Energy Cooperative—Completed the internal audit of health care benefits and delivered the report to management.

Inter-County Energy Cooperative—Presented the reports on four internal audits completed in 2006 to the Board of Directors on February 22. These included right-of-way maintenance, health care benefits, transportation and vehicles, and employee expenses and advances.

Annual Audit

Assisted Crowe Chizek with the annual audit by auditing long-term debt.

Construction Contract Administration

Interviewed several employees at Spurlock Station regarding construction contract administration. Will meet with senior management on March 1 to discuss preliminary findings and suggestions for possible improvement.

Finance

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 February 2007

Credit Union Process – Brian Tyler, Process Owner

January 2007 Financial Report

Loans	14,513,895.37
Investments	3,175,810.07
Total Assets	18,246,938.74
Liabilities	1,971,832.70
Deposits	13,657,404.57
Equity	2,280,651.26
Interest on Loans	73,524.96
Investment Income	16,259.79
Total Income	91,080.40
Total Expenses	87,009.48
Retained Earnings	4,070.92
YTD Retained Earnings	4,070.92

Credit Union Elections

Ballots for credit union elections went out this week. They are due back to the credit union by Friday, March 23, 2007 and results will be announced at the annual meeting on March 28, 2007. More information and biographies for all the nominees can be found on the credit union webpage: <http://www.ekpc.coop/cu/>.

dge/dd
 c: Directors & Alternate Directors
 Executive Staff
 Finance Staff

Power Delivery Unit

FEBRUARY 2007

POWER DELIVERY – OPERATIONS – GEORGE CARRUBA, MANAGER

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit's efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

Outage Reports for January 2007 – EKPC Power Supply outages have accounted for .01 consumer hours out year-to-date. Of these, none were scheduled and .01 were emergency outages. None of these were due to major storms. For January, we experienced two emergency outages affecting three substations and two member systems. One scheduled outage occurred and seven line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through January 2007, our reliability measure, ASUI is 0.27 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - THIS MONTH
January 2007**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SHELBY	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	1-33%	0-0%	0-0%	0-0%	0-0%	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - YEAR TODATE**

January 2007

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SHELBY	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	1-33%	0-0%	0-0%	0-0%	0-0%	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
JANUARY 2007 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours			Company	Description	
01/06/07 15:06 Emergency	0 h 39 m 148	96	1,622	S87 Bacon Creek Cumberland Valley	Accident by Outsiders : Property Owner A property owner cut an off right of way tree, which fell onto line section between Bacon Creek-KU Farley at STR. #JB-1, of Laurel County-KU Farley 69 KV transmission line.		
01/06/07 15:06 Emergency	0 h 39 m 2,019	1,312	2,512	S45 South Corbin Cumberland Valley	Accident by Outsiders : Property Owner A property owner cut an off right of way tree, which fell onto line section between Bacon Creek-KU Farley at STR. #JB-1, of Laurel County-KU Farley 69 KV transmission line.		
01/11/07 11:25 Scheduled	4 h 4 m 1,570	0	0	W2 Taylorsville 8 Salt River	System Improvements : Maintenance Substation Upgrade.		
01/21/07 11:38 Emergency	0 h 33 m 1,990	1,095	3,224	N25 Campbellsburg Shelby	Transmission Line Equip. Failure : Insulator An insulator failed on KU line section between KU Bedford-KU Lawrence of KU Carrollton-KU Eminence transmission line. Ice storm was in area at time of this failure. KU transmission line fell down onto a Shelby distribution.		
TOTAL	5,727	2,503	7,358	Average Hours Outage Per		0.01	
YEAR TO DATE	5,727	2,503	7,358	YTD Avg Hrs Outage Per		0.01	
TOTAL CONSUMERS SERVED = 499,309							

**EAST KENTUCKY POWER COOPERATIVE
POWER SUPPLIER OUTAGE REPORT
January 2007**

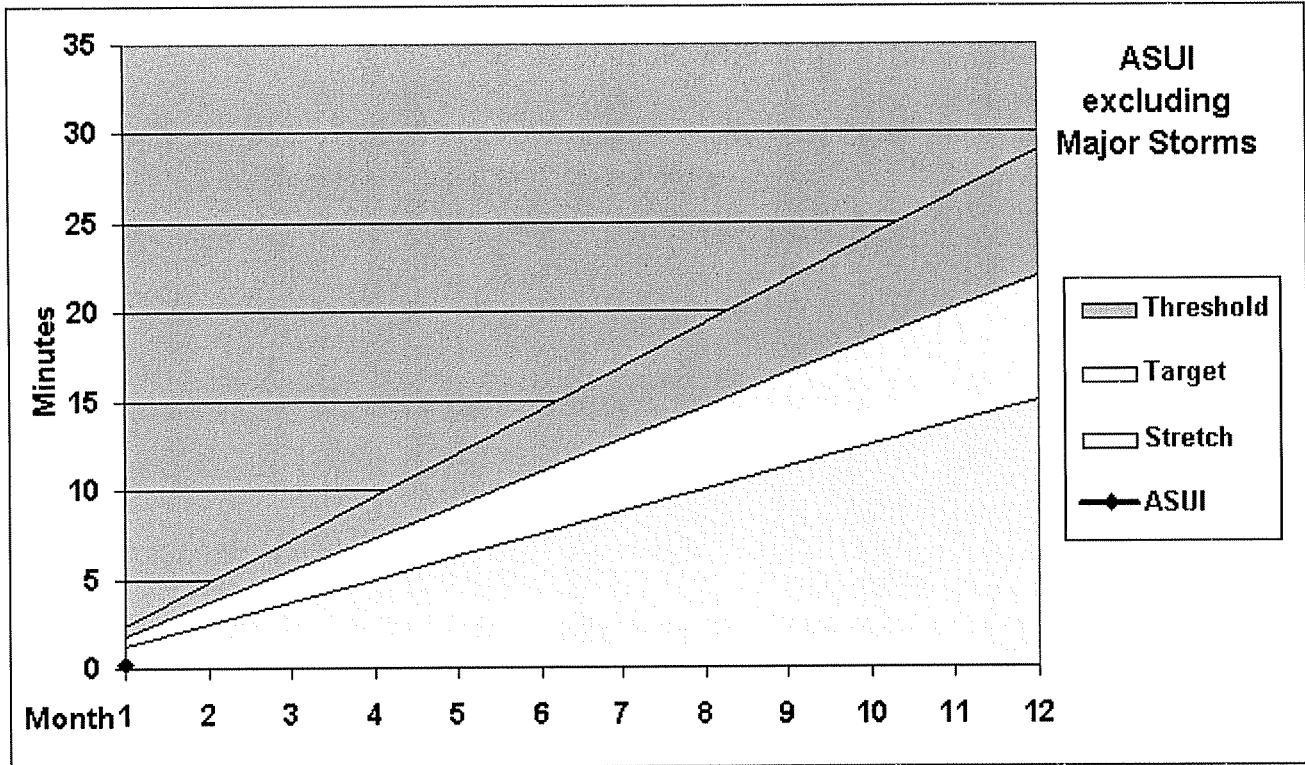
Average Hours Outage Per Consumer

	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.00	0.00	0.00	0.00	0.00	0.00
CLARK	0.00	0.00	0.00	0.00	0.00	0.00
CUMBERLAND VALLEY	0.06	0.00	0.06	0.06	0.00	0.06
FARMERS	0.00	0.00	0.00	0.00	0.00	0.00
FLEMING-MASON	0.00	0.00	0.00	0.00	0.00	0.00
GRAYSON	0.00	0.00	0.00	0.00	0.00	0.00
INTER-COUNTY	0.00	0.00	0.00	0.00	0.00	0.00
JACKSON	0.00	0.00	0.00	0.00	0.00	0.00
LICKING VALLEY	0.00	0.00	0.00	0.00	0.00	0.00
NOLIN	0.00	0.00	0.00	0.00	0.00	0.00
OWEN	0.00	0.00	0.00	0.00	0.00	0.00
SALT RIVER	0.00	0.00	0.00	0.00	0.00	0.00
SHELBY	0.09	0.00	0.09	0.09	0.00	0.09
SOUTH KENTUCKY	0.00	0.00	0.00	0.00	0.00	0.00
TAYLOR COUNTY	0.00	0.00	0.00	0.00	0.00	0.00
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.01	0.00	0.01	0.01	0.00	0.01

EKPC POWER SUPPLIER OUTAGES have accounted for .01 consumer hours out year to date. Of these, none were scheduled, .00 were due to major storms, and .01 were other emergency outages.

Average Service Unavailability Index Report for 2007 (ASUI)

Month	ASUI	Excluding Major Storms	Excluding Major Storms & Foreign Util	Threshold	Target	Stretch
January	0.27	0.27	0.15	2.42	1.83	1.25



POWER DELIVERY – EXPANSION – MARY JANE WARNER, MANAGER

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

POWER DELIVERY – MAINTENANCE – RICK DRURY, MANAGER

The main purpose of Power Delivery maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	¹Year-To-Date Results	¹Year-To-Date Goal	Yearly Goal
Safety				
Accidents	Lost Time Accident Rate	5.47	0.25	3.0
Inspections	Avg. Inspection Rating	N/A ³	N/A ³	98%
Electric Service				
Duration	ASUI (without major storms)	0.27	1.83	22 min.
Cost Effective				
Cost	Operating Cost	\$7,196,843 ²	\$8,619,073 ²	\$8,619,073 ²
	Capital Project Cost	\$ 1,047,813	\$3,498,836 ²	\$3,498,836 ²

Notes:

1. Year to date results and goals through January 31, 2007
2. Year to date results and goals through December 31, 2006
3. These performance measures are not available for 2007.



**Power Delivery Expansion
FEBRUARY PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	●	●	○				08/01/08	Project Cancelled	
Alex Creek 5.6/6.44 MVA Substation	S	●	○	●	●	●				12/01/07		
Alex Creek Tap 69 kV, 1.4 mi.	L	●	❖	❖						12/01/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●	N/A	N/A	N/A	□	N/A			05/01/08	Project Cancelled	
Barren County - Magna 24 mi.	L	●	❖	○	□	□				12/26/08	Project Cancelled	
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville Rebuild, 15/20/25 mVA (CANCELLED)	S	●		○	●	❖				05/01/07	Project Cancelled	
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●		❖	❖	❖				12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖	N/A	N/A	○	N/A			12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	●	●	●	□				12/01/07		
Tap, 10 mi.	L	●	●	□	□	●	□	❖		12/01/07		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	●	●	●	●	●	●	●	11/30/06		12/01/06
Tap 0.04 mi.	L	●	●	●	●	●	●	●	●	11/30/06		09/27/06
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	01/16/06	05/04/06
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	●	N/A	●	●	12/01/06		11/30/06
Bullitt County - JTichenor/W Bardstown 69kV line	L	●	□	□	□	❖	❖	❖		09/01/07		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●	□	○	●	❖				05/01/07		
Tap .19 mile	L	●		❖	❖	❖				05/01/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A	●	N/A	❖		05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	●	●	●	12/15/06		12/14/06
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●	○	○	□	●				06/01/07		
Conway Tap 0.2 mi.	L	●	□	●	□	□				06/01/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	●	●	●	●	●	○	○	04/15/07		
Cynthiana Dist Sub Rebuild		○	❖	❖						05/01/08		
Cynthiana Normally Open 69 kV Tap and Switch	L	●	○	○	○					04/01/07		
Deatsville 11.2/14 MVA, 69-12.5 kV Distr. Sub	S	●	○	○		❖				05/01/07		
Tap, 0.2 mi	L	●	○	○	□	□				05/01/07		
Downing # 2 Sub 69-12.5 kV, 11.2/14MVA Sub Add	S	●	N/A	●	●	●	●	●	●	05/01/06	02/28/06	07/21/06
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●	●	N/A	●	○				01/01/08	Project Cancelled	
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	●	●	●	●				06/01/06	On Hold	
Tap 4.0 mile	S	●	○		□	❖				06/01/06	On Hold	
Fall Rock 161/69 kV 100 MVA Sub.& Install 3-69 kV Brks	S	●	N/A	N/A	N/A	□				04/30/08		
Flint Ink 69-12.5 kV, 11.2/14 MVA Sub	S	●	○	○	○	○				05/01/08		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●	○	○	●	●				12/01/07		
Tap, 0.5 mi	L	●	□	●	●	□	N/A			12/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	●	●	●		06/01/07		
Tap	L	●	●	□	●	●	❖	❖		06/01/07		

- ❖ - Project Started
- - 25% - 49% Complete
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- - 90%- 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
FEBRUARY PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		03/01/07		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●	●	●	●	●	●	○		03/01/07		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●	○	●	●	○				12/01/07		
<i>Tap, 3.5 mi</i>	L	●	○	❖	○	○				12/01/07		
GM 161 kV Trans Sub (4 Breakers)	S	●	●	●	●	●	N/A	●	●	10/15/05	01/15/06	
GM-Memphis Jct. - 161 kV 14.5 miles	L	●	□	□	●	●				12/31/07	Project Cancelled	
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●	●	12/01/05		03/09/06
<i>Tap, 69 kV, 3 mi.</i>	L	●	●	●	●	●	●	●	●	02/23/06		02/23/06
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06	05/19/06	05/19/06
<i>Tap, 69 kV, .02 mi.</i>	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Headquarters Tap (Assoc w/Transmission Stat. Portion)	L	●	●	●	●	●	N/A	●	●	05/05/06		05/24/06
Inez Sub (Site Acquisition Only)	S	●	❖	●	○	N/A	N/A	N/A	N/A	12/01/06		
<i>Tap 69 kV - 6.0 mi.</i>	L	●	○	□	□	●				05/12/07		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	●	●	●	●	□	□	06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●	N/A	N/A						06/01/07		
J. K. Smith CT Substation 345 kV	S	●	N/A	N/A	●	●	N/A	□		06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications	S	●	N/A	N/A	N/A	●	N/A	□	○	04/01/07		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	06/01/06	07/07/06	09/26/06
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	●	●	●	●	●	□	○	03/15/07		
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Laurel Co. Ind'l Park #2 Sub 11.2 MVA	S	●	●	N/A	●	●	N/A	●	●	05/05/06	05/18/06	09/26/06
Liberty Church 11.2/14 MVA, 69-13.2 kV Sub	S	●	●	□	●	❖				05/01/07		
<i>Tap, 1.8 mi</i>	L	●	○	○	○	○				05/01/07		
Little Mount 161-12.5 kV Distr. Substation	S	●	●	●	●	●	●	●	●	12/01/05		06/20/06
<i>Tap, 6 mi.</i>	L	●	●	●	●	●	●	●	●	12/01/05		06/15/06
Memphis Jct. 161 kV Trans Sub (2 Breakers)	S	●	●	N/A	●	□				08/01/07	Project Cancelled	
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	□	□	●	●	❖	❖		03/28/08	Project Cancelled	
North Clark (Sideview) 345 kV Transmission Station	S	●	●	●	●	●	●	□		06/01/07		
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	05/05/06		03/13/06
Oak Ridge Tap	L	●	●	●	●	●	N/A	●	●	05/01/06		03/10/06
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.	S	●	N/A	N/A	N/A	●				11/01/07		
<i>Pine Grove # 2 Tap 69 kV, 0.1 mi.</i>	L	●		N/A		❖				11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	11/30/07	12/01/07	12/11/06
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	●	●	●	●	●	●	●	11/30/07		12/11/06

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**Power Delivery Expansion
FEBRUARY PROJECT SUMMARY
2007**

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											Ready for Energization	Energization
SUBS & TAPS CONT'D												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	●	□	01/02/07		11/06
Salmons Substation 161-69 kV (Warren RECC)	S	●	N/A	●	❖					12/01/08	Project Cancelled	
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	●	●	●	●				06/01/07		
Tap .20 mi	L	●	●	□	□	□				06/01/07		
South Point 69-12.47kV, 11.2 Sub	S	●	●	●	●	●	●	●	●	12/15/06	12/04/06	02/23/07
Tap	L	●	●	●	●	●	N/A	●	●	02/06/07		02/23/07
Spurlock #4	S	●	●	N/A	N/A	●	N/A			02/15/08		
Sterling 138-12.5 kV 12/16/20 MVA	S	●								10/01/07		
Tyner-Fall Rock Transmission Line 69kV 12 Mi.	L	●								05/01/08		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	●	●	05/02/06		06/22/06
Tap	L	●	●	●	●	●	●	●	●	05/02/06		06/22/06
W. Bardstown Jct. 69 kV BKR Station	S	●	●	●	●	●	●	●	○	09/01/07		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	N/A	N/A	N/A	●	N/A	●	○	05/01/07		
W. Nicholasville Tap 69 kV, .04 mi	L	●	●							05/01/07		
Web's Cross Roads 69-12.5 11.2/14 MVA Sub	S	●	●	●	●	●	●	●		02/01/07		
Web's Cross Roads Tap .30 mi.	L	●	●	●	●	●		❖		02/01/07		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●	○	○	□	□				01/02/09	Project Cancelled	
Woodstock 11.2/14 MVA Substation	S	●	●	●	●	○				12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●	○	○	□	○				12/01/07		
STATION UPGRADES												
Avon 138 kV Line Tap (Dale Line)	S	●	N/A	N/A	N/A	●	●	●	●	Complete		
Boone Dist Sub Upgrade 15/20/25 MVA Complete	S	●	●	N/A	●	●	N/A	●	●	05/01/06	05/01/06	05/01/06
Boone Co. Station Service Relocation	S	●	N/A	N/A	N/A	●	●	●	●	05/01/06	05/01/06	05/01/06
Boone Sub Tap Reconf 69kV, 0.1 m	L	●								05/01/06	05/01/06	05/01/06
Cooper Aux. Transformer Addition	S	●	N/A	N/A	●	●	N/A	●	●	09/01/03	02/01/04	
Cooper Dist Sub Rebuild	S	●	N/A	N/A	●	●	●	●	●	12/01/05		03/14/06
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05		
McKinney Corner Substation Upgrade	S	●								05/01/08		
CAPACITOR BANKS												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●	●	●	●	●	N/A	●	●	06/01/05	09/11/05	02/09/06
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06		04/20/06
Clay Village 12.25 MVAR Cap bank	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	08/01/06	12/13/06
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	10/02/06	12/18/06

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- S Substation Team
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**Power Delivery Expansion
FEBRUARY PROJECT SUMMARY
2007**

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CAPACITOR BANKS CONT'D												
Hickory Plains 25.52 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06		01/31/06
Lees Lick 10.715 MVAR Cap Bank	S	●	N/A	●	N/A	●	N/A	●	●	01/31/02	06/21/02	05/09/06
Loretto 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	12/01/04	07/31/04	09/02/05
Martin County 12.25 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●	●	05/01/06	08/01/06	12/21/06
Maytown 10.2 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A	●	●	12/01/06	10/02/06	12/06/06
Pulaski Co.(Norwood) 18.0 MVAR Cap Bank&Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/06		01/22/07
Shelby County 25.51 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	●	N/A	●	●	12/01/03	12/01/03	
Sideview 7.14 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	●	●	●	05/01/06		06/07/06
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/05	07/16/05	11/08/05
Tyner 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	●	N/A	○		12/01/06		
Tommy Gooch 12.25 MVAR 69 kV Cap Bank	S	●	N/A	N/A		❖				11/01/07		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	●	05/01/06		06/08/06
RECONDUCTORS												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	●	●	06/01/06		08/11/06
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●								12/01/07		
Davis Jct.- Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●								05/01/12		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/09		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	○	○	09/01/06		
Headquartaers - Millersburg Reconductor .09		●	N/A	N/A	●	●	N/A	●	●	05/01/06		05/24/06
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L	●								12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●								12/01/10		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReBLD.954MCM 69kV,16.71mi	L	●								01/02/09		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/09		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/07		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●	05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●								05/01/12		

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- S Substation Team
- L Line Team

Power Production

FEBRUARY 2007

Engineering

Engineering is supporting the Smith Unit No. 1, combustion turbines, and Spurlock Unit No. 4.

Engineering is also supporting the scrubbers at Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

The administrative hearing has concluded on the Spurlock Power Station Unit No. 4 Air Quality Construction Permit. The Sierra Club is appealing the issuance of the permit. The Judge will make a recommendation to the Secretary of Natural Resources by April 16, 2007. The main issue of concern is the level of NO_x control proposed for the facility. Sierra Club asked for a 0.033 lbs./MMBtu NO_x Limit.

The U.S. Forest Service met at Cooper Power Station concerning the possibility of burning refuse from abandoned coal mines in the National Forest. Discussions are continuing. EKPC has now moved into the coal sampling and analysis phase. This phase will determine if the coal is of high enough quality to use.

Discussion continues with the Division of Water concerning violations of storm water discharge at the Yeiser Industrial site. Some ash was lost during the heavy rains earlier in the year. The Division of Water has turned the case over to the Division of Enforcement.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

Fuel

EKPC's coal inventory at the end of January 2007 will be approximately 32 days after deducting the tonnage purchased earlier than needed at discounted prices. The inventory is projected to continue decreasing until the spring maintenance outages.

Work continues on future coal and limestone sources for the new scrubbers.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station.

Effective February 8, 2007, the Fuel Process reports to Jim Lamb, Senior Vice-President of Power Supply.

Power Production

Production Monthly Report

Page 2

February 2007

Fuel (Continues)

An evaluation has been prepared, a short list developed, and mine visits scheduled in conjunction with the proposals received for high sulfur coal beginning in October 2008 for Spurlock Power Station.

Discussions continue with ACES regarding various coal and oil hedging strategies.

Due to sustained periods of below normal temperatures, record amounts of natural gas in the month of February have been used for combustion turbine power generation. The Fuel Department has worked with dispatch, the CT Site, and Constellation New Energy-Gas Division to ensure that the lowest achievable price can be obtained under existing pipeline constraints.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Production

Dale Power Station

Dale Power Station has generated a total of 199,979 net MWh through January 31, 2007. Unit No. 1 was on-line and fully available until February 18th. The unit was forced off-line due to a water wall tube leak. Unit No. 1 was back on-line February 19th and fully available the remainder of the month. Unit No. 2 was on-line and fully available for the month. Unit No. 3 was on-line and fully available until February 9th. The unit was forced off-line due to a regenerating tube leak. Unit No. 3 was back on-line on February 11th. On February 11th Unit No. 3 was forced off-line due to a regenerating tube leak. The unit was back on-line on February 12th and fully available the remainder of the month. Unit No. 4 was on-line and fully available until February 14th. The unit was derated to 27MWs due to 4-C pulverizer wedge ring backed out of position. The unit was repaired and back on-line February 14th and fully available the remainder of the month.

Dale personnel assisted the CT Site with water treatment needs. All departments at Dale performed preventative maintenance on Dale Units No. 1 and No. 3 during the unscheduled outages. Employees performed a thermography scan of all critical equipment at the plant. This report is sued annually to make needed repairs and as a preventative maintenance measure.

Power Production

Production Monthly Report

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February 2007

Dale Power Station (Continues)

Hall Contracting was on-site to repair piping at No. 2 ash pond.

Other routine preventive maintenance was performed plant-wide by Dale Power Station's personnel.

Asbestos eight-hour refresher classes, First Aid, and CPR/AED Classes were held at Dale Power Station. Leadership Training Classes were also held at the plant.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

J.K. Smith Power Station

The combustion turbines have generated a total of 24,178 net MWh through January 31, 2007.

All units were available the entire month of January.

Preparation and planning are ongoing for Smith Unit No. 1 CFB and CTs No. 8 and No. 9.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is ongoing at J.K. Smith.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Cooper Power Station

Cooper Power Station has generated 201,104 net MWh through January 31, 2007. Units No. 1 and No. 2 were on-line and fully available for the month of February.

Power Production

Production Monthly Report

Page 4

February 2007

Cooper Power Station (Continues)

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of January. Some of the tasks that were completed were collected oil samples, checked both Unit No. 1 and Unit No. 2 submerged chains, generator brushes, coal feeders, serviced all conveyor main bearings, inspected sample building equipment, serviced Yale forklift, 980-G wheel loader, and did ball and spring check on Unit No. 1 pulverizer

EKPC personnel met with Stanley Consultants to discuss options for low water operation in the event that Lake Cumberland water elevation drops to 650 ft above sea level. In the short term, supplemental pumps on floating platforms will be used. The Corps of Engineers agreed to allow a no-wake zone across the lake at the plant intake structure site and floating booms will be installed to keep boats away from the intake area. Longer-term solutions include a coffer dam around the intakes, building a cooling tower, and building new intakes deeper into the lake. We are meeting with Stanley on February 28th.

Other routine preventive maintenance was performed plant-wide by Cooper's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 749,010 MWh through January 31, 2007. Unit No. 1 was on-line and fully available through February. Unit No. 2 was on-line and fully available until February 20th. The unit was derated to 266 MW to repair a leak on the No. 5 feedwater heater drain line. The leak was repaired and the unit was back on-line the same day and fully available the remainder of the month. Unit No. 3 was on-line but derated to 255 MW through February 10th due to high temperature in the fluidized bed. At that time a different derate caused by pluggage of wet coal in the feeder chutes started. This derate was to 215 MW and lasted until February 12th when the unit became fully available.

Maintenance work for February included regular routine maintenance tasks as well as repairs to feedwater heater drain line, and the inspection and spring adjustments on Unit No. 1 pulverizers.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Human Resources & Support Services

FEBRUARY 2007

EKPC: To provide reliable and competitive energy and member services.

Unit: To serve and assist the Cooperative, it's employees, the Member Systems, and External Customers by:

- Managing Costs
- Ensuring the safety, well-being, and development of EKPC employees
- Providing appropriate corporate staffing requirements
- Providing effective communications
- Complying with all laws and regulations

Human Resources, Facilities Management, Corporate Support Services

1. Managing Costs

Significant Results:

- **Budget management –**
 1. **Centers 032, 040, 041, 043, 046, 047** are under budget \$810,596 through December 2006
 2. **Centers 032, 040, 041, 043, 046, 047** are over budget \$49,955 through January 2007
- **Cost containment** – All non-critical costs are being delayed.

2. Ensuring the safety, well-being, and development of EKPC employees

Significant Results:

- Presented two health-related seminars at headquarters.

3. Providing appropriate corporate staffing requirements

Significant Results:

- **Positions Filled:**
 - Auxiliary Operators @ Cooper – Matthew Lee & Mark Watson
 - Computer & Instrument Technician @ Cooper – Eric Bertram
 - Maintenance Material Specialist @ Spurlock – Anthony Orso
 - 2-Senior Biologist – Seth Bishop & Josh Young
 - Substation Technician @ Hillsboro – Patrick Mays

- **Positions open:**
 - Construction Project Manager @ Spurlock
 - Senior Engineer (Production)
 - Senior Engineer – EMS
 - Environmentalist
 - Construction Technician Crew Leader
 - Electrician @ Spurlock
 - Computer & Instrument Technician @ Spurlock
 - Engineer – Operations (reposted)
 - Maintenance Mechanic @ Cooper (reposted)
 - 2 – LAN/PC Support Specialist
 - Warehouse Technician
 - Environmental Instrument Technician @ J.K. Smith
 - Maintenance Mechanic @ Cooper
 - Maintenance Mechanic @ Spurlock
 - Maintenance Mechanic – Welder @ Spurlock
 - Heavy Equipment Technician
 - Electrician @ Spurlock
 - Telecommunications Technician
 - Landfill Generating Plant Operator @ Bavarian

4. Providing effective communications

Significant Results:

- Distributed quarterly updates to the Employee Reference Guide
- EKPC supervisors worked on improving communication skills (feedback presentation, oral and written) through skill practices at Learning for Leaders.
- Three employees were coached and educated on appropriate preparation techniques and provided a better general understanding of the Targeted Selection interviewing process.

5. Regulatory compliance

Significant Results:

- Completed initial data information on the Annual Affirmative Action Plan.

Human Resources & Support Services

6. Member Systems Support

Significant Results:

- Provided information related to supervisory training courses.

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Benefits – Created two queries that will be run monthly to determine how much to pay our new LTD provider.
- ◆ Human Resources – Creating and updating Crystal reports to reflect new organizational changes and information needed for NRECA organizational analysis.
- ◆ HRMS 9.0 Upgrade – Management decided to move forward with splitting the Financial and HRMS database systems between two Unix machines. The PeopleTools 8.47 software was ordered and delivered to EKPC. All hardware for the database split and upgrade has been ordered. The 9.0 software will not be available until June 1.

PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Support Production Management Reporting System

- ◆ System wide Audit was performed on the database to verify closing of the Statistical Operating Reports for year 2006. New setup information and goals have been entered into the PMRS database for 2007.
- ◆ Setup of database and reporting for new the new Pendleton County Landfill Gas plant

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate reporting within the Production Business Unit.

Develop Power Delivery Scoping System

- ◆ Power Delivery is currently using application, and the database is being built with Power Delivery projects that are currently active.
- ◆ New enhancements have been developed during the month for critical functionality that was not defined during the initial development of the application. These enhancements are considered minor release changes.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by

Human Resources & Support Services

providing more accurate and timely information for the Power Delivery Business Unit.

Enhance MVReports

- ◆ The Metering department has requested that a means to expedite the distribution of the 'Substation Load Data' reports be added to this application to allow users to easily distribute these reports through the email system.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate metering/billing data for Power Delivery Business Unit.

Enhance Power Delivery Tickler System

- ◆ A Power Delivery has requested that a 'draft' status be added to this application, to allow managers to add items for discussion before they are assigned to an individual and distributed.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Production Business Unit

Support Maximo CMMS System Upgrade

- ◆ Created Crystal Report for Labor hours (Reg. & OT) grouped by craft.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Production Business Unit.

Develop Fuel Evaluation System Enhancements

- ◆ The new enhancements to handle scrubber costs on Spurlock 1 & 2 when using Limestone have been completed and are being used by the Fuel Department.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Delivery Business Unit

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 49 support calls during the previous period.
- ◆ Resolved two partial shutdowns of outbound email due to ISP problems
- ◆ Repaired failed hard drive on Exchange email server; approximate 4 hour outage
- ◆ Replaced server hardware for Esource extranet site, members.ekpc.coop. The new server is much faster with more storage capacity.
- ◆ Started test migration to new email server. Current email server has been in service over 6 years. Plans call for users to be split among multiple mail servers.
- ◆ Talked to technical support at OATI about lockups of OATI web application in PD Operations. Will test to see if this application will run on a dialup connection.

Human Resources & Support Services

- ◆ Started preliminary work for PeopleSoft upgrade and database split. Obtained quotes and ordered hardware. Requested electrical upgrades for Data Center.
- ◆ Shutdown network on Saturday 2/10 to update all servers for new daylight savings time laws. Informed users of possible problems via email and Insider articles. Saturday work also included replacement of 2 UPSs plus one new UPS, load balancing of all UPSs, and moving of two new servers into production locations.
- ◆ Started updates of user workstations beginning at top of management levels and working down. Information campaign will continue into March.
- ◆ Provided information about Internet surfing use to power plant management.
- ◆ Installed router, hub, and LAN connections at Pendleton Co. landfill plant.
- ◆ Detected serious virus infection of a contractor's PC at Spurlock. We were able to get the unit removed from our network and prevent spreading to other computers.
- ◆ Provided a computer and files for email searching related to the EPA lawsuit. Burned DVDs of data to be sent as part of legal discovery.
- ◆ Contracted with new Internet service provider (ISP) starting April 1, 2007. BellSouth was selected after competitive bidding. The new Internet circuit will drop at the Smith disaster recovery site to provide services in the event of a disaster at headquarters.
- ◆ Uploaded six updates to extranet and intranet sites. Most changes were weekly updates to Legislative Affairs section – EKPC Currents and BillTracker.
- ◆ Did several computer moves and security lockdowns due to personnel changes
- ◆ Worked on outage of HQ3 file server, which was down for approximately 4 hours. No user data was lost.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Telecommunications to Substations and Power Plants.

- ◆ All design and drawings were completed and all necessary material was received to provide telecom for the new tie-line from KU Lancaster to EKPC Garrard County substations. Installation was started at Garrard County. Fiber splicing is scheduled for week of Feb. 26.
- ◆ Work continues to provide emergency backup telecommunications to respond to a disaster at our corporate headquarters. We are able to reprogram the wideband multiplexers at the backup control center by using old laptop computers that never get connected to the corporate LAN.
- ◆ We installed a high-voltage isolation unit at Lock 7 to satisfy telco safety concerns about maintaining Salt River's data circuit.
- ◆ A dial-up metering circuit has been ordered for Four Oaks substation and the

Human Resources & Support Services

HVIU equipment is being installed.

- ◆ We are making drawings and ordering materials for telecom to JK Smith 345 KV CT substation and North Clark 345 KV substation.

This supports key measure **Reliable Energy** by providing the ability to get substation and power plant information and do remote switching and control.

Provide Telecommunications to Members.

- ◆ A SCADA radio is now serving Powell-Taylor substation.
- ◆ A SCADA radio is being installed at Webbs Cross Roads.
- ◆ We will experiment with a 220 MHz radio path from EKPC's MOAB master at Renaker tower to the Snow Hill substation in Fleming-Mason's area. This might avoid the cost of a repeater, because paths to FME's SCADA masters at Taylor Knob or Goddard both appear to be blocked by terrain.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System.

- ◆ The consultants completed a System Requirements and Conceptual Design document for EKPC review. This will become the core of the RFP for a 220MHz two-way radio system.

This supports key measures **Reliable Energy** and **Competitive Energy** by providing a two-way radio system that will enhance our ability to maintain and operate the transmission system and to assist in outage restoration.

Maintain the Telecommunications System

- ◆ Drawings for the new digital system are being delivered to the remote sites.
- ◆ Routine maintenance was performed at five microwave sites.
- ◆ Routine maintenance was performed on emergency generators at Renaker, Folsom and New Castle.
- ◆ Work has begun to repair the grounding system and building damage caused by vandalism and theft at the Zion Ridge microwave site.
- ◆ Telecom personnel repaired the microwave radio on the Cooper to Johnson Hollow path.
- ◆ The HVIU was repaired at Lock 7.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

IT Performance Measures

- ◆ Annual O&M Budget - Under Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 100.0%

- ◆ Two-Way Radio Availability
 - Member System Base Stations – 99.11%
 - EKPC Base Stations – 99.87%
- ◆ Application Availability – 99.53%
- ◆ Data Circuit Availability – 99.93%
- ◆ On-Time 555 Problem Resolution – 95.9%
- ◆ Customer Satisfaction Index
 - NCS Team – 100%
- ◆ PBX Availability – 100%

FEBRUARY 2007

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. The case has been fully briefed and submitted for a decision. At issue are allegations by a former employee seeking damages on claims of a hostile work environment, retaliation and assault and battery by a co-worker. We are waiting on the Court’s decision.
2. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 14, 2006, the Federal District Court Judge granted EKPC’s Motion for Summary Judgment and dismissed the lawsuit. This lawsuit had been filed by a former employee alleging that EKPC had breached one or more of the terms of his workers’ compensation settlement; and, had conspired with CBA to arbitrarily deny him continued long-term disability benefits. Jordan has now terminated his attorney and has filed a Motion to Vacate the Judgment. EKPC has filed a response, objecting to said motion. Motion is pending before Judge Coffman. Jordan has also filed an appeal with the Sixth Circuit Court of Appeals but the appeal may be dismissed as not being filed timely.
3. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the United States, on behalf of the Environmental Protection Agency (“EPA”) sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration (“PSD”) provision of the Clean Air Act; the New Source Performance Standards (“NSPS”) of the Clean Air Act; and the State Implementation Plan (“SIP”) for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief and civil penalties. The Cooperative answered the lawsuit on June 18, 2004. Since that date, the parties engaged in and have now completed discovery. On January 17, 2006, the Cooperative filed several motions with the Court asking that most, if not all of the claims, be dismissed. These Motions for Summary Judgment involved,
 - (a) statute of limitation issues;
 - (b) federal enforceability of Title V and state operating permits;
 - (c) applicability of the routine maintenance exclusion; and
 - (d) legal standards applicable to PSD and NSPS claims, generally, as decided by the Fourth Circuit in *United States v. Duke Energy*.

On August 18, 2006, the Court entered an Order Setting Aside the Pre-Trial Conference and Bench Trial (previously scheduled for October 2) pending further Orders of the Court and stating that, “It would make the most sense to wait to try this matter until after the Supreme Court has issued a decision in *Duke Energy*.” The Order also directed the parties to file a short statement with the Court by early September, “setting forth which of the outstanding Motions for Summary Judgment clearly implicate the issues raised in the *Duke Energy* case, and thus should await a decision from the Supreme Court, and which of the outstanding Motions for Summary Judgment should go forward for decision.” The parties filed the statements requested by the Court, and on September 26, the Court issued an Order dismissing most of the Government’s motions without prejudice pending a final decision in *Duke Energy*.

At this time, the case is effectively stayed except that the Court may enter decisions on the remaining outstanding motions not implicated in *Duke Energy*. Oral arguments in *Duke Energy* were made before the United States Supreme Court on November 1, 2006. A decision is expected in early Summer 2007.

4. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The parties have filed prehearing statements with the Court of Appeals in this case. There will be no prehearing conference. The briefing schedule will begin upon the certification of the record by the Franklin Circuit Court.
5. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. The Court of Appeals upheld the Franklin Circuit Court dismissal of Enviropower’s appeal of the PSC denial of intervention in PSC Case No. 2004-00423. While Enviropower could seek discretionary review from the Kentucky Supreme Court, this will likely be the final decision on this matter. This decision also makes it much more likely that Enviropower’s attempt to appeal the Spurlock 4 construction certificate will also fail at the Court of Appeals.
6. *Robert Mulberry v. EKPC, et al* – Scott Circuit Court. On May 2, 2006, the plaintiff sued EKPC and David Eames for personal injuries resulting from an automobile accident on July 29, 2004. Subsequent thereto, the Legal Department filed an Answer on behalf of both EKPC and David Eames; and also filed Complaints against two additional parties—St. Joseph Hospital and Dr. Joseph Westerfield—alleging their primary responsibility for the events giving rise to the automobile accident. Discovery has been initiated by EKPC.
7. *Nathan Writesel v. Goodyear Tire & Rubber & EKPC, et al – (Asbestos Personal Injury)* – Court of Common Pleas, Cuyahoga County, Ohio. On June 21, 2006, Plaintiff filed this case seeking recovery for personal injuries associated with asbestos exposure while working for various contractors throughout the years. EKPC has retained an Ohio law firm to represent it for purposes of filing a Motion to Dismiss. Limited discovery undertaken reveals that EKPC’s exposure in this case is not likely and we intend to file a Motion to Dismiss at the conclusion of discovery.
8. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On June 30, 2006, the United States, acting at the request of the Environmental Protection Agency (“EPA”) sued EKPC charging operation of Dale Station Units 1 and 2 with technical violations of the Clean Air Act (“CAA”) acid rain program, and provisions of the NOx State Implementation Plan or NOx SIP Call. The issue for both units involves whether these units were subject to regulations as generators having a “nameplate” capacity greater than 25 megawatts and/or were generators used to generate 25 megawatts or more of electricity. EKPC filed its Answer on August 8, 2006. Discovery is ongoing, and is to be completed by May 9, 2007. The Court has assigned the action for trial by jury on September 25, 2007.

On July 14, 2006, the Commonwealth of Kentucky’s Motion to Intervene was granted on the basis of common questions of law and fact. The case is in discovery with depositions of EKPC employees taken beginning on January 19, 2007, and more scheduled in March

2007. EKPC is providing responses to the US's written discovery requests and EKPC will take the deposition of the Ky. EPPC designated representative on March 15, 2007.

Pending Litigation for EKPC

1. *Substation Vandalism (EKPC v. Caudill, Middleton & McElroy)* – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$80,371.72 on the Judgment has been collected from the defendants.
2. *EKPC v. Greenwich Insurance Company* – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim. Lexington Coal has attempted to transfer this action to Bankruptcy Court but the U.S. District Court, in an order entered on January 24, 2006, denied the motion to transfer the case. The case has been remanded back to Clark Circuit Court.

Claim and Topics

1. *KU and LG&E v. EKPC - FERC Docket No. ER 02-2560-003* – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreements with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E were intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objected and contended that the two agreements could not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

Over the past several years, the FERC entered several orders, some favorable to EKPC and others more favorable to KU/LG&E. Most recently, on October 4, 2006, EKPC filed its Request for Rehearing of FERC's Order dated September 1, 2006, which denied (1) East Kentucky's request to remove certain MISO administrative charges from interconnection and transmission agreements with LG&E/KU (all now expired), and (2) its proposal to remedy unjustified rate pancaking and associated refunds. At issue in the latest filing is approximately \$155,000. EKPC has already received approximately \$1,640,000 from LG&E/KU representing refunds plus interest for improper tariff charges pursuant to earlier FERC Orders which agreed with EKPC's positions.

In February, FERC issued a final Order on rehearing granting EKPC's request to remove MISO Schedule 1, 2 and 10 charges and to revert to pre-MISO in all respects. This should lead to an additional refund to EKPC of \$2.2 million.

(a) A similar and somewhat of a companion case has been docketed in the United States Court of Appeals for the District of Columbia as Docket No. 06-1003. This appeal is brought by EKPC asking for review of a FERC Order which authorized MISO to assess and collect administrative and operating costs from all users of the MISO grid including parties to grandfather transmission agreements that predated MISO's formation, including EKPC.

2. FERC Case No. TX05-1 – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission (“FERC”) seeking an order compelling the Tennessee Valley Authority (“TVA”) to physically interconnect with EKPC's transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On January 19, 2006, FERC ordered TVA to interconnect with EKPC, and to file a modified Interconnection Agreement within 30 days. On June 20, 2006, FERC entered an order denying TVA's Request for Rehearing.

On August 18, 2006, TVA filed a Notice of Appeal in the United States Court of Appeals for the District of Columbia Circuit asking for review of the FERC's Final Orders on Interconnection dated January 19, 2006, and denial of TVA's Request for Rehearing dated June 20, 2006.

3. Commonwealth of Kentucky Sales and Use Tax Audit – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. The Revenue Cabinet has advised that the matter is in abeyance pending resolution of certain related issues in the Board of Tax Appeals. EKPC has decided to join with KAEC to settle a sizeable portion of this protest in an agreement with Revenue under a Private Letter Ruling which exempts from tax the “sale, purchase or use of electric power transformers as the sale, purchase or use of machinery and equipment installed or to be installed in substations.” This settlement should be finalized within the next few weeks.
4. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.
5. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – The Commission issued an order on December 21 which directed EKPC to proceed with the development of a pilot voluntary real-time pricing program for large industrial and commercial customers, and provided that all jurisdictional electric utilities should include IEEE Standard 1547 as the basis for its technical standards for interconnection of

generation resources of 10 MVA and below. The Commission did not adopt the Energy Policy Act Smart Metering or Interconnection standards.

6. PSC Case No. 2006-00131 – Six-Month Review of Environmental Surcharge – The PSC approved EKPC’s Application of the Environmental Surcharge for the first six-month period.
7. PSC Case No. 2006-00236 - EKPC Depreciation Study – The Commission approved EKPC’s new depreciation study on November 29, with an effective date of January 1, 2007. RUS approval of the study was received on December 21 (CASE CLOSED)
8. PSC Case No. 2006-00455 – EKPC Financial Condition – EKPC has responded to a third data request in this case. It is currently unclear whether there will be further data requests, and how this proceeding will coordinate with EKPC’s rate application.
9. PSC Case No. 2006-00471 – Integrated Resource Plan – EKPC will respond to new data requests in this case from the Commission staff and the Attorney General on March 7.
10. PSC Case No. 2006-00472 – Wholesale Rate Adjustment – EKPC responded to the Commission’s first set of data requests in this case on February 5. New data responses will be filed by February 27, and a hearing on EKPC’s request for immediate implementation of the new rates is scheduled for March 6.
11. PSC Case No. 2006-00508 – FAC 2-Year Review – Responses to supplemental commission data requests were filed on February 23. The hearing in this case is set for March 14.
12. PSC Case No. 2006-00547 – Touchstone Home Rebate – The Commission has established a case and issued data requests relating to EKPC’s Application to extend a rebate offered under the Touchstone Energy Home Program. Responses are due on February 28.
13. PSC Case No. 2006-00564 – The PSC has initiated an investigation of EKPC’s continued need for the Spurlock 4 Unit and for the generating facilities proposed for Smith Station. EKPC has responded to Commission data requests, and has participated in an informal conference held on February 22. A hearing in regard to the Smith Station unit is scheduled for March 6.
14. Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc. – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAQ-27974-037. On July 18, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock #4 air permit. The petition filed by the Sierra Club seeks to have the air permit revoked; or, in the alternative, to have the permit re-issued with corrections to what petitioner believes to be errors and mistakes in the permit conditions.

The hearing in this matter concluded in late December 2006. The Sierra Club has filed its post-hearing memorandum and proposed Hearing Officer’s Report and

recommended Secretary's Order. EKPC filed its post-hearing memorandum in reply on February 27, 2007. A decision by the Hearing Officer is expected in the Spring 2007.

On August 15, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock Unit 4 air permit. This challenge was filed under Section 505 (b)(2) of the Clean Air Act ("CAA"). The Petition requests that the United States Environmental Protection Agency ("EPA") object to the issuance of the Title V operating permit. EKPC filed its Response on September 27, 2006. The matter is pending before the EPA Administrator.

15. *FERC Case No. NJ07-1-000* – On November 13, 2006, EKPC filed with FERC a revised Open Access Transmission Tariff ("OATT") which proposed to change the rate which EKPC charges for network integration transmission services ("NITS"). The standard under which FERC would evaluate this rate change is whether the proposed rate is comparable to the amount that EKPC charges itself for this same service. On December 12, 2006, E.ON US challenged whether the new NITS rate is comparable to what EKPC charges itself for network service, and whether EKPC is serving itself pursuant to terms and conditions for OATT.

On December 29, 2006, EKPC filed papers with FERC setting forth both facts and arguments showing that its OATT satisfies FERC's comparability standard, and asking that E.ON's Protest be rejected. In January, E.ON requested FERC to order a settlement hearing.

David A. Smart
General Counsel

c: Dave Eames (for distribution)
(H:\legal\MR-feb-07)

Governmental Affairs

FEBRUARY 2007

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
-
- The 2007 short legislative session is well underway in Frankfort, focusing much of the Governmental Affairs team's energy and efforts. Copies of the weekly editions of *Currents* are attached, which detail the numerous issues and bills that co-op lobbyists are following. These include copper theft, transmission, construction contracts, service restoration, Wolf Creek Dam impacts, energy independence, pilot metering, human resources issues and many others.
 - Met with new Lexington Mayor Jim Newberry to introduce Bob Marshall, and to discuss several EKPC issues, including impact from the Wolf Creek Dam repairs, the proposed rate increase, EnviroWatts and alternative energy initiatives, and others.
 - Met with staff members of U.S. Senators Mitch McConnell and Jim Bunning, U.S. Representatives Hal Rogers and Ben Chandler about funding of repairs at the Wolf Creek Dam. Continue working with them for a legislative solution to keep cost at a minimum for project users.
 - Along with others from EKPC, attended a customer meeting with U.S. Corps of Engineers, Southeastern Power Marketing Administration regarding the draw down and repairs at Wolf Creek Dam and the operating changes resulting from a loss of hydropower from that generating project.
 - Met with two legislators regarding separate issues on two transmission projects.

2007 CANDIDATES FOR GOVERNOR/LT. GOV.

Democrats

In alphabetical order:



Steve Beshear

Dan Mongiardo

www.stevebeshear.com



Gatewood Galbraith

Mark Wireman

www.gatewood.com



Steve Henry

Renee True

www.henrytrueforky.com



Otis "Bullman" Hensley

Richard Robbins

www.otisbullmanhensley.com



Bruce Lunsford

Greg Stumbo

www.lunsfordstumbo2007.com



Jonathan Miller

Irv Maze

www.millermaze.com



Jody Richards

John Y. Brown III

No website yet

Republicans



Ernie Fletcher

Robbie Rudolph

www.erniefletcher.com



Billy Harper

Dick Wilson

www.harperforgovernor.com



Anne Northup

Jeff Hoover

www.northup-hoover2007.com

2007 ELECTION – OTHER RACES

ATTORNEY GENERAL

Democrats



Bob Bullock



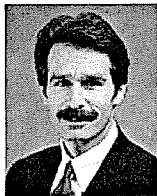
Jack Conway

Republicans

Tim Coleman
www.coleman2007.com

Philip Kimball

Jon Larson



Stan Lee
www.stanlee2007.com

SECRETARY OF STATE

Democrats

S. Bruce
Hendrickson



Dick Robinson
www.docrobinson07.com

MaDonna J. White

Republican



Trey Grayson
www.treygrayson.com

AUDITOR

Democrat



Crit LuAllen

Republican



Linda Greenwell

TREASURER Democrats



Patrick Dunmire

Todd Hollenbach



Mike Weaver

Jack Wood

Republicans



Lonnie Napier



Brandon Smith
www.smithforkytreasurer.com



Ken Upchurch



Melinda Wheeler
www.melindawheeler07.com

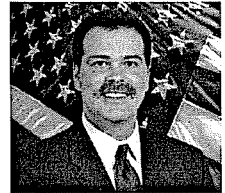
AGRICULTURE COMMISSIONER

Democrats

David Neville

David L. Williams

Republicans



Richie Farmer

Don Stosberg

A report from Frankfort

2007 General Assembly

22 legislative days left

ENERGY ISSUES PICK UP STEAM

Legislators put energy related measures on the fast track this week, as the 2007 short session quickly shifted into gear.



Rep. Rocky Adkins, D-Sandy Hook, wasted no time in filing his energy efficiency package Tuesday when lawmakers reconvened.

House Bill 5 features several energy efficiency, economic development and alternative fuel measures. It is a follow-up to his energy independence bill last year, [HB 299](#).

HB 5 unanimously passed the House Tourism, Development & Energy Committee on Thursday and should go before the full House early next week.



The committee also passed [HB 123](#), sponsored by Rep. Tanya Pullin, D-South Shore.

It would create a voluntary pilot program, funded by the state, to install devices in 300 new homes to show residents how much electricity they are using.

Data collected after 36 months would be compared against similar homes with traditional

meters, to see if the new devices changed energy consumption or homeowners' behavior.



Co-op lobbyists also worked with Rep. Mike Denham, D-Maysville, on a copper theft

bill.

[HB 82](#) would require scrap dealers and other purchasers of copper to keep a register of sellers and make it available to law enforcement agencies.

It appears headed to a hearing on Wednesday in the House Judiciary Committee.

FLETCHER DELIVERS STATE OF THE COMMONWEALTH

Gov. Ernie Fletcher mentioned energy independence as a "major opportunity" in his State of the Commonwealth address Tuesday night.

Fletcher proposed:

- ❖ Tax incentives and credits for state-of-the-art electric and coal-to-liquids facilities
- ❖ Revenue bonds and grants for new facilities that generate clean fuels and energy
- ❖ Extending the clean-coal tax credit for advanced coal-fired facilities, such as IGCC

- ❖ Adopting tax credits for Energy Star products to encourage conservation

Click [here](#) to read the full text of Gov. Fletcher's speech. Click [here](#) to download a video or audio version.

CLOCK TICKING ON NEW BILLS

Today is the last day for legislators to ask the Legislative Research Commission to start work on a new bill.

The last day to file new Senate bills is Friday, Feb. 16. The last day for new House bills is Tuesday, Feb. 20.

Click [here](#) for calendar of the 2007 session.

THE POLITICAL WIRE

Want to know which bills we're tracking? Check out our daily updated bill tracker at *The Political Wire*, the new EKPC Governmental Affairs web site, now available to anyone with an Intranet or Extranet connection.

CONTACT US

Reach [Eric](#) or [Barry](#) at:

Eric's cell: (859) 771-1050
Barry's cell: (859) 229-4072
In Frankfort: (502) 223-7030

A report from Frankfort

2007 General Assembly

17 legislative days left

COPPER THEFT BILL GOES TO SENATE

A bill designed to increase reporting and aid investigations of copper theft passed the full House 97-0 on Friday morning.

HB 82, sponsored by Rep. Mike Denham, D-Maysville, had passed the House Judiciary Committee on Wednesday.

It would require scrap dealers and other purchasers of copper to keep a record of sales and report them to law enforcement agencies within 24 hours of the transaction.



In the hearing, Rep. Denham said the bill is a “good first step” in addressing the growing issue.

Denham also said he is open to looking at further enforcement opportunities next session.

EKPC experienced 21 copper thefts in 2006, at a cost of about \$44,000. There have been some break-ins, but no thefts, in 2007.

TIME RUNNING OUT FOR NEW BILLS

Today is the last day for new bills in the Senate. Tuesday is the last day for new bills in the House. Legislators are off Monday for the Presidents’

Day holiday. Click [here](#) for a full calendar of the 2007 session.

HILDA LEGG NAMED WOLF CREEK LIAISON

Gov. Ernie Fletcher appointed Hilda Legg as his new liaison to local communities and citizens affected by the lowering of Lake Cumberland to repair the leaking Wolf Creek Dam.



Legg, of Somerset, was administrator of the Rural Utilities Service (RUS) from 2001 to 2005.

She will be based in Somerset as “Executive Director of Interagency Services for the Lake Cumberland Region.”

EKPC is working with state and federal officials on the impact to Cooper Station, transmission reliability and availability of SEPA hydropower.

Read the governor’s press release [here](#). Read the Courier-Journal’s Thursday article about possible lower lake levels [here](#).

ENERGY INDEPENDENCE BILL PASSES HOUSE

The full House overwhelmingly passed Rep. Rocky Adkins’ latest energy independence bill on Friday by a vote of 98-0.

HB 5 features energy efficiency measures and incentives for coal-to-gas, coal-to-liquids and alternative fuel projects.

The bill now goes to the Senate, which it is expected to undergo some changes proposed by Gov. Ernie Fletcher.

Adkins, D-Sandy Hook, is the House Majority Floor Leader, and one of the legislature’s experts on energy.

THE QUIZ IS BACK!

There are 138 legislators. But how many people are registered lobbyists this session? Is it:

- a) 724
- b) 669
- c) 602
- d) 493

See the answer on page two!

PILOT METERING BILL WAITING HOUSE VOTE

HB 123, Rep. Tanya Pullin’s pilot metering measure, is still waiting for a vote in the full House.

The voluntary program, funded by the state, would put “digital readout screens” in 300 homes to inform and educate residents about their electricity use.

Data collected after 36 months would be compared against similar homes with traditional

meters, to see if the new devices affected a homeowners' energy consumption.

OTHER CO-OP BILLS OF INTEREST

Service restoration

SB 7, sponsored by Sen. Ed Worley, D-Richmond, would require regulated utilities to assign at least one full-time service restoration employee in each county in which the utility has 500 or more customers. It has not received a hearing in the Senate Agriculture & Natural Resources Committee.

Eminent domain

HB 458, sponsored by Rep. Jim DeCesare, R-Bowling Green, would prohibit cities from using eminent domain to condemn blighted and slum areas. It also changes the co-ops' enabling statutes, KRS 279, however. Co-ops are opposed. The bill appears dead.

Transportation

SB 84, sponsored by Sen. Brett Guthrie, R-Bowling Green, would require employers to notify the state Transportation Cabinet if an employee who has a commercial driver's license fails a drug test. Co-ops have offered an amendment that would remove any liability from releasing the information. The bill appears to have stalled in the Senate Transportation Committee, but could find life since Sen. Guthrie is chairman. HB 150, sponsored by Rep. Tom Burch, D-Louisville, would automatically charge

people with felony reckless homicide if they were fatigued or fell asleep while driving and caused a fatal wreck. It appears stalled in the House Judiciary Committee.

HB 454, sponsored by Rep. Ancel Smith, D-Leburn, would require shippers and receivers of coal to report deliveries and truck weights to the state, or face fines. Fines are waived if a receiver – including power plants – reports overweight shipments within 24 hours. The Kentucky Coal Association is opposed. Similar bills in previous sessions have not received a hearing in the House Transportation Committee.

Conservation easements

HB 354, sponsored by Rep. Robin Webb, D-Grayson, would establish a tax credit for easements to allow public access to private lands for hunting, fishing and other wildlife activities. Co-ops are working with the state Department of Fish and Wildlife to make sure the easements would not impact future utility facilities. The bill also has the support of Gov. Ernie Fletcher. It has been sent to the House Appropriations and Revenue Committee.

Industrial energy facilities

SB 196, sponsored by Sen. Robert Stivers, R-Manchester, would set specific permitting timelines for new industrial energy facilities that cost at least \$750 million at time of construction. Any challenge to those permits also would skip

the circuit court and go directly to the state Court of Appeals. These facilities also would be exempt from the state merchant plant siting board requirements.

Tire-derived fuel

SB 125, sponsored by Sen. Tom Jensen, R-London, would exclude tire-derived fuel from the definition of solid waste. EKPC has been testing tire-derived fuel at its Gilbert Unit in Maysville. The bill passed the Senate Agriculture & Natural Resources Committee on Thursday. Sen. Jensen, who chairs that committee, plans to file a floor amendment to address concerns from Tom Fitzgerald, an environmental attorney and activist.

Clean coal – E.ON

House Resolution 146, sponsored by Rep. Ron Weston, D-Fairdale, “commends LG&E, KU and E.ON US for their commitment to the FutureGen project and the future of clean coal in Kentucky.”

QUIZ RESULTS

According to the Legislative Ethics Commission, there were 669 lobbyists representing 636 employers registered at the end of January. That means there are about 5 lobbyists for every lawmaker in Frankfort.

A report from Frankfort

2007 General Assembly

13 legislative days left

HANG ON! ONLY 13 HECTIC DAYS REMAINING

The 2007 session is more than half over, yet no bills – and only two resolutions – have passed both chambers.

One of the resolutions, SCR 22, involved a procedural measure for the short session calendar.

The other, SJR 16, names part of I-65 as the “Dr. Martin Luther King Jr., Expressway.”

Bottom line – with so much legislation left to consider, look for things to move pretty fast in the next couple of weeks.

Legislators are scheduled to adjourn on March 12 for two weeks, during which time the governor can veto any measure.

They are scheduled to return to Frankfort March 26 and 27 to consider overriding any vetoes.

HOUSE PASSES PILOT HOME METERING BILL

HB 123, the home metering bill sponsored by Rep. Tanya Pullin, D-South Shore, passed the House 100-0 on Thursday.

The voluntary program, funded by the state, would put “digital readout screens” in 300 homes to inform and educate residents about their electricity use.

Data collected after 36 months would be compared against similar homes with traditional

meters, to see if the new devices affected a homeowners’ energy consumption.

The bill now goes to the Senate.

CONSTRUCTION BILL EXEMPTS RUS CONTRACTS

Co-op lobbyists worked this week to obtain an exemption to a fast-moving construction bill that could have posed problems with RUS- approved contracts.

HB 490 sets requirements for construction contracts and payment procedures. It has been titled the “Kentucky Fairness in Construction Act.”



Co-op lobbyists met with the bill’s sponsor, Rep. Brent Yonts, D-Greenville, to express concern

that the requirements could conflict with federal standards and hinder RUS approval.

They also met with lobbyists for the various contractors that are behind the bill, and consulted with former RUS Administrator Hilda Legg of Kentucky. She confirmed the co-op concerns.

All parties agreed to amend the bill to exempt contracts that are provided, insured or guaranteed by RUS, or financed under a lien accommodation by RUS.

The bill, which does not impact residential construction, passed the Licensing & Occupations

Committee on Thursday, and now moves to the full House.

HOUSE PASSES MINIMUM WAGE HIKE

The House voted Wednesday to raise the state minimum wage to \$7.25 an hour over the next two years.

HB 305, sponsored by Rep. J.R. Gray, D-Benton, would increase the wage to \$5.85 an hour this year, \$6.55 an hour in 2008 and \$7.25 an hour in 2009.

The rate would be tied to the federal wage hike – which is being debated in Congress – if that rate exceeds the state wage.

The vote was 89-10. The bill now goes to the Senate, where leaders have said the rate should be addressed in Congress.

LEGISLATORS DECIDE TO STUDY GAS RATE BILL

Click [here](#) to read more of this article from Friday’s Herald-Leader.

“A measure that would have allowed natural gas companies to increase rates annually with little government scrutiny needs more study before becoming law, a committee of lawmakers ruled yesterday.

“The state’s five natural gas distributors said they need the measure to boost profits in a time of declining sales. But a host of consumer advocates said it would leave customers with

little protection from unjustified price hikes.

“The House Tourism Development and Energy Committee declined to vote on the bill. Chairman Eddie Ballard, D-Madisonville, said the matter will receive further study before the legislature meets in 2008.

“House Bill 261, sponsored by Democratic Rep. Carolyn Belcher of Owingsville, would have allowed natural gas utilities to ask for yearly rate increases without going through rate-case hearings before the Public Service Commission, which regulates utility rates in the state.”

CO-OP BILLS OF INTEREST

Copper Theft

HB 82, sponsored by Rep. Mike Denham, D-Maysville, would require scrap dealers and other purchasers of copper to keep a record of sales and report them to law enforcement agencies within 24 hours. It has passed the House and has been sent to the Senate Judiciary Committee.

Energy independence

HB 5, sponsored by Rep. Rocky Adkins, D-Sandy Hook, features energy efficiency measures and incentives for coal-to-gas, coal-to-liquids and alternative fuel projects. It has passed the House and has been sent to the Senate A & R Committee.

Service restoration

SB 7, sponsored by Sen. Ed Worley, D-Richmond, would require regulated utilities to assign at least one full-time service restoration employee in each county in which the utility has 500 or more customers. It has not received a hearing in the Senate Agriculture & Natural Resources Committee.

Eminent domain

HB 458, sponsored by Rep. Jim DeCesare, R-Bowling Green, would prohibit cities from using eminent domain to condemn blighted and slum areas. It also changes the co-ops’ enabling statutes, KRS 279, however. The bill has been curiously sent to the Health & Welfare Committee, and appears dead.

Transportation

SB 84, sponsored by Sen. Brett Guthrie, R-Bowling Green, would require employers to notify the state Transportation Cabinet if an employee who has a commercial driver’s license fails a drug test. Co-ops have offered an amendment that would remove any liability from releasing the information. The bill appears to have stalled in the Senate Transportation Committee, but could find life since Sen. Guthrie is chairman.

HB 150, sponsored by Rep. Tom Burch, D-Louisville, would automatically charge people with felony reckless homicide if they were fatigued or fell asleep while driving and caused a fatal wreck. It appears

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Tire-derived fuel

SB 125, sponsored by Sen. Tom Jensen, R-London, would exclude tire-derived fuel from the definition of solid waste. EKPC has been testing tire-derived fuel at its Gilbert Unit in Maysville. The bill easily passed the Senate this week with a floor amendment that addresses concerns from some environmental activists.

FEBRUARY 2007

Economic Development Process

- Attended Carroll County Community Development Board Meeting on 2/2.
- Met with Owen Electric and NKU Office of Economic Development representative on five county regional program on 2/5.
- Completed *GrowthAndOpportunity.com* website revision on 2/6.
- Met with Toebben Companies president, CDS Associates representative, and Owen Electric staff on promotion of industrial properties on 2/7.
- Met with Southeast Kentucky Regional Business Park Board in Corbin, along with Cumberland Valley RECC staff on 2/7 – concerning possible spec building.
- Attended the Pine Ridge Regional Business Park Board in Campton on 2/9 – concerning future promotion of park and area properties.
- Attended the MMRC Regional Business Park Board on 2/14 in Morehead.
- Attended the Gateway Regional Business Park Board on 2/15 in Jenkins and introduced cooperative marketing program and partnership assistance.
- Initiated web site marketing promotion on 2/15 to site consultants.
- Attended the East Park Regional Business Park Board on 2/19 in Ashland. Introduced cooperative marketing program and partnership assistance.
- Met with Blue Grass Energy staff and Harrison County EDA director on 2/20 concerning economic development opportunities.
- Attended Shelby Propane Plus board meeting in Shelbyville on 2/21.
- Met with Blue Grass Energy staff, Richmond EDA, and Berea EDA directors on 2/22 concerning economic development opportunities and aerial photography of new business parks.
- Met with Carroll and Gallatin County representatives on industrial development cooperation between the two counties. Also met with Switzerland County, Indiana, representatives concerning new industrial property purchased adjacent to Markland Dam on the Ohio River in Gallatin County.

Member Services

- Attended Jackson Propane Plus board meeting in McKee on 2/27.
- Attended Farmers Propane Plus board meeting in Glasgow on 2/28.
- Met with Kentucky Highlands Investment Corporation regarding partnership opportunities for economic development projects. Currently pursuing housing initiative for southeast Kentucky affecting members of three coops.
- Met with representatives of Lexmark to explore donation of printers for schools in member system service territories.
- Participated as member of Executive Committee of the Kentucky Chamber in the formation of a political action committee supporting the betterment of business interests in the Commonwealth.
- Participated in several regional initiatives associated with Commerce Lexington including a “Regional Collaboration Group”, a “Regional Public Policy Group”, as well as Executive Committee and regular Board meetings.
- Coordinated promotion of partnering with the University of Kentucky in a renewable energy program for Bluegrass Community and Technical College.
- Participated on the Steering Committee of Bluegrass Tomorrow for a regional economic study for 18 counties in central and south central Kentucky.
- Continued serving as Vice-Chair, Business for the Science, Technology, Engineering, and Mathematics (STEM) Task Force. This Task Force is chaired by Dr. Lee Todd and is part of the Council on Post-Secondary Education. Its goal is to effect change in Kentucky’s schools to make the state more competitive globally and thus enhance our economic development.

Non-Traditional Power Production Process

- Met with Republic Services to discuss the possible future development on four (4) landfill gas projects on sites owned by Republic. Republic to be back in touch with EKPC in thirty days.
- LFGTE Benchmark meeting with Waste Management comparing O & M costs and issues.
- Pendleton County LFGTE went commercial on 2/1.
- Emissions Testing completed at the Pendleton County LFGTE on 2/7.
- Top end overhauls completed on Hardin Co. LFGTE Units #1, #2 and #3.

Member Services

- SCS Engineers updating 2001 landfill gas projection study to be used for possible development of a LFGTE project at the Maysville-Mason County landfill.
- Met with Monitoring Control and Compliance, Inc. to discuss the wellfield tuning for the Pendleton County site.
- Executed Renewable Energy Credits (REC) Sales Agreement with Three Phase Energy, selling 82,937.46 surplus REC's for the 2006 calendar year.
- Negotiating a sale of 60,000 REC's with APS Energy Services for the 2007 calendar year.

Marketing & Natural Resources Process

- PartnersPlus meeting at Farmers RECC and Grayson RECC.
- Conducted the first meeting of the Demand Side Management Workgroup. This workgroup consists for both member system and EKPC personnel. The purpose is to look at all existing and new DSM programs and make recommendations for 2008 and beyond.
- Attended the Member Services Advisory Committee Meeting to discuss PartnersPlus 2007.
- Met with Transmission and Legal staff to provide support for Phase I Environmental analysis for future transmission projects.
- Hosted a meeting where Greg Fergason (EON) and Roger Gray (Good Cents) presented information about the EON Direct Load Control Program.
- Conducted a residential energy audit with Josh Littrell for Farmers RECC.
- Met with representatives of Eastern Kentucky University biological staff concerning ECU Wildlife program.
- Attended a DSM webcast sponsored by CRN.

Listed below are the Environmental activities for this month:

- Presented approximately 100 Environmental Education Programs to approximately 2,500 people in 7 member service territories.
- *Construction Projects Involving Environmental Activities for February: Smith-Sideview 345/69 kV Substation and Transmission Project, Inez Sub and Tap, Alex*

Member Services

Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Big Creek Sub and Tap, Big Creek – Goose Rock, Burlington Sub and Tap, Garlin Sub and Tap, Woodstock Sub and Tap, Flint Ink Sub and Tap, Girdler Sub and Tap, Deatsville Substation and Tap, Liberty Church Substation and Transmission Line, Conway Sub and Tap, Sterling Sub and Tap, Garrard County Substation.

- Met with RUS officials regarding the Smith – West Garrard 345kV Transmission Line Project.
- Met with Daniel Boone National Forest officials regarding the proposed Big Creek to Goose Rock Transmission Line Project and the Big Creek – Oneida Transmission Line Project.
- Met with the consultants conducting the cultural resource work on the Smith – West Garrard Transmission Line Project.
- Gave a presentation to the Legislative Research Committee detailing the environmental requirements associated with EKPC’s transmission projects.

Member and Corporate Communications Process

- Distributed 40,000 Simple Savings Energy tips to member systems to provide at drive through windows and member office counters. These tips provide energy saving ideas and promote various energy conservation programs.
- Attended a public meeting at the Center For Rural Development hosted by the Army Corps of Engineers to discuss the impacts of lowering Lake Cumberland. Represented EKPC to answer questions from the public.
- Continued sending materials to members to assist in explaining the EKPC rate case and subsequent pass through to member system members.
- Attended employee meeting at Blue Grass Energy to explain the upcoming rate case, fuel adjustment clause roll in and impacts of lowering Lake Cumberland.
- Posted various Fact Sheets about the early retirement program and other organizational changes.
- Distributed the January Fuel Adjustment Clause report with a chart showing the two-year history of the FAC.
- Continued answering media calls about lake levels lowering on Lake Cumberland and about the rate case.

Member Services

- Posted the April InterChange list of stories for member systems optional use in their Kentucky Living inserts.
- Distributed daily stories about the electric industry and Public Service Commission orders to EKPC and member system staff.

Touchstone Energy Brand Management

- Attended Touchstone Energy ALL A Classic Tournament & worked with ECU personnel regarding signage.
- Attended TSE ALL A Banquet.
- Wrote and submitted assessment of media coverage of 2007 TSE ALL A Classic through regional and statewide tournaments.
- Attended Touchstone Energy Regional Partners Winter Meeting.
- Attended Touchstone Energy Strategic Communications Committee Winter Meeting.
- Worked with Communications staff to create ad for April Kentucky Living.
- Produced television commercial for Blue Grass Energy.
- Attended MSAC meeting and updated group on Touchstone Energy growth and programs.
- Completed information for NRECA Organizational Assessment Group.
- Initiated EKPC & member systems annual participation in KET Telefund.

FEBRUARY 2007

Transmission Planning

Summary of Future Transmission Projects Identified as of March 2007

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2007 through 2016):

- 162 miles of new transmission line construction, including 55 miles of new 345 kV line required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 14 new transmission switching substations, including three new 345 kV switching substations required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 168 miles of re-conductor or rebuild of existing transmission line
- 19 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 17 new 69 kV capacitor banks totaling 267 Mvars
- 154 miles of transmission line requiring high-temperature upgrades
- 24 new distribution substations
- 2 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

No significant modifications have been made to these plans since the previous information was provided.

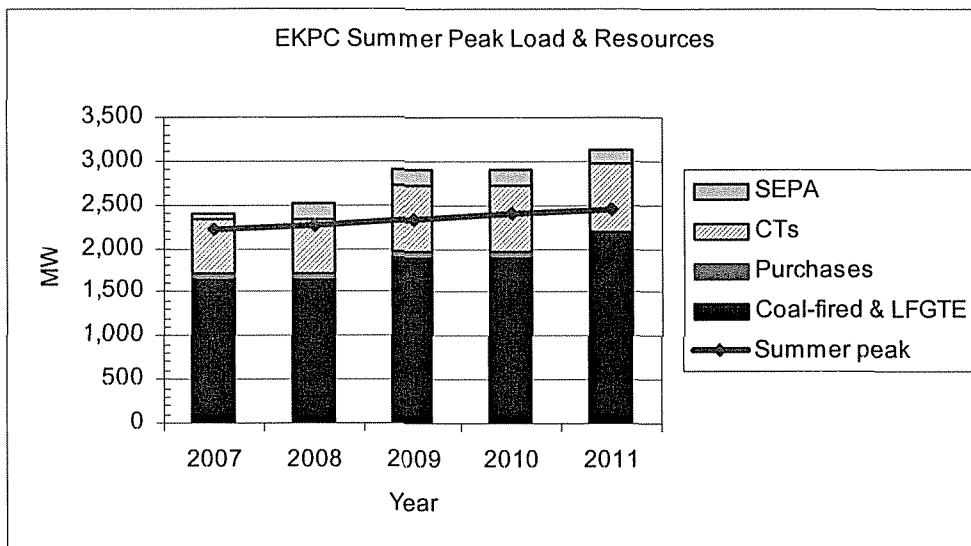
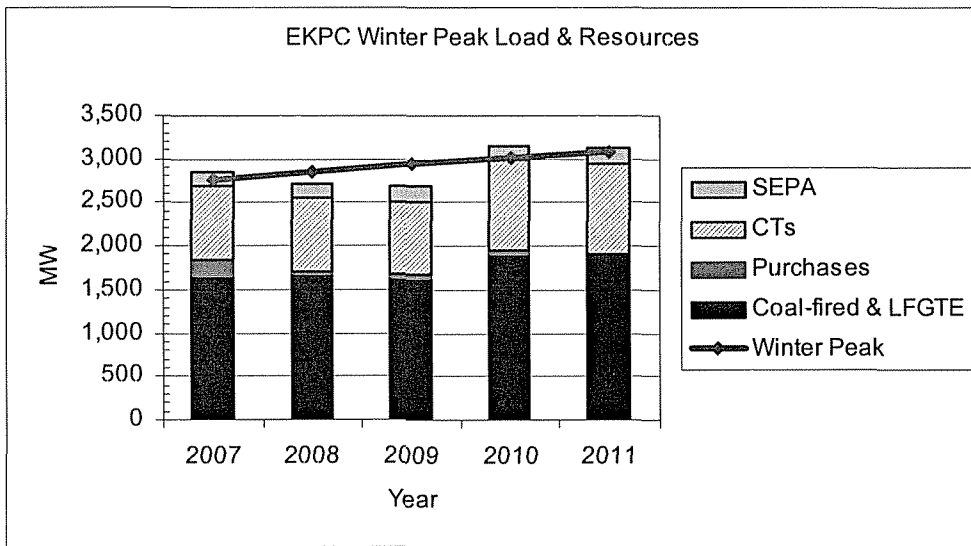
Resource Planning

The following graphs show the projected winter peak load and capacity resources broken down by baseload and other resources. Capacity resources include existing and committed resources as noted following the graphs. The peak loads shown do not include reserves. The winter graph shows that there will be capacity deficits in 2008 and 2009 and tight winter margins in 2010 and 2011 due to delays in adding new capacity. EKPC will need to make some seasonal purchases of transmission and/or power to help cover the peak load and reserves throughout the period. Summer seasonal purchases should not be necessary although it may be economical to purchase transmission to bring in economy power. The graphs assume that Smith CT 8 and 9 will be available by June of 2009 and Smith CFB 1 will be available by June 2011.

Responses to the second round of questions from the PSC and first round from the Attorney General on the 2006 IRP are due March 7.

Power Supply

Resource Planning and Mid Term Planning Staff have been involved in meetings and conference calls with SEPA, the Corps of Engineers, and SEPA preference customers regarding the situation with Wolf Creek Dam and its impact on EKPC's SEPA power allocation. For the remainder of 2007 EKPC will not be able to effectively schedule the 100 MW SEPA allocation from the Cumberland River System. The Corps will operate Wolf Creek to maintain a near constant elevation of 680 feet and generation will be determined by that operation. SEPA's Cumberland System customers will receive energy on a percentage allocation basis that is currently being determined. The Corps will re-evaluate the situation near the end of the year to determine if grouting work is having a positive impact on seepage at Wolf Creek Dam. Since this 100 MW is not dependable, it has been excluded from the Summer 2007 resources below. The 70 MW from Laurel should not be substantially impacted unless rainfall is below normal.



NOTES:

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Pendleton Co. LFGTE came on-line by February 2007.

Smith CTs 8-9 assumed to be on-line June 2009.

Spurlock 4 unit assumed to be on-line in April 2009.

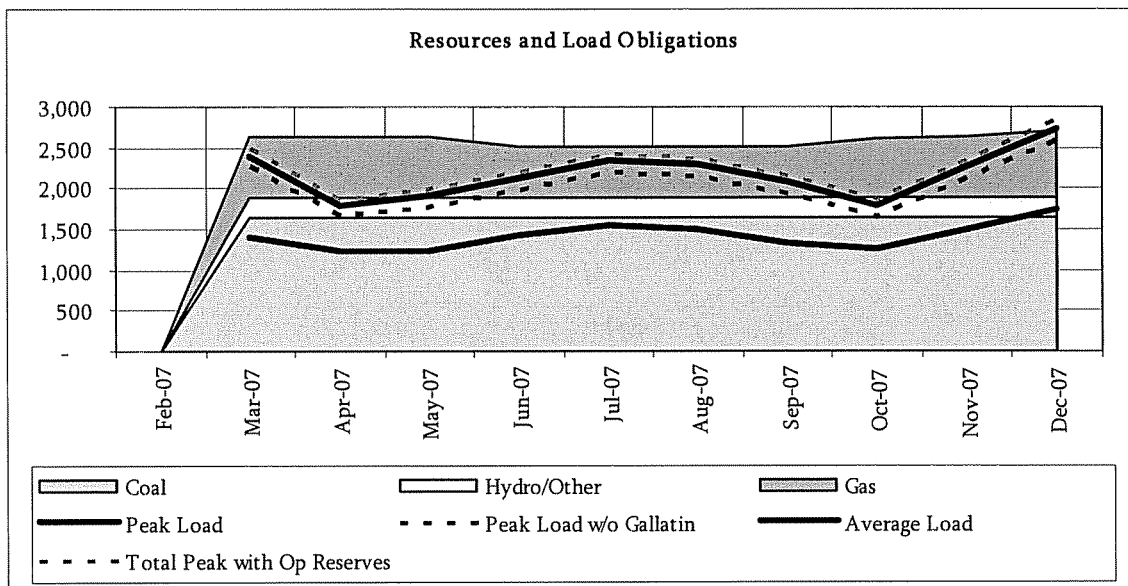
Smith CFB 1 assumed to be on-line June 2011.

Mid-Term Planning

Mid-Term Planning focuses on EKPC's power supply issues from one month out to three or more years. It functions to optimize the use of EKPC's assets for power supply to our Members focusing on the mid-term time frame. We are working with other areas of the company to compile a view of hedging activity that aims to mitigate risk exposure and reduce price volatility. The following list summarizes those activities.

- Coal costs are being hedged by entering into long-term purchase contracts for approximately 75% of our needs. The remaining 25% is locked up by purchase orders on a month to two-year ahead basis. We are investigating other ways to potentially mitigate transportation cost risk.
- Emission allowances are being purchased ahead to build an inventory to average the allowance costs resulting in levelizing that portion of the environmental surcharge.
- Transmission rights are being purchased for the next year to guarantee a transportation flow into our system for the market purchases that will be needed to supply Member's needs.
- Power purchases are being evaluated to estimate our future needs and along with contracts to supply those needs.

Power Supply



In June 2006, EKPC started a Natural Gas Procurement and Price Management Program with Fellon-McCord & Associates. The objective of the program is to mitigate natural gas price volatility, create a known future cost of gas, stabilize fuel adjustment charges, and protect corporate margins and cash flow while obtaining the most reliable gas supply and transportation. EKPC will use a strategy involving fixed price forward natural gas purchases as a means to manage future natural gas price exposure.

- Projected monthly gas usage based on historical data
- Hedge 30% of monthly historical use
- Hedge with financial instruments

Power Supply

MONTHLY REPORT

EKPC Natural Gas Hedging Summary

Delivery	Hedged Quantity	Current Market Price	Average Hedged Price	Current Market Price Less hedged Price	Average Gas Price w/ Hedge*
Month	(Dth)	Price	Hedged Price	Less hedged Price	Hedge*
Jun-06	40,000	6.570	7.170	(0.600)	7.087
Jul-06	140,000	6.099	7.360	(1.261)	7.678
Aug-06	200,000	7.965	7.540	0.425	8.418
Sep-06	0	4.201		4.201	6.429
Oct-06	0	7.153		7.153	7.543
Nov-06	40,000	7.850	8.651	(0.801)	8.536
Dec-06	60,000	8.090	9.210	(1.120)	8.696
Jan-07	80,000	6.764	9.235	(2.471)	8.835
Feb-07	40,000	7.503	9.146	(1.643)	8.009
Mar-07	60,000	7.533	7.774	(0.241)	7.605
Apr-07	0	7.598			
May-07	40,000	7.670	8.015	(0.345)	7.776
Jun-07	60,000	7.775	7.491	0.284	7.690
Jul-07	105,000	7.856	7.966	(0.110)	7.889
Aug-07	150,000	7.913	8.488	(0.575)	8.086
Sep-07	50,000	8.018	8.008	0.010	8.015
Oct-07	0	8.593			
Nov-07	20,000	9.168	10.185	(1.017)	9.324
Dec-07	30,000	9.478	8.868	0.611	9.386
Jan-08	40,000	9.473	8.945	0.528	9.395
Feb-08	10,000	9.248	9.520	(0.272)	9.269
Mar-08	15,000	7.703	7.460	0.243	7.685

* Based on historical gas usage and current market prices.

Mid-Term Planning is closely monitoring the Corps of Engineers repair work at Wolf Creek Dam and the impact that has on EKPC's generation capabilities at Cooper Station and it's power purchase contract with SEPA.

Generation Dispatch

System Peak – EKPC's coincident peak in January 2007 was 2801 MWh, occurring at hour 0800 on the 31st. Member system requirements for the month of January 2007 were 1276606 MWh, a increase of 11.68 % above January 2006. During January, there were 167 fewer heating degree days than normal, temperature was 16.6% warmer than normal.

Forecasting and Market Analysis

- Finalized questionnaires for the Residential Customer Satisfaction Survey. In 2007, member systems have several options for collecting satisfaction data, including overall satisfaction as well as specific transaction satisfaction. 15 member systems are

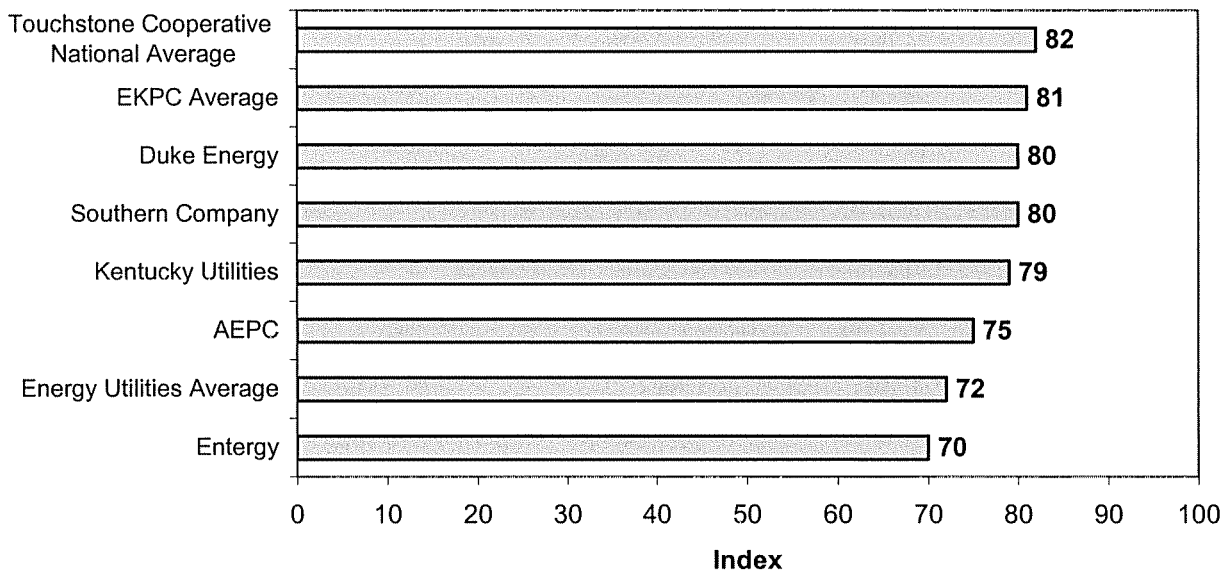
Power Supply

participating.

- American Consumer Satisfaction Index (ACSI) results are presented in the following graph. ACSI scores are modeled by a consultant for Touchstone Energy. Data is collected during the residential customer satisfaction calls. ACSI scores are calculated for cooperatives and investor owned utilities, as well as other industries.

The individual member system scores range from 72 to 86 with the average being 81. The national average for cooperatives in 2006 was 82, while the national average for energy utilities was 72.

2006 ACSI Results



APRIL 2007

MARCH 2007

Finance & Risk Management Process – Frank Oliva, Manager

Treasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On March 30, EKPC had \$102,353,500 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.11% to 5.23%. \$23,272,015 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

As of March 31, a total of 90 bank wires/transfers were initiated for a total amount of \$231,580,899. These bank wires/transfers include cash investments, benefit reimbursements, purchasing card payments, MISO payments, emission purchases, coal payments, contract payments, purchased power, debt service payments, and all expenditures related to payroll.

- Construction Funds

On March 14 and 16, EKPC received the requested advances for a total of \$46,251,000 on the Z-8 FFB Guaranteed Loan for the construction of the Gilbert Unit and its associated transmission facilities. The funds were transferred to the General Funds.

The interest rates on our floating/fixed rate pollution bonds through March 31 were:

- Cooper – 6 Month fixed rate – 3.73%
- Smith – 6 Month fixed rate – 3.55%
- Spurlock – weekly floating rate ranged from 3.61% to 3.74%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of March 31, 6 of the 72 loans remain outstanding with balances totaling \$63,682.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of March 31, EKPC has purchased \$1,566,000 in capital stock and has loaned

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Page 2
March 2007

\$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of March 31 is \$3,345,031.

As of March 31, \$472,471 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. In March, the CFC interest rate for lines of credit was 7.15% and the CFC variable, long-term rate was 7.30%. FFB interest rates on March 30 were 4.53% and 4.83% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on March 30 for the CFC thirty-year long-term fixed rate loan was 7.00%. As of March 30, the interest rate on EKPC's Revolving Credit Facility was 6.15%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared actual-to-budget comparison reports for February 2007 for all departments and business units.

Provided historical, current, and projected volume and cost of coal, oil, gas, methane gas, emission allowances, and purchased power for the Business Management Plan. This information will be used in comparison of historical and projected trends of these large expenses for the cooperative.

Provided additional financial information used in preparation of testimony for the Interim Rate hearing at the Public Service Commission on March 22, 2007.

Completed EKPC's financial ratio comparison for years 2002 through 2006. These financial results will be presented during the 2006 Key Activities Report from the Finance Business Unit to the Board in April 2007. These actions support EKPC's Mission to provide competitive energy to member systems.

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- Financial Planning

The Twenty-Year Financial Forecast and Equity Development Plan for 2007-2026 was approved by the Board of Directors on March 5, 2007.

Provided the revised Twenty-Year Financial Forecast and Equity Development Plan for 2007-2026 to the NRECA National Consulting Group. These actions support EKPC's Mission to provide competitive energy to the member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the CTs, and Smith #1. Builder's Risk insurance has been renewed for Spur #4.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – No open claims.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents continue to be reviewed by EKPC and APM. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC's credit is being reviewed and negotiated for purchases of power, transmission, emission allowances and coal. Risk Management personnel continue to obtain, monitor and manage the credit support provided by trading counterparties, in the form of parental guarantees and payment netting provisions. Agreements are being negotiated with several counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market.

**East Kentucky Power 2006-2007 Business Insurance
as of March 31, 2007**

	<u>Carrier</u>	<u>Coverage Limit</u>	<u>Self-Insured Retention</u>	<u>Annual Premium*</u>	<u>Policy #</u>	<u>Coverage Period</u>
Property	FM Global	\$2,988,269,000	\$50,000 Headquarters \$2,000,000 -All other	\$1,738,831	NC268	3/1/07-3/1/08
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$531,858	X0459A1A06	10/15/06-10/15/07
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$167,697	C0459A1A06	10/15/06-10/15/07
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$8,840	HO740494	10/15/06-10/15/07
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$4,000,000	n/a	\$8,526	EX0118820	10/15/06-10/15/07
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	81151591	10/15/06-10/15/07
Directors & Officers Liability	AEGIS	\$10,000,000	\$500,000	\$59,134	DO459A1A06	11/14/06-11/14/07
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$11,409	104388370	11/14/06-11/14/07
Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year</i> Transit coverage included.	FM Global	\$375,000,000	\$500,000	\$384,329	NC125	10/3/06-10/03/07
ENVISION, LLC						
Professional Liability	Lloyds of London	\$1,000,000	\$5,000	\$3,326	PRO00017306	10/27/06-10/27/07

*Premium includes state surcharge and all taxes unless otherwise noted.

E.A. Gilbert Generation Project Costs thru 2/28/2007

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 2/28/07) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,602,490	\$ 16,290
E6	Feedwater Heaters	Yuba Heat	1,436,000	728,185	(707,815)	737,889	9,704
E8	Deaerator	Ecodyne	225,000	192,500	(32,500)	192,500	-
E11	Condenser	TEI	1,620,000	1,560,662	(59,338)	1,560,662	-
E16	Circ. Water Pumps	Goulds/ITT	796,000	611,700	(184,300)	611,700	-
E17	Condensate Pumps	Flowserve	260,000	232,610	(27,390)	236,056	3,446
E21	Boiler Feed Pumps	Flowserve	1,260,000	1,735,539	475,539	1,708,081	(27,458)
E36	Distributed Control System (DCS)	ABB	2,000,000	4,345,000	2,345,000	3,329,532	(1,015,469)
E101	Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103	Radial Stacker/Reclaimer	Metso Minerals	-	1,815,500	1,815,500	1,956,671	141,171
E131	Transformers	Waukesa/PSD	2,825,000	3,576,441	751,441	3,567,561	(8,880)
E146	Switchgear	Pederson	780,000	3,783,855	3,003,855	3,783,855	0
E201	Boiler Island	Alstom Power	126,900,000	146,725,985	19,825,985	150,957,734	4,231,749
E211	Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,092,380	424,907
E221	Stack	Pullman Power	4,950,000	4,604,000	(346,000)	4,604,000	-
E222	Cooling Tower	Marley Cooling	1,900,000	2,382,600	482,600	2,383,549	949
E251	Piling	Richard Goettle	9,600,000	5,071,757	(4,528,243)	5,071,757	-
E261	Substructure	Baker	-	9,650,846	9,650,846	15,343,775	5,692,929
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,287,552	1,182,452
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	332,611,118	10,651,790
	Escalation of Contracts		\$ 4,490,000		(4,490,000)		
	Contingency		9,880,000		(9,880,000)		
	Boiler Contingency		13,000,000		(13,000,000)		
		Subtotal	\$ 27,370,000	-	(27,370,000)	-	-
		Total Contracts	\$ 292,196,000	321,959,328	29,763,328	332,611,118	10,651,790
Other Costs	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,425,733	1,705,733
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,142,354	642,354
	Spare Parts	EKPC	3,000,000	3,000,000	-	797,778	(2,202,223)
	Site Prep	EKPC	500,000	500,000	-	3,386,927	2,886,927
	Environmental Costs	EKPC	1,275,000	1,275,000	-	554,725	(720,275)
		Total Other	\$ 34,915,000	35,995,000	1,080,000	38,307,517	2,312,517
		Total Contracts + Other	\$ 327,111,000	357,954,328	30,843,328	370,918,635	12,964,306
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		Project Total	\$ 367,611,000	398,454,328	30,843,328	399,521,652	1,067,324

Spurlock #4 Generation Project Costs thru 2/28/2007

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 2/28/07) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 25,752,040	\$ (7,142,960)
F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,122,645	(84,479)
F8	DEAERATOR	Ecodyne	200,000	303,094	103,094	302,460	(634)
F11	CONDENSER	TEI	1,600,000	2,358,510	758,510	2,144,100	(214,410)
F16	CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	494,200	(200,000)
F17	CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	323,505	-
F21	BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36	DISTRIBUTED CONTROL SYSTEM	ABB	4,000,000	3,928,175	(71,825)		(3,928,175)
F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	2,673,705	(44,753)
F71	ASH HANDLING EQ ONLY	United Conveyor	1,500,000	3,121,730	1,621,730		(3,121,730)
F101	ALLOY PIPING AND ALLOY SUPPORTS	BendTec	2,450,000	3,922,297	1,472,297	3,619,571	(302,725)
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	549,589	(2,550,963)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700	301,400	(1,053,300)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	3,902,320	(12,326)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	113,523,301	(80,976,699)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	1,936,600	(10,141,800)
F221	STACK / CHIMNEY	Pullman Power	5,700,000	5,851,000	151,000	99,600	(5,751,400)
F222	COOLING TOWER	Marley Cooling Twr.	2,454,000	3,025,100	571,100	2,833,562	(191,538)
F251	PILING	Richard Goettle	5,650,000	9,270,142	3,620,142	9,270,142	(0)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	16,436,066	(742,410)
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	10,188,433	(197,187)
F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	21,539,689	(78,035,020)
F332	PAINTING		2,500,000		(2,500,000)		-
	Subtotal		\$ 353,770,000	414,081,209	60,311,209	218,176,626	(195,904,583)
	STEEL CONTINGENCY		\$ 10,000,000	\$ 10,000,000	\$ -		\$ (10,000,000)
	F201 BOILER CONTINGENCY		9,025,000	9,025,000	-		(9,025,000)
	F281 BOP CONTINGENCY		7,200,000	7,200,000	-		(7,200,000)
	CONTINGENCY (EXCL F1,F201,F281)		6,887,500	6,887,500	-		(6,887,500)
	Subtotal		\$ 33,112,500	33,112,500	-	-	(33,112,500)
	Total Contracts		\$ 386,882,500	\$ 447,193,709	\$ 60,311,209	\$ 218,176,626	\$ (229,017,083)
Other Costs	Engineering Design	Stanley	\$ 16,270,000	\$ 16,200,000	\$ (70,000)	\$ 7,976,153	\$ (8,223,847)
	Owners Cost	EKPC	20,000,000	20,000,000	-	7,928,385	(12,071,615)
	Spare Parts	EKPC	-	-	-	-	-
	Site Prep	EKPC	-	-	-	2,216,611	2,216,611
	Total Other		\$ 36,270,000	\$ 36,200,000	\$ (70,000)	\$ 18,121,150	\$ (18,078,850)
	Total Contracts + Other		\$ 423,152,500	\$ 483,393,709	\$ 60,241,209	\$ 236,297,776	\$ (247,095,933)
Interest During Construction	IDC		46,546,775	46,546,775	-	11,039,290	(35,507,485)
	Fuel Credit during Commissioning						(1,979,134)
	Project Total		\$ 469,699,275	\$ 529,940,484	\$ 60,241,209	\$ 247,337,065	\$ (282,603,418)

Finance

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March 2007

Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 1,241 checks during March, totaling approximately \$60,102,000.

The two-year fuel adjustment clause hearing was held on March 14, 2007. EKPC proposed to use the March 2006 expense month as its new basing point. A final order is expected within the next two months.

EKPC participated in settlement negotiations with the Attorney General, KIUC, and the Sierra Club relating to interim rate relief in the rate . The PSC held a hearing on March 22 to determine whether or not interim rate relief should be granted.

Crowe Chizek reviewed a draft of the financial statements and other reports at the March 5 Audit Committee meeting.

EKPC submitted the 2006 Form 12 to the RUS and the 2006 FERC Form 1 to the PSC.

Finance

MONTHLY REPORT

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**East Kentucky Power Cooperative
Fuel Adjustment Comparison with Kentucky Utilities
As of February 28, 2007**

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/Credit \$/mwh
Sep-05	20.25	29.12	8.87	18.10	24.80	6.70
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31
Dec-05	20.25	33.34	13.09	18.10	20.73	2.63
Jan-06	20.25	27.81	7.56	18.10	20.13	2.03
Feb-06	20.25	27.13	6.88	18.10	22.50	4.40
Mar-06	20.25	26.38	6.13	18.10	25.30	7.20
Apr-06	20.25	27.37	7.12	18.10	24.18	6.08
May-06	20.25	27.91	7.66	18.10	25.33	7.23
Jun-06	20.25	24.96	4.71	18.10	26.39	8.29
Jul-06	20.25	26.08	5.83	18.10	27.57	9.47
Aug-06	20.25	27.85	7.60	18.10	31.09	12.99
Sep-06	20.25	27.00	6.75	18.10	23.18	5.08
Oct-06	20.25	22.81	2.56	18.10	25.91	7.81
Nov-06	20.25	25.40	5.15	18.10	22.49	4.39
Dec-06	20.25	27.14	6.89	18.10	21.84	3.74
Jan-07	20.25	28.24	7.99	18.10	22.10	4.00
Feb-07	20.25	35.19	14.94	18.10	24.31	6.21

Materials Management

- All replacement orders for employee uniforms have been submitted.
- Work continues on the disbursement of materials purchased for the Warren project.
- Charlie Horton and Rick Combs began serving on the newly formed Materials Standards Committee.
- Charlie Horton and Brenda Eames attended the NRECA TechAdvantage Conference and the G&T Supply Chain Roundtable held in conjunction with the conference.
- Jim Carey accepted the Warehouse Technician position, and David Smith is working as a temporary laborer/driver at the Warehouse.

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The Winchester Warehouse inventory increased in February by \$44,903, with an ending balance of \$12,888,701. Stock-related material handled during the month totaled \$786,120, and included material for fourteen (14) Power Delivery Expansion projects, and credits for nine (9) projects. 6,220 gallons of fuel was pumped at the fuel facility during February. No fuel was purchased.

Payroll

In addition to our normal duties, payroll began work on the first quarter taxes. The department continues to train employees on the time and labor module.

Plant Accounting

Work continues on the 2006 Property Tax Return. We have transitioned Mary Segress' job responsibilities to other team members, as a result of her retirement. We are also in the process of scheduling the 2007 Physical Inventories for all locations.

Internal Audit & Performance Measures – Graham Johns, Coordinator

Internal Auditing for Member Systems

Inter-County Energy Cooperative—Completed an internal audit of work force management and productivity and delivered the report to management. An audit of depreciation will begin in early May.

Clark Energy Cooperative—Will begin an internal audit of security on April 17.

Jackson Energy Cooperative—Upcoming audits include wage and salary administration and work force management and productivity.

Cost Comparison

Completed a comparison of revenue and cost per MWh for EKPC and neighboring utilities for 2005.

Finance

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March 2007

Vehicles and Transportation

Performed follow-up work pertaining to the cost containment study of vehicles and transportation.

Credit Union Process – Brian Tyler, Process Owner

February 2007 Financial Report

Loans	14,403,345.45
Investments	3,388,783.32
Total Assets	18,416,671.93
Liabilities	1,959,689.13
Deposits	13,837,904.45
Equity	2,283,850.66
Interest on Loans	66,110.29
Investment Income	14,543.46
Total Income	90,023.85
Total Expenses	86,824.45
Retained Earnings	3,199.40
YTD Retained Earnings	7,270.32

Credit Union Elections

The Credit Union held it's annual meeting on Wednesday, March 28, 2007. George Carruba, Board President, called the meeting to order and proceeded thru the agenda, providing information about the accomplishments of 2006 and what we can look forward to in 2007. Following the treasurer's report, members in attendance heard from the supervisory committee and the credit committee. Brian Tyler, Credit Union Manager, provided information about the survey completed in the summer of 2006 and then announced the results of the election. Finally, Sue Oliver, Credit Union Specialist, presented the Credit Union's Financial Literacy Program to all in attendance.

George Carruba and Charlene Carle were re-elected to the Board of Directors, along with Eddie McNutt who was elected to his first term on the Board. Cindy Wright and Pat McKay were re-elected to the Credit Committee. Jim McCarty

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was elected by acclamation to continue to fill the vacant seat on the Board of Directors

dge/dd
c: Directors & Alternate Directors
Executive Staff
Finance Staff

G&T Operations – Power Delivery

MARCH 2007

POWER DELIVERY – OPERATIONS – GEORGE CARRUBA, MANAGER

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery Unit’s efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

Outage Reports for February 2007 – EKPC Power Supply outages have accounted for .05 consumer hours out year-to-date. Of these, none were scheduled and .05 were emergency outages and none were due to major storms. For the month of February, we experienced five emergency outages affecting 10 substations and six member systems. One scheduled outage occurred and 10 line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through February 2007, our reliability measure, ASUI is 2.49 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - THIS MONTH
February 2007**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	3-75%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
OWEN	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	1-100%
SHELBY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	4-40%	0-0%	1-10%	1-10%	0-0%	3-30%	0-0%	1-10%	0-0%	0-0%	0-0%	10-100%

TLIN=Transmission Line Equipment Failure
 TSUB=Transmission Sub Equipment Failure
 DSUB=Distribution Sub Equipment Failure
 WTHR=Storm/Weather Related

ROW=Right-Of-Way
 ABO=Accident By Outsiders
 PERR=Personnel Error
 MOPS=Mis-operation of Protection Scheme

VAND=Vandalism
 WILD=Wildlife
 SIMP=System Improvements

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - YEAR TODATE
February 2007**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	3-75%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
SALT RIVER	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
SHELBY	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	1-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	5-38%	0-0%	1-8%	1-8%	0-0%	5-38%	0-0%	1-8%	0-0%	0-0%	0-0%	13-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
FEBRUARY 2007 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours Out			Company	Description	
Emer/Sched 02/13/07 20:49 Emergency	1 h 22 m 1,959	2,677	8,639	N69 Hebron Owen			Storm / Weather Related : Ice A static wire broke in the section of line between EK Hebron-Constance of Miami Fort-Crescent 138 kV transmission line (circuit #7086) due to heavy ice conditions.
02/16/07 2:09 Emergency	4 h 32 m 2,334	10,581	36,507	S23 Peyton's Store Inter-County			Distribution Sub. Equip. Failure : Switch An arc developed in line disconnect switch contacts on OCR #614, damaging OCR & jumpers, three 25 kV disconnect insulators, and 4 suspension insulators in secondary bus. Two primary fuses operated.
02/20/07 14:25 Scheduled	0 h 22 m 1,993	292	362	S33 Bass Taylor County			System Improvements : Maintenance Maintenance personnel found a broken cap and pin type insulator on high side fuses (S&C), working with Taylor County personnel to prevent complete station outage.
02/23/07 15:20 Emergency	0 h 3 m 1	0	1,909	W8 Kargle #1 0 Nolin			Accident by Outsiders : Logger A logger cut a tree which fell onto Vertrees tap at STR.# CL-39 of Stephensburg-KU Elizabethtown 69 kV transmission line.
02/23/07 15:20 Emergency	0 h 3 m 1	0	600	W8 Kargle #2 0 Nolin			Accident by Outsiders : Logger A logger cut a tree which fell onto Vertrees tap at STR.# CL-39 of Stephensburg-KU Elizabethtown 69 kV transmission line.
02/23/07 15:20 Emergency	4 h 11 m 1,771	4,967	9,619	W2 Vertrees 1 Nolin			Accident by Outsiders : Logger A logger cut a tree which fell onto Vertrees tap at STR.# CL-39 of Stephensburg-KU Elizabethtown 69 kV transmission line.
02/24/07 19:05 Emergency	0 h 5 m 1,631	136	200	W6 Blue Lick 3 Salt River			Mis-operation of Protection Scheme : Relay Failure Received breaker alarms indicating that LGEE Mud Lane 6676 to LGEE South Park 6676 transmission line had relayed out. Blue Lick substation off. Secondary relays of 6676 LGEE Mud Lane-LGEE South Park tripped for a temporary line fault. The secondary relays do not permit auto reclosing, this resulted in an outage. The primary relays failed to see this fault.

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

FEBRUARY 2007 for Entire System

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
02/25/07 0:01 Emergency	0 h 38 m 40	25	1,825	w8 Mercer County 2 Blue Grass	Transmission Line Equip. Failure : Pole Top of a pole broke allowing static to make contact with conductor in line section between Ballard-Newby at STR. #L-47 of Dale-N. Springfield 69 kV transmission line.
02/25/07 0:01 Emergency	0 h 38 m 2,158	1,367	2,712	w5 Ballard 6 Inter-County	Transmission Line Equip. Failure : Pole Top of a pole broke allowing static to make contact with conductor in line section between Ballard-Newby at STR. #L-47 of Dale-N. Springfield 69 kV transmission line.
02/25/07 0:01 Emergency	0 h 38 m 1,141	723	1,637	w8 H. T. Adams 1 Inter-County	Transmission Line Equip. Failure : Pole Top of a pole broke allowing static to make contact with conductor in line section between Ballard-Newby at STR. #L-47 of Dale-N. Springfield 69 kV transmission line.
02/25/07 0:01 Emergency	0 h 38 m 2,576	1,631	2,206	w0 Perryville 2 Inter-County	Transmission Line Equip. Failure : Pole Top of a pole broke allowing static to make contact with the conductor in line section between Ballard-Newby at STR. #L-47 of Dale-N. Springfield 69 kV transmission line.
TOTAL	15,605	22,400	66,216	Average Hours Outage Per	0.04
YEAR TO DATE	21,332	24,903	73,574	YTD Avg Hrs Outage Per	0.05
TOTAL CONSUMERS SERVED = 507,747					

**EAST KENTUCKY POWER COOPERATIVE
POWER SUPPLIER OUTAGE REPORT
February 2007**

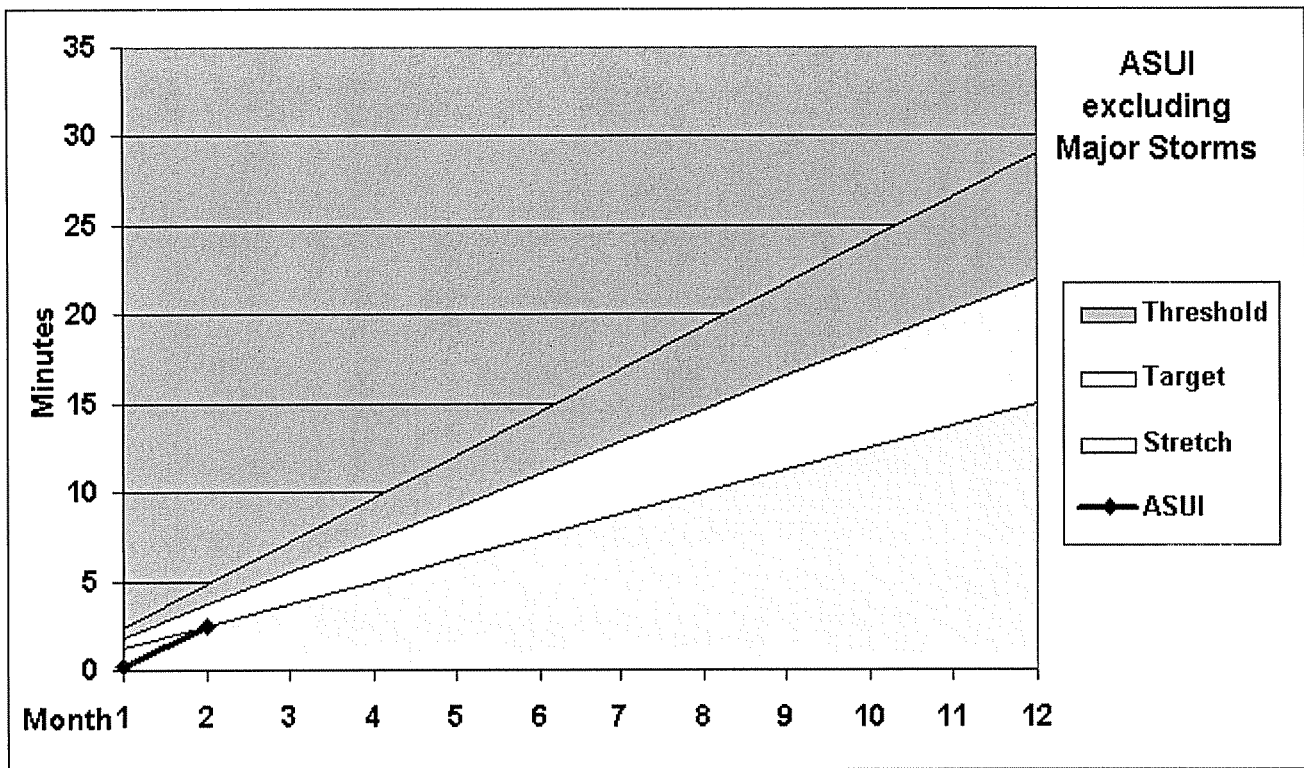
AVERAGE HOURS OUTAGE PER CONSUMER

	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.00	0.00	0.00	0.00	0.00	0.00
CLARK	0.00	0.00	0.00	0.00	0.00	0.00
CUMBERLAND VALLEY	0.00	0.00	0.00	0.06	0.00	0.06
FARMERS	0.00	0.00	0.00	0.00	0.00	0.00
FLEMING-MASON	0.00	0.00	0.00	0.00	0.00	0.00
GRAYSON	0.00	0.00	0.00	0.00	0.00	0.00
INTER-COUNTY	0.55	0.00	0.55	0.55	0.00	0.55
JACKSON	0.00	0.00	0.00	0.00	0.00	0.00
LICKING VALLEY	0.00	0.00	0.00	0.00	0.00	0.00
NOLIN	0.16	0.00	0.16	0.16	0.00	0.16
OWEN	0.05	0.00	0.05	0.05	0.00	0.05
SALT RIVER	0.00	0.00	0.00	0.00	0.00	0.00
SHELBY	0.00	0.00	0.00	0.09	0.00	0.09
SOUTH KENTUCKY	0.00	0.00	0.00	0.00	0.00	0.00
TAYLOR COUNTY	0.00	0.01	0.01	0.00	0.01	0.01
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.04	0.00	0.04	0.05	0.00	0.05

EKPC POWER SUPPLIER OUTAGES have accounted for .05 consumer hours out year to date. Of these .0 were scheduled, .00 were due to major storms, and .05 were other emergency outages.

AVERAGE SERVICE UNAVAILABILITY INDEX Report for 2007 (ASUI)

<u>Month</u>	<u>ASUI</u>	<u>Excluding Major Storms</u>	<u>Excluding Major Storms & Foreign Utility</u>	<u>Threshold</u>	<u>Target</u>	<u>Stretch</u>
January	0.27	0.27	0.15	2.42	1.83	1.25
February	2.49	2.49	2.08	4.83	3.67	2.50



POWER DELIVERY-MAINTENANCE – RICK DRURY, MANAGER

The main purpose of Power Delivery-Maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	¹Year-To-Date Results	¹Year-To-Date Goal	Yearly Goal
Safety				
Accidents	Lost Time Accident Rate	4.20	0.50	3.0
Inspections	Avg. Inspection Rating	N/A ²	N/A ²	98%
Electric Service				
Duration	ASUI (without major storms)	2.49	3.67	22 min.
Cost Effective				
Cost	Operating Cost	\$942,686	\$1,359,359	\$8,568,776
	Capital Project Cost	\$209,693	\$639,306	\$2,907,961

Notes:

1. Year to date results and goals through February 28, 2007
2. These performance measures are not available for 2007.

POWER DELIVERY – EXPANSION – Mary Jane Warner, Manager

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

(h:March07Report.doc)



Power Delivery Expansion MARCH PROJECT SUMMARY 2007

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\R/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Alex Creek 5.6/6.44 MVA Substation	S	●	○	●	●	●				12/01/07		
Alex Creek Tap 69 kV, 1.4 mi.	L	●	□	○	□	□				12/01/07		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							12/01/07		
Beattyville Rebuild, 15/20/25 mVA (CANCELLED)	S	●		○	●	❖				05/01/07	Project Cancelled	
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●		❖	❖	○				12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖	N/A	N/A	○	N/A			12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	●	●	●	□				12/01/07		
Tap, 10 mi.	L	●	●	□	□	●	□	❖		12/01/07		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●	□	□	□	●	○	❖		09/01/07		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●	□	○	●	❖				05/01/07		
Tap .19 mile	L	●	●	□	□	□				05/01/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A	●	N/A	○		05/01/07		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●	○	○	●	●				06/01/07		
Conway Tap 0.2 mi.	L	●	□	●	□	□				06/01/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	●	●	●	●	●	○	○	04/15/07		
Cynthiana Normally Open 69 kV Tap and Switch	L	●	○	○	○	○				04/01/07		
Deatsville 11.2/14 MVA, 69-12.5 kV Distr. Sub	S	●	○	○	○	❖				05/01/07		
Tap, 0.2 mi	L	●	○	○	□	□				05/01/07		
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	●	●	●	●				05/01/08		
Tap 4.0 mile	S	●	○		□	❖				05/01/08		
Fall Rock 161/69 kV 100 MVA Sub.& Install 3-69 kV Brks	S	●	N/A	N/A	N/A	□				05/01/08		
Flint Ink 69-12.5 kV, 11.2/14 MVA Sub	S	●	□	□	□	○				05/01/08		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●	●	●	●	❖				12/01/07		
Tap, 0.5 mi	L	●	●	●	●	□	N/A			12/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	●	●	●		06/01/07		
Tap	L	●	●	□	●	●	□	❖		06/01/07		
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	●		03/01/07	03/19/07	
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●	●	●	●	●	●	●	●	03/01/07	03/19/07	

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
MARCH PROJECT SUMMARY
2007**

Projects		PDE Team in Charge of Project	Project Justification/WP Amendmen	Permits/Environmental/Soil Testing	Siting/R/W Acquisition	Survey	Design/Drafting	Initial R/W Clearing	Construction	Inspection/Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D													
Girdler 11.2/14 MVA, 69-13.2 kV Sub		S	●	○	●	●	○				12/01/07		
<i>Tap, 3.5 mi</i>		L	●	○	❖	○	○				12/01/07		
Inez Sub (Site Acquisition Only)		S	●	❖	●	○	N/A	N/A	N/A	N/A	12/01/06		Complete
<i>Tap 69 kV - 6.0 mi.</i>		L	●	○	□	□	●	❖			05/12/07		
J.K. Smith-N.Clark 345kV Trans line 19 mi		L	●	●	●	●	●	●	□	□	06/01/07		
J. K. Smith 138 kV/345 DC Tie Line # 1		L	●	N/A	N/A	□	□				06/01/07		
J. K. Smith 138 kV/345 DC Tie Line # 2		L	●	N/A	N/A	□	□				06/01/07		
J. K. Smith CT Substation 345 kV		S	●	N/A	N/A	●	●	N/A	□		06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications		S	●	N/A	N/A	N/A	●	N/A	●	□	04/01/07		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.		L	●	●	●	●	●	□	○		05/15/07		
KU Bedford Tap		L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Liberty Church 11.2/14 MVA, 69-13.2 kV Sub		S	●	●	□	●	❖				11/16/07		
<i>Tap, 1.8 mi</i>		L	●	○	○	○	○				11/16/07		
North Clark (Sideview) 345 kV Transmission Station		S	●	●	●	●	●	●	□		06/01/07		
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.		S	●	N/A	N/A	N/A	●	N/A	❖		11/01/07		
<i>Pine Grove # 2 Tap 69 kV, 0.1 mi.</i>		L	●	❖	N/A	❖	❖				11/01/07		
Rowan Co. 138 kV Breaker Addition		S	●	N/A	N/A	N/A	●	N/A	●	●	01/02/07		11/06
Snow Hill 69-25 kV, 11.21/14 MVA Sub		S	●	●	●	●	●	●	❖		06/01/07		
<i>Tap .20 mi</i>		L	●	●	●	□	●				06/01/07		
South Point 69-12.47kV, 11.2 Sub		S	●	●	●	●	●	●	●	●	12/15/06	12/04/06	02/23/07
<i>Tap</i>		L	●	●	●	●	●	N/A	●	●	02/06/07		02/23/07
Spurlock #4		S	●	●	N/A	N/A	●	N/A			02/15/08		
Sterling 138-12.5 kV 12/16/20 MVA		S	●								10/01/07		
Tyner-Fall Rock Transmission Line 69kV 12 Mi.		L	●								05/01/08		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
MARCH PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP	Amendmen	Permits\Environmental\Soil Testing	Siting\R/W Acquisition	Survey	Design\Drafting	Initial R/W Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D													
W. Bardstown Jct. 69 kV BKR Station	S	●	●	●	●	●	●	●			09/01/07		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	N/A	N/A	N/A	●	N/A	●	○		05/01/07		
W. Nicholasville Tap 69 kV, .04 mi	L	●	●	N/A	○	○					05/01/07		
Web's Cross Roads 69-12.5 11.2/14 MVA Sub	S	●	●	●	●	●	●	●	●	●	02/01/07	Complete	
Web's Cross Roads Tap .30 mi.	L	●	●	●	●	●	●	●	●	●	02/01/07	Complete	
Woodstock 11.2/14 MVA Substation	S	●	●	●	●	○					12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●	○	○	□	○					12/01/07		
STATION UPGRADES													
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●		12/01/07		
McKinney Corner Substation Upgrade	S	●									05/01/08	Project Cancelled	
CAPACITOR BANKS													
Denny 33.165 MVAR 69 kV	S										06/01/08		
Headquarters 6.123 MVAR	S										12/01/08		
Pulaski Co.(Norwood) 18.0 MVAR Cap Bank&Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●		12/01/06		01/22/07
Tyner 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	●	N/A	□			03/15/07		
Tommy Gooch 12.25 MVAR 69 kV Cap Bank	S	●	N/A	N/A	●	❖	N/A				03/15/07		
RECONDUCTORS													
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●									12/01/07		
Davis Jct.- Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●									05/01/12		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●									05/01/09		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	○	○		09/01/06		
Hickory Plains - PPG 69kV Recond, 556.5 2.5 mi	L	●									12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●									12/01/10		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●									04/01/07		
Tyner-North London ReblD.954MCM 69kV,16.71mi	L	●									01/02/09		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●									05/01/09		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A				05/01/07		
Davis Jct.-Fayette 3.5 Miles	L	●									05/01/12		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team

MARCH 2007

Engineering

Engineering is supporting the construction of the Smith Power Station Unit No. 1, combustion turbines, and Spurlock Power Station Unit No. 4.

Engineering is also supporting the construction of the scrubbers at Spurlock Power Station. Mitigation of low water levels on Lake Cumberland at Cooper Power Station is also receiving support from the Engineering group.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

The administrative hearing has concluded on the Spurlock Power Station Unit No. 4 Air Quality Construction Permit. The Sierra Club is appealing the issuance of the permit. The Judge will make a recommendation to the Secretary of Natural Resources by April 16, 2007. The main issue of concern is the level of NO_x control proposed for the facility. Sierra Club asked for a 0.033 lbs./MMBtu NO_x Limit.

The U.S. Forest Service met at Cooper Power Station concerning the possibility of burning refuse from abandoned coal mines in the National Forest. Discussions are continuing. EKPC has now moved into the coal sampling and analysis phase. This phase will determine if the coal is of high enough quality to use. The Forest Service has collected coal samples from various gob piles. EKPC's Central Lab has analyzed the samples and sent results to the work group.

Discussion continues with the Division of Water concerning violations of storm water discharge at the Yeiser Industrial site. Some ash was lost during the heavy rains earlier in the year. The Division of Water has turned the case over to the Division of Enforcement.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

G&T Operations—Power Production

MONTHLY REPORT

Production Monthly Report

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March 2007

Dale Power Station

Dale Power Station has generated a total of 199,509 net MWh through February 28, 2007. Unit No. 1 was on-line and fully available until March 23rd. The unit was forced off-line due to a water wall tube leak. The unit was back on-line March 26th and fully available the remainder of the month. Unit No. 2 and Unit No. 3 were on-line and fully available the entire month. Unit No. 4 was on-line and fully available until March 2nd. The unit was scheduled off-line for spring outage. The unit was back on-line March 15th. At this time the unit was tripped due to loss of flame. The unit was back on-line the same day and fully available until March 18th. The unit was then forced off-line due to an economizer tube leak. The unit was back on-line the 19th and fully available the remainder of the month.

Dale personnel assisted the CT Site with water treatment needs. All departments at Dale performed preventative maintenance on Dale Units No. 1 and No. 4 during the scheduled and unscheduled outages.

The Allen Company started dewatering the No. 2 ash pond to get ready to start removing the ash. Enerfab were also on-site to make boiler repairs to Dale Unit No. 4 during the spring outage, and B&W were on-site during the spring outage to inspect Unit No. 4 boiler. RTW Industrial was on-site to repair refractory in Dale Unit No. 4 wetbottom.

Steve Hays of Factory Mutual was on-site for the annual inspection of Dale Unit No. 4 boiler.

Other routine preventive maintenance was performed plant-wide by Dale Power Station's personnel.

First Aid and CPR/AED Classes were held for employees at Dale Power Station. Leadership Training Classes were also held at the plant.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Production Monthly Report

Page 3

March 2007

J.K. Smith Power Station

The combustion turbines have generated a total of 78,858 net MWh through February 28, 2007.

All units were available the entire month of March.

Preparation and planning are ongoing for Smith Unit No. 1 CFB and CTs No. 8 and No. 9.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is ongoing at J.K. Smith.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Cooper Power Station

Cooper Power Station has generated 388,013 net MWh through February 28, 2007. Unit No. 1 was scheduled off-line to repair a steam leak in the air ejector and clean the condenser. The unit was back on-line the same day and fully available the remainder of the month. Unit No. 2 was on-line and fully available until March 22nd. The unit was forced off-line to repair a boiler tube leak. The unit was back on-line and fully available the remainder of the month.

FMSM Engineering has completed a hydrographic survey of the lake near the station. They have also completed the core drilling of the lake and for the cooling water towers. These studies provide design information for Stanley Consultants. Price quote options for the low lake water operations has been presented by Stanley Consultants. At this time they are being review by EKPC's management. This will be presented at the April 10th Committee and Board Meeting.

Production Monthly Report

Page 4

March 2007

Cooper Power Station (Continues)

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of March. Some of the tasks that were completed were collected oil samples, checked condition of batteries in the battery room, serviced all conveyor main bearings, inspected and serviced sample building equipment, serviced No. 1 and No. 2 fluidizing compressors, and inspected circulating water pump magnetic drive brushes.

Other routine preventive maintenance was performed plant-wide by Cooper's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 1,441,770 MWh through February 28, 2007. Units No. 1, No. 2, and No. 3 were on-line and fully available for the month of March.

Maintenance work for March included regular routine maintenance tasks as well as planning for the upcoming outages.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Human Resources & Support Services

MARCH 2007

EKPC: To provide reliable and competitive energy and member services.

Unit: To serve and assist the Cooperative, it's employees, the Member Systems, and External Customers by:

- Managing Costs
- Ensuring the safety, well-being, and development of EKPC employees
- Providing appropriate corporate staffing requirements
- Providing effective communications
- Complying with all laws and regulations

Human Resources, Facilities Management, Corporate Support Services

1. Managing Costs

Significant Results:

- **Budget management** – Centers 032, 040, 041, 043, 046, 047 are over budget \$45,580 through February 2007
- **Cost containment** – All non-critical costs are being delayed.

2. Ensuring the safety, well-being, and development of EKPC employees

Significant Results:

- Employees were provided assistance in advanced educational learning pursuits increasing their value to the Cooperative.
- Managers were updated and educated on critical issues affecting EKPC operations through the Leadership Development Program.
- OSHA Lost Time Accident Rate through February 28th is 0.38.
- 5 work groups will receive recognition from KAEC for completing 2006 without a Lost Time Accident: Spurlock Power Station, Winchester Service Center, Bardstown Service Center, Crittenden Service Center, and the Heavy Equipment Crew.

3. Providing appropriate corporate staffing requirements

Significant Results:

- **Positions Filled:**
 - Computer & Instrument Technician @ Spurlock – Nicholas DeVore
 - Environmental Instrument Technician @ J.K. Smith – Roy Furby (transfer)

- **Positions open:**
 - Construction Project Manager @ Spurlock
 - Senior Engineer (Production)
 - Senior Engineer – EMS
 - Environmentalist
 - Construction Technician Crew Leader
 - Electrician @ Spurlock
 - Engineer – Operations (reposted)
 - Maintenance Mechanic @ Cooper (reposted)
 - 2 – LAN/PC Support Specialist
 - Warehouse Technician
 - Maintenance Mechanic @ Cooper
 - Maintenance Mechanic @ Spurlock
 - Maintenance Mechanic – Welder @ Spurlock
 - Heavy Equipment Technician
 - Electrician @ Spurlock
 - Telecommunications Technician
 - Landfill Generating Plant Operator @ Bavarian
 - Four (4) Coal Yard Operators @ Spurlock
 - Auxiliary Operator @ Dale
 - Lab Technician @ HQ
 - Substation Technician – Relay @ HQ
 - Two (2) Construction Technicians @ HQ

4. Providing effective communications

Significant Results:

- Communicated the details of the new Long Term Disability program to all employees through written communication.

5. Regulatory compliance

Significant Results:

- Finalized the 2007 Affirmative Action Program and discussed with Leadership the changes in utilization.

Human Resources & Support Services

6. Member Systems Support

Significant Results:

- Provided resources and information related to various training requests.

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Benefits – Completed new setup for Early Retirements. Updated Billing to G/L Interface to send payments to G/L after SERP has ended. Corrected COBRA letter so that it will print correctly for LTD participants. Corrected problem of SERP terminating when a job data row was entered on certain employees. Working on Annual Personalized Benefit & Compensation Statements.
- ◆ Payroll – Issue arose with run controls for leave usage reports to supervisors. Run controls are now permanent for each individual user. Reviewing all run controls for HR to have users cleanup prior to upgrade. Analyzed tables to archive and did a test in development to ensure all tables will be in sync once tables dependent on one another are archived. Certain tables were too large for development once the data was refreshed in development and test and had to be archived. No tables will be archived that need to go thru the conversion process of the upgrade or until a retention process is established. Testing of early retirements and retirees leave usage in payroll. Reviewing queries for upgrade.
- ◆ Human Resources – Created Crystal Reports to generate Succession Planning Worksheets for each business unit. Updated Workforce Analysis and Planning Worksheets. Updates made to Workforce Analysis and Planning website.
- ◆ HRMS 9.0 Upgrade – The hardware has been setup and the 8.48 PeopleTools software has been installed. A test upgrade of the new version of PeopleTools was successfully completed on a copy of our production database. We are waiting for Oracle to release the Informix upgrade scripts and software for HRMS 9.0 which is scheduled to be available around June 1. Produced the DDAudit report and HRMS team is currently reviewing report.

In anticipation of the upgrade the Business Applications team is working towards archiving data from large tables and moving this data to an Oracle database for data retrieval.

Several team members have been taking Oracle web-casts to become familiar with release 9.0.

Human Resources & Support Services

PeopleSoft Financials Version 7.5

Inventory – Inventory pricing for 2007 update was created and ran in test and production environments. This process updates the unit cost of vendor items.

PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Support Production Management Reporting System

- ◆ Completed the System Audit of all of the reports for year 2006.
- ◆ Made some minor reporting additions to the system to include Pendleton County Landfill Plant to RUS reports.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate reporting within the Production Business Unit.

Develop Power Delivery Scoping System

- ◆ Official rollout of the application began this month, with installation of application currently being completed on approximately 20 users PC's.
- ◆ Three training sessions were completed during the month on the system for 34 users of the system.
- ◆ Minor bugs in the system continue to be worked out as they are reported to the Business Application team.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Delivery Business Unit.

Enhance MVReports

- ◆ The functionality to expedite the distribution of the 'Substation Load Data' reports via email has been added to this application, at the request of the Metering department.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate metering/billing data for Power Delivery Business Unit.

Enhance Corporate Intranet

- ◆ The Business Unit page for Power Delivery Expansion has been updated to include links to two status reports. The reports content will be updated periodically by Expansion staff members.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Human Resources & Support Services

Implement Project Server for Power Delivery

- ◆ Developed specs and obtained quotes for hardware and software.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate project information for the Power Delivery Business Unit.

Maintain Continuity of Internet Service while making change to Internet Service Provider

- ◆ Tested and approved new data circuit from Smith to HQ.
- ◆ Awaiting install of T1 at Smith and DSL at Headquarters. Bellsouth has delayed the project by approximately 30 days. Target date has been moved to 4/30/07.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 131 support calls during the previous period.
- ◆ Setup and delivered 4 new user computers.
- ◆ Installed new server cabinet and 7 servers for PeopleSoft HRMS upgrade/split project. Servers have been released for use by the BA Team. An additional server is ready to be placed at Smith DRS.
- ◆ Complete rebuild of the web surfing filter server, which had become unreliable. The server is now running with the latest version of SurfControl and has a separate database server for better storage.
- ◆ New email server is online and user mailboxes are gradually being moved to it. Storage areas are being reorganized.
- ◆ Performed several office moves and security changes related to personnel switches in HR and Accounting.
- ◆ Assisted programmer from Azima vibration monitoring system with maintenance on database server at Spurlock.
- ◆ Disposed of 31 surplus monitors to employees through a random drawing. This method was successful and will be used again. This saved the cost of paying an environmental scrap vendor to dispose of the monitors.
- ◆ Setup temporary network access for NRECA consultants

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Telecommunications to Substations and Power Plants.

- ◆ Telecom technicians completed the installation of the fiber communications from KU Lancaster to EKPC Garrard County substations. Fiber splicing was completed. The RTU circuit was placed in service and fibers connected for protective relaying. Relay technicians will complete the work while coordinating with KU/LG&E.

Human Resources & Support Services

- ◆ Backup telecom for the Backup Control Center is now installed. Total telecom recovery time would be approximately 4 hours.
- ◆ We continue making drawings and ordering materials for telecom to JK Smith 345 kV CT substation and North Clark 345 kV substation. We might need interim telecom to North Clark for protective relaying until fall.
- ◆ In conjunction with a 161kV upgrade at McCreary County Switching station, a re-evaluation has begun to determine requirements for a digital microwave upgrade at this station.
- ◆ An HVIU has been installed and is in operation at Four Oaks Substation.

This supports key measure **Reliable Energy** by providing the ability to get substation and power plant information and do remote switching and control.

Provide Telecommunications to Energy Control Center

- ◆ All engineering was completed and materials received for two SERC Hotline telephone circuits. The primary circuit will not utilize any PSTN connections, however, the backup (or secondary) circuit will use a leased frame relay digital circuit. All routers and VoIP gateways have been programmed and a portion of the hardware has been connected. Work by TVA and Southern Company continues for the direct primary circuit routing. Southern Company does not yet have the switch in place for the system. Expected circuit activation is Summer 2007.

This supports key measure **Reliable Energy** by providing direct communications between the Control Center and area reliability coordinators.

Provide Telecommunications to Members.

- ◆ A SCADA radio was installed at Webbs Cross Roads.
- ◆ Tests show a usable 220 MHz radio path from EKPC's MOAB master at Renaker tower to the Snow Hill substation in Fleming-Mason's area. We will order 220 MHz equipment for Snow Hill.
- ◆ A re-evaluation of the findings for the Clark Energy SCADA radio system is being considered to look at alternate frequencies for improved reliability and coverage.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System.

- ◆ The consultants are still working on the draft RFP for a 220MHz two-way radio system.

This supports key measures **Reliable Energy** and **Competitive Energy** by providing a two-way radio system that will enhance our ability to maintain and operate the transmission system and to assist in outage restoration.

Maintain the Telecommunications System

- ◆ Drawings for the new digital system are being delivered to the remote sites.
- ◆ Routine maintenance was performed at eight microwave sites.

Human Resources & Support Services

- ◆ Routine maintenance was performed on emergency generators at Garrison Lane, Howe Valley, and Greensburg.
- ◆ Work was completed to repair the grounding system and building damage caused by vandalism and theft at the Zion Ridge microwave site.
- ◆ Thieves cut the grounds out at Joe Knob and also caused considerable damage to the backup generator by tearing out the generator's radiator. Repairs are being planned.
- ◆ Telecom personnel repaired the microwave radio on the Beech Grove to Dix Dam path.
- ◆ Bi-annual microwave maintenance was performed on all radios at Brooks, Bullitt County, Badger, Horse Cave, Barren County, Fox Hollow and Summershade microwave sties.
- ◆ Grounding was repaired on the tower at the Casey County Switchyard.
- ◆ Assisted Nolin RECC in the repair of SCADA radios at Fort Knox.
- ◆ HVIU boxes were repaired at Three Links, Nelson County and Cedar Grove.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

IT Performance Measures

- ◆ Annual O&M Budget - Under Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 100.0%
- ◆ Two-Way Radio Availability
 - Member System Base Stations – 98.99%
 - EKPC Base Stations – 99.96%
- ◆ Application Availability – 99.53%
- ◆ Data Circuit Availability- 99.87%
- ◆ On-Time 555 Problem Resolution – 96.2%
- ◆ Customer Satisfaction Index
 - NCS Team – 100%
- ◆ PBX Availability – 100%

MARCH 2007

Pending Litigation against EKPC

1. *Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit)* – Clark Circuit Court. The case has been fully briefed and submitted for a decision. At issue are allegations by a former employee seeking damages on claims of a hostile work environment, retaliation and assault and battery by a co-worker. We are waiting on the Court’s decision.
2. *Mark Jordan v. EKPC and CBA* – U.S. District Court for the Eastern District of Kentucky. On August 14, 2006, the Federal District Court Judge granted EKPC’s Motion for Summary Judgment and dismissed the lawsuit. This lawsuit had been filed by a former employee alleging that EKPC had breached one or more of the terms of his workers’ compensation settlement; and, had conspired with CBA to arbitrarily deny him continued long-term disability benefits. Jordan has now terminated his attorney and has filed a Motion to Vacate the Judgment. EKPC has filed a response, objecting to said motion. Motion is pending before Judge Coffman. Jordan has also filed an appeal with the Sixth Circuit Court of Appeals but the appeal may be dismissed as not being filed timely.
3. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On January 28, 2004, the United States, on behalf of the Environmental Protection Agency (“EPA”) sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration (“PSD”) provision of the Clean Air Act; the New Source Performance Standards (“NSPS”) of the Clean Air Act; and the State Implementation Plan (“SIP”) for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief and civil penalties. The Cooperative answered the lawsuit on June 18, 2004. Since that date, the parties engaged in and have now completed discovery. On January 17, 2006, the Cooperative filed several motions with the Court asking that most, if not all of the claims, be dismissed. These Motions for Summary Judgment involved,
 - (a) statute of limitation issues;
 - (b) federal enforceability of Title V and state operating permits;
 - (c) applicability of the routine maintenance exclusion; and
 - (d) legal standards applicable to PSD and NSPS claims, generally, as decided by the Fourth Circuit in *United States v. Duke Energy*.

On August 18, 2006, the Court entered an Order Setting Aside the Pre-Trial Conference and Bench Trial (previously scheduled for October 2) pending further Orders of the Court and stating that, “It would make the most sense to wait to try this matter until after the Supreme Court has issued a decision in *Duke Energy*.” The Order also directed the parties to file a short statement with the Court by early September, “setting forth which of the outstanding Motions for Summary Judgment clearly implicate the issues raised in the *Duke Energy* case, and thus should await a decision from the Supreme Court, and which of the outstanding Motions for Summary Judgment should go forward for decision.” The parties filed the statements requested by the Court, and on September 26, the Court issued an Order dismissing most of the Government’s motions without prejudice pending a final decision in *Duke Energy*.

On March 27, 2007, the U.S. District Court for the Eastern District of Kentucky entered an Opinion and Order granting in part and denying in part EKPC's Motion for Summary Judgment as to the statute of limitations issue as penalties. The Court held that the U.S. could seek civil penalties 5 years prior to the filing of its Complaint (January 28, 2004). In addition, the Court dismissed the U.S. claims for penalties under the Clean Air Act's new source performance standards.

At this time, the case is effectively stayed except that the Court may enter decisions on the remaining outstanding motions not implicated in *Duke Energy*. Oral arguments in *Duke Energy* were made before the United States Supreme Court on November 1, 2006. A decision is expected in early Summer 2007.

4. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The parties have filed prehearing statements with the Court of Appeals in this case. There will be no prehearing conference. The briefing schedule will begin upon the certification of the record by the Franklin Circuit Court.
5. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. The Court of Appeals upheld the Franklin Circuit Court dismissal of Enviropower's appeal of the PSC denial of intervention in PSC Case No. 2004-00423. While Enviropower could seek discretionary review from the Kentucky Supreme Court, this will likely be the final decision on this matter. This decision also makes it much more likely that Enviropower's attempt to appeal the Spurlock 4 construction certificate will also fail at the Court of Appeals.
6. *Robert Mulberry v. EKPC, et al* – Scott Circuit Court. On May 2, 2006, the plaintiff sued EKPC and David Eames for personal injuries resulting from an automobile accident on July 29, 2004. Subsequent thereto, the Legal Department filed an Answer on behalf of both EKPC and David Eames; and also filed Complaints against two additional parties—St. Joseph Hospital and Dr. Joseph Westerfield—alleging their primary responsibility for the events giving rise to the automobile accident. Discovery has been initiated by EKPC.
7. *Nathan Writesel v. Goodyear Tire & Rubber & EKPC, et al – (Asbestos Personal Injury)* – Court of Common Pleas, Cuyahoga County, Ohio. On June 21, 2006, Plaintiff filed this case seeking recovery for personal injuries associated with asbestos exposure while working for various contractors throughout the years. EKPC has retained an Ohio law firm to represent it for purposes of filing a Motion to Dismiss. Limited discovery undertaken reveals that EKPC's exposure in this case is not likely and we intend to file a Motion to Dismiss at the conclusion of discovery.
8. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On June 30, 2006, the United States, acting at the request of the Environmental Protection Agency ("EPA") sued EKPC charging operation of Dale Station Units 1 and 2 with technical violations of the Clean Air Act ("CAA") acid rain program, and provisions of the NOx State Implementation Plan or NOx SIP Call. The issue for both units involves whether these units were subject to regulations as generators having a "nameplate" capacity greater than 25 megawatts and/or were generators used to generate

25 megawatts or more of electricity. EKPC filed its Answer on August 8, 2006. Discovery is ongoing, and is to be completed by May 9, 2007. The Court has assigned the action for trial by jury on November 27, 2007.

On July 14, 2006, the Commonwealth of Kentucky's Motion to Intervene was granted on the basis of common questions of law and fact. The case is in discovery with depositions of EKPC employees taken beginning on January 19, 2007 and March 2007. EKPC is providing responses to the US's written discovery requests and took the deposition of the Ky. EPPC designated representative on March 15, 2007.

Pending Litigation for EKPC

1. Substation Vandalism (EKPC v. Caudill, Middleton & McElroy) – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$80,746.72 on the Judgment has been collected from the defendants.
2. EKPC v. Greenwich Insurance Company – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim. Lexington Coal has attempted to transfer this action to Bankruptcy Court but the U.S. District Court, in an order entered on January 24, 2006, denied the motion to transfer the case. The case has been remanded back to Clark Circuit Court.

Claim and Topics

1. KU and LG&E v. EKPC - FERC Docket No. ER 02-2560-003 – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreements with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E were intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objected and contended that the two agreements could not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

Over the past several years, the FERC entered several orders, some favorable to EKPC and others more favorable to KU/LG&E. Most recently, on October 4, 2006, EKPC filed its Request for Rehearing of FERC's Order dated September 1, 2006, which denied (1) East Kentucky's request to remove certain MISO

administrative charges from interconnection and transmission agreements with LG&E/KU (all now expired), and (2) its proposal to remedy unjustified rate pancaking and associated refunds. At issue in the latest filing is approximately \$155,000. EKPC has already received approximately \$1,640,000 from LG&E/KU representing refunds plus interest for improper tariff charges pursuant to earlier FERC Orders which agreed with EKPC's positions.

In February, FERC issued a final Order on rehearing granting EKPC's request to remove MISO Schedule 1, 2 and 10 charges and to revert to pre-MISO in all respects. This should lead to an additional refund to EKPC of \$2.2 million.

(a) A similar and somewhat of a companion case has been docketed in the United States Court of Appeals for the District of Columbia as Docket No. 06-1003. This appeal is brought by EKPC asking for review of a FERC Order which authorized MISO to assess and collect administrative and operating costs from all users of the MISO grid including parties to grandfather transmission agreements that predated MISO's formation, including EKPC.

2. *FERC Case No. TX05-1* – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission ("FERC") seeking an order compelling the Tennessee Valley Authority ("TVA") to physically interconnect with EKPC's transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On January 19, 2006, FERC ordered TVA to interconnect with EKPC, and to file a modified Interconnection Agreement within 30 days. On June 20, 2006, FERC entered an order denying TVA's Request for Rehearing.

On August 18, 2006, TVA filed a Notice of Appeal in the United States Court of Appeals for the District of Columbia Circuit asking for review of the FERC's Final Orders on Interconnection dated January 19, 2006, and denial of TVA's Request for Rehearing dated June 20, 2006. Upon Warren's terminating its Membership Agreement, EKPC no longer needed these interconnections, and this proceeding is presently moot. EKPC and TVA are in the process of terminating those proceedings.

3. *Commonwealth of Kentucky Sales and Use Tax Audit* – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. The Revenue Cabinet has advised that the matter is in abeyance pending resolution of certain related issues in the Board of Tax Appeals. EKPC has decided to join with KAEC to settle a sizeable portion of this protest in an agreement with Revenue under a Private Letter Ruling which exempts from tax the "sale, purchase or use of electric power transformers as the sale, purchase or use of machinery and equipment installed or to be installed in substations." This settlement should be finalized within the next few weeks. EKPC will then pursue its negotiations on the remaining portion of its protest with the Revenue Cabinet.

4. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.
5. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – The Commission issued an order on December 21 which directed EKPC to proceed with the development of a pilot voluntary real-time pricing program for large industrial and commercial customers, and provided that all jurisdictional electric utilities should include IEEE Standard 1547 as the basis for its technical standards for interconnection of generation resources of 10 MVA and below. The Commission did not adopt the Energy Policy Act Smart Metering or Interconnection standards.
6. PSC Case No. 2006-00131 – *Six-Month Review of Environmental Surcharge* – The PSC approved EKPC’s Application of the Environmental Surcharge for the first six-month period.
7. PSC Case No. 2006-00455 – EKPC Financial Condition – EKPC has responded to a third data request in this case. It is currently unclear whether there will be further data requests, and how this proceeding will coordinate with EKPC’s rate application.
8. PSC Case No. 2006-00471 – Integrated Resource Plan –The Attorney General filed comments in this case on March 21, making certain recommendations concerning EKPC’s resource planning process. No party has requested an informal conference in this case.
9. PSC Case No. 2006-00472 – Wholesale Rate Adjustment – A hearing on EKPC’s request for interim rate relief was held on March 22. EKPC responded to data requests, made during the hearing, and filed its brief on the request for interim rate relief, on March 27. The Attorney General and the Sierra Club also filed briefs. The Commission formally suspended the overall rate request for five months on March 27, but has not yet ruled on the interim rates.
10. PSC Case No. 2006-00508 – FAC 2-Year Review – Responses to supplemental commission data requests were filed on February 23. The hearing in this case is set for March 14.
11. PSC Case No. 2006-00547 – Touchstone Home Rebate – EKPC responded to Commission data requests in this case on February 28.
12. PSC Case No. 2006-00564 – The hearing in this case was held on March 6. EKPC responded to data requests made during the hearing, on March 16. No follow-up data requests were received by the March 23 deadline. Briefs in the case are due on April 10.
13. Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc. – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAQ-27974-037. On July 18, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of

the Spurlock #4 air permit. The petition filed by the Sierra Club seeks to have the air permit revoked; or, in the alternative, to have the permit re-issued with corrections to what petitioner believes to be errors and mistakes in the permit conditions.

The hearing in this matter concluded in late December 2006. The Sierra Club has filed its post-hearing memorandum and proposed Hearing Officer's Report and recommended Secretary's Order. EKPC filed its post-hearing memorandum in reply on February 27, 2007. A decision by the Hearing Officer is expected in the Spring 2007.

On August 15, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock Unit 4 air permit. This challenge was filed under Section 505 (b)(2) of the Clean Air Act ("CAA"). The Petition requests that the United States Environmental Protection Agency ("EPA") object to the issuance of the Title V operating permit. EKPC filed its Response on September 27, 2006. The matter is pending before the EPA Administrator.

14. E. ON US v. EKPC *FERC Docket No. NJ07-1-000* – On November 13, 2006, EKPC filed with FERC a revised Open Access Transmission Tariff ("OATT") which proposed to change the rate which EKPC charges for network integration transmission services ("NITS"). The standard under which FERC would evaluate this rate change is whether the proposed rate is comparable to the amount that EKPC charges itself for this same service. On December 12, 2006, E.ON US challenged whether the new NITS rate is comparable to what EKPC charges itself for network service, and whether EKPC is serving itself pursuant to terms and conditions for OATT.

On December 29, 2006, EKPC filed papers with FERC setting forth both facts and arguments showing that its OATT satisfies FERC's comparability standard, and asking that E.ON's Protest be rejected. In January, E.ON requested FERC to order a settlement hearing. On March 28, 2007, FERC issued an Order in EKPC's favor upholding EKPC's rates subject to a few technical corrections to EKPC's tariff unrelated to the rate itself.

David A. Smart
General Counsel

c: Dave Eames (for distribution)
(H:\legal\MR-mar-07)

Legal – Governmental Affairs

MARCH 2007

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
- The 2007 short legislative session ended March 27 after several lengthy days of negotiations that resulted in little legislation. EKPC made a late push – after receiving engineering estimates on potential solutions to the Wolf Creek Dam issue – that would have allowed EKPC to apply for state emergency funds to help pay for infrastructure improvements to Cooper Station. That strong effort failed, however, when legislators abruptly stopped negotiations on a variety of funding issues in the final hours of the session. Governmental Affairs is continuing to work with state government officials to address funding for this critical issue. Copies of the March weekly editions of *Currents* are attached, which detail the numerous issues and bills that co-op lobbyists followed. These include copper theft, transmission, construction contracts, service restoration, Wolf Creek Dam impacts, energy independence, pilot metering, human resources issues, and many others.
 - Also attached is testimony filed with the U.S. House of Appropriations Subcommittee on Energy and Water on behalf of the Southeastern Federal Power Customers. As chair of the SeFPC Legislative Committee, Barry Mayfield submitted the testimony supporting full funding of the FY 2008 budget for the U. S. Army Corps of Engineers.
 - The final bill tracker for the 2007 Legislative Session is also attached.
 - Interviewed with the NRECA management consultant.

**House Committee on Appropriations
Subcommittee on Energy and Water Development**

**Testimony of Barry Mayfield on behalf of
The Southeastern Federal Power Customers, Inc.**

On behalf of the Southeastern Federal Power Customers Inc. ("SeFPC"), I am pleased to submit testimony in support of full funding of the U.S. Army Corps of Engineers ("Corps") budget for Fiscal Year 2008 ("FY '08"). The SeFPC is a not for profit corporation representing over 238 rural electric cooperatives and municipally owned electric systems in Alabama, Georgia, Mississippi, Kentucky, North Carolina, South Carolina, Florida, and Virginia all of which purchase capacity and energy directly or indirectly from the Southeastern Power Administration ("SEPA") of the U.S. Department of Energy. The SeFPC members collectively represent the interests of over six million retail ratepayers located in these states who benefit from the hydropower production at Corps facilities located throughout the Southeast. We are particularly supportive of the Corps' request for \$99 million in construction general funding and \$83 million in Operations and Maintenance ("O&M") funding for the hydropower purpose in the Southeast.

The SeFPC supports the FY '08 budget and in particular the construction general funding for the major dam safety initiatives at the Wolf Creek and Center Hill projects. The proposed budget requests \$54.1 million for the Wolf Creek project in Kentucky, and \$25 million for the Center Hill project in Tennessee. These projects have been deemed in danger of imminent failure and the Corps has lowered lake levels and reduced power generation because of the urgent need to repair these facilities. It is estimated that the power customers who rely on this project will be forced to pay an additional \$100 million per year in replacement power costs while the Corps makes major structural improvements to ensure the safety of this project. These funds are needed for the safety and economic health of the region where these projects are located.

The Corps has also proposed construction general funding in the amount of \$6.9 million for the Richard B. Russell project in Georgia and \$13 million for the rehabilitation of the John H. Kerr project in North Carolina. Both of these projects generate significant power in the Southeast and merit this funding.

As a general principle, the SeFPC supports funding for the O&M activities for the Corps projects in the Southeast that generate hydropower. However, we are unable to provide precise recommendations on funding levels because the Corps has grouped O&M funding requests by region with bulk funding requests for groups of projects. For individuals attempting to track O&M requests for specific projects, the Corps' budget request buries specific information. In the interest of providing greater transparency in the budget process, we would ask that the Subcommittee encourage the Corps to provide per project detail on proposed O&M funding.

The projects that generate hydropower in the Southeast are listed below. The projects that provide SEPA power are divided into two categories in the Corps' budget submission, South Atlantic Gulf and Ohio. The Corps has requested \$57 million for O&M for the projects in the South Atlantic Gulf region and \$26 million for the projects in the Ohio region. For the ones highlighted below with an asterisk, the Corps has indicated that a project will receive the "minimum O&M funding." Because the funding for O&M is aggregated, we have no method of discerning what is "minimum O&M funding" by examining the Corps' budget documents.

South Atlantic Gulf

Millers Ferry Lock and Dam, AL *

Robert F Henry Lock and Dam, AL*

Walter F George Lock and Dam, AL & GA*

Jim Woodruff Lock And Dam FL, AL & GA *

Allatoona Lake, GA

Buford Dam and Lake Sidney Lanier, GA

Carters Dam And Lake, GA

Hartwell Lake, GA & SC

J Strom Thurmond Lake, GA & SC

Richard B Russell Dam and Lake,
GA & SC

West Point Dam and Lake, GA & AL

John H Kerr Lake, VA & NC

Philpott Lake, VA

Ohio Region

Barkley Dam, KY & TN
Laurel River Lake, KY
Wolf Creek Project, KY
Center Hill Lake, TN
Cheatham Lock and Dam, TN
Cordell Hull Dam and Reservoir, TN
Dale Hollow Lake, TN
J Percy Priest Dam and Reservoir, TN
Old Hickory Lock and Dam, TN

All of these projects provide capacity and energy that helps consumer owned utilities maintain the lowest possible rates in the Southeast. On behalf of the SeFPC, we ask the Subcommittee to provide full funding for these projects to ensure continued and reliable delivery of hydropower.

Sincerely,

/S/

Barry Mayfield
Chairman
Legislative Committee
Southeastern Federal Power
Customers, Inc.

A report from Frankfort

2007 General Assembly

8 legislative days left

8 DAYS LEFT – AND STILL NO NEW LAWS

It's either good news or bad news, depending on your taste for policy and politics.

With only 8 days left in the short session, no bill has passed the legislature and become law.

Lawmakers are facing a logjam of bills, as the clock winds down and politics heats up.

Most will never get a hearing.

But don't expect 2007 to go down in the history books as a "do-nothing" session.

Look for many late nights next week as legislators rush to consider bills on social worker safety, teacher pay, minimum wage and local projects.

Legislators are scheduled to adjourn on March 12 for two weeks, during which time the governor can veto any measure.

They are scheduled to return to Frankfort March 26 and 27 to consider overriding any vetoes.

CONSTRUCTION BILL PASSES WITH RUS CONTRACT EXEMPTION

HB 490, which establishes requirements for construction contracts and payment procedures, passed the House 85-4 on Thursday and is headed to the Senate.

Co-op lobbyists were initially concerned with the fast-moving bill, due to potential conflicts with RUS-approved contracts.



The bill's sponsor, Rep. Brent Yonts, D-Greenville, and supporters agreed to amend the bill to exempt

contracts that are provided, insured or guaranteed by RUS, or financed under a lien accommodation by RUS.

Several contractor groups are driving the measure. It has been titled the "Kentucky Fairness in Construction Act."

THIS WEEK'S QUIZ

Find the fake bill:

- An Act relating to coyotes
- An Act relating to public morals
- An Act relating to Governor William Owsley
- An Act relating to the taxation of snuff

CO-OP BILLS OF INTEREST

Home metering



HB 123, sponsored by Rep. Tanya Pullin, D-South Shore, would put "digital readout screens" in 300 homes to inform and educate residents about their electricity use. The voluntary, pilot program would be funded by the state. The bill

has passed the House, and has been sent to the Senate Agriculture and Natural Resources Committee.

Copper Theft



HB 82, sponsored by Rep. Mike Denham, D-Maysville, would require

scrap dealers and other purchasers of copper to keep a record of sales and report them to law enforcement agencies within 24 hours. It has passed the House and has been sent to the Senate Judiciary Committee.

Energy independence



HB 5, sponsored by Rep. Rocky Adkins, D-Sandy Hook, features energy efficiency measures and

incentives for coal-to-gas, coal-to-liquids and alternative fuel projects. It easily passed the House and has been sent to the Senate A & R Committee.

Service restoration



SB 7, sponsored by Sen. Ed Worley, D-Richmond, would require regulated utilities to assign

at least one full-time service restoration employee in each county in which the utility has 500 or more customers. It has not received a hearing in the Senate Agriculture & Natural Resources Committee.

Eminent domain



HB 458, sponsored by Rep. Jim DeCesare, R-Bowling Green, would prohibit cities from using eminent domain to condemn blighted and slum areas. It also changes the co-ops' enabling statutes, KRS 279, however. The bill appears dead in the House Judiciary Committee.

Transportation



SB 84, sponsored by Sen. Brett Guthrie, R-Bowling Green, would require employers to notify the state Transportation Cabinet if an employee with a commercial driver's license fails a drug test. Co-ops offered an amendment to remove any liability from releasing the information. The bill appears dead in the Senate Transportation Committee.



HB 150, sponsored by Rep. Tom Burch, D-Louisville, would automatically charge people with felony reckless homicide if they were fatigued or fell asleep while driving and caused a fatal wreck. It appears dead in the House Judiciary Committee.



HB 454, sponsored by Rep. Ancel Smith, D-Leburn, would require shippers and receivers of coal to report

deliveries and truck weights to the state, or face fines. Fines are waived if a receiver, including utilities, reports overweight shipments within 24 hours. It appears dead in the House Transportation Committee.

Industrial energy facilities



SB 196, sponsored by Sen. Robert Stivers, R-Manchester, would set permitting timelines for new industrial energy gasification facilities that cost at least \$750 million at time of construction. Any challenge to those permits would go to a local circuit court, and the facilities would be exempt from the merchant plant siting requirements. The bill is on the Senate floor.

Tire-derived fuel



SB 125, sponsored by Sen. Tom Jensen, R-London, would exclude tire-derived fuel from the definition of solid waste. EKPC has been testing tire-derived fuel at its Gilbert Unit in Maysville. The bill passed the Senate and has been posted in the House Natural Resources and Environment Committee.

Conservation easements



HB 354, sponsored by Rep. Robin Webb, D-Grayson, would establish a tax credit for

easements to allow public access to private lands for hunting, fishing and other wildlife activities. Co-ops are working with the state Department of Fish and Wildlife to make sure it doesn't impact future utility facilities. It passed the House and has been sent to the Senate.

Minimum wage



HB 305, sponsored by Rep. J.R. Gray, D-Benton, would increase the state minimum wage to \$5.85 an hour this year, \$6.55 an hour in 2008 and \$7.25 an hour in 2009. The rate would be tied to the federal wage hike if that rate exceeds the state wage. It passed the House and has been sent to the Senate Economic Development, Tourism & Labor Committee.

Natural gas rates



HB261, sponsored by Rep. Carolyn Belcher, D-Owingsville, would have allowed natural gas utilities to ask for yearly rate increases without going through rate-case hearings before the PSC. After several consumer groups voiced opposition, as well as the Attorney General's Office, the bill was changed to study the issue during the 2007 interim.

QUIZ ANSWER!

Sorry, trick question. All are real—even the coyotes: HB 231, HB 338, HB 467 and HB 566.

A report from Frankfort

2007 General Assembly

3 legislative days left

HOME METERING BILL APPEARS DEAD

A pilot program to educate homeowners about their energy use appears dead in a Senate committee.



House Bill 123, sponsored by Rep. Tanya Pullin, D-South Shore, would have put “digital

readout screens” in at least 300 homes to inform and educate residents about their electricity use.

The voluntary pilot program would have been funded by the state and administered by the Public Service Commission.

The bill had passed the House 100-0 and appeared headed to an easy passage in the Senate.

But Sen. Tom Jensen, chairman of the Senate Agriculture and Natural Resources Committee, told co-op lobbyists this week that the PSC had asked him not to call the bill because it did not have any money to pay for it.

Sen. Jensen, R-London, said he admires the bill’s concept, and he hopes Rep. Pullin files it again in 2008.

COPPER THEFT BILL CLEARS SENATE HURDLE

HB 82, sponsored by Rep. Mike Denham, easily passed the Senate Judiciary Committee on Thursday and is close to a vote by the full Senate.

The bill would require scrap dealers and other purchasers of copper to keep a record of sales and report them within 24 hours to law enforcement agencies.



Denham, D-Maysville, has asked utilities to investigate how other states are dealing with copper theft, in hopes of filing stronger legislation in 2008.

HB 82 had been placed on the Senate’s Consent Calendar, which allows Senators to vote on several non-controversial measures at one time in order to expedite proceedings.

However, Sen. Ray Jones, D-Pikeville, filed an unrelated amendment to the bill late Thursday, which forced it off the Consent Calendar and onto the floor for a full vote. The amendment tries to attach Sen. Jones’ bill on drunken driving.

THE QUIZ!

Legislators often try to attach their stalled bills to ones that are moving, just like Sen. Jones is doing to the copper theft bill described above. What’s the nickname for this procedure?

- a) Piggyback
- b) Humpback
- c) Turtle Tag
- d) Leapfrog

SENATE PASSES MINIMUM WAGE INCREASE

The Senate on Thursday passed the state’s first minimum wage increase in 10 years.



HB 305, sponsored by Rep. J.R. Gray, D-Benton,

would increase the state minimum wage to \$5.85 an hour this year, \$6.55 an hour in 2008 and \$7.25 an hour in 2009. The rate would be tied to the federal wage hike if that rate exceeds the state wage.

The bill now goes to the House for concurrence. Its future is uncertain, however, because of a last-minute Senate amendment.

According to the Legislative Research Commission, a Senate change affects some economic development incentive programs.

In 70 counties across the state, tax incentives are offered to companies that provide jobs paying more than 150 percent of the minimum wage — currently \$7.73, according to an LRC press release.

The Senate proposal would maintain the \$7.73 minimum for all companies signing agreements with the state before July 1, 2008, after which they would have to pay 150 percent of the new minimum wage to qualify.

“This would simply place a one-year moratorium on the increase for those programs” said Sen. Brett Guthrie, R-Bowling Green, said in the release. “We’ll have to address this again next year.”

Senate Democratic Floor Leader Ed Worley, D-Richmond, said the change was necessary to attract jobs to the rural parts of the state. “If we pass this legislation, it keeps us competitive with surrounding states,” he told the LRC.

LEGISLATORS REJECT NATURAL GAS RATE STUDY

It’s been a tough session for Kentucky’s natural gas utilities.



First, lawmakers had issues with HB 261, sponsored by Rep. Carolyn Belcher, D-Owingsville. It

would have allowed natural gas utilities to ask for yearly rate increases without going through full rate cases at the PSC.

After several consumer groups voiced concern – including the Attorney General’s Office – the bill was turned into a study of the issue.

On Wednesday, House leaders killed the study by banishing it to the Appropriations and Revenue Committee.

Gas lobbyists then attempted to attach the study provisions to another bill moving through a Senate committee on Thursday.

But members of the Senate Agriculture and Natural Resources Committee had even more questions, and the study amendment died for lack of a second.

ONLY 3 DAYS LEFT!

Legislators are scheduled to work Monday before leaving for two weeks, during which time the governor can issue vetoes. They are scheduled to return on March 26 and 27 to consider overriding any vetoes. Don’t be surprised, however, if they work Monday and Tuesday of next week, leaving only one day at the end of the session to consider vetoes.

ENERGY, CONSTRUCTION BILLS ON SENATE FLOOR

Co-op lobbyists are closely watching two bills awaiting a vote on the Senate floor.



HB 5, sponsored by Rep. Rocky Adkins, D-Sandy Hook, features energy efficiency measures and

incentives for coal-to-gas, coal-to-liquids and alternative fuel projects.

There hasn’t been any official action on the bill since Tuesday – leading some to believe that it might be used as a bargaining chip as the session winds down.

Rep. Adkins is the powerful House Majority Floor Leader, and controls much of the flow of legislation. He is one of the legislature’s leading (and passionate) experts on energy.

HB 490, which establishes requirements for construction contracts and payment procedures, passed a Senate committee this week, but its future is uncertain.

Several groups, including the Kentucky Association of Manufacturers (formerly AIK) spoke against the bill Tuesday in the Licensing, Occupations and Administrative Regulations Committee.

Co-op lobbyists were initially concerned with the fast-moving bill, due to potential conflicts with RUS-approved contracts.



The bill’s sponsor, Rep. Brent Yonts, D-Greenville, and supporters agreed to amend the bill to exempt

contracts that are provided, insured or guaranteed by RUS, or financed under a lien accommodation by RUS.

Several contractor groups are driving the measure. It has been titled the “Kentucky Fairness in Construction Act.”

Late Thursday, the state’s investor-owned utilities filed an amendment to exempt contracts defined in KRS 278, which would cover co-op contracts.

Co-op lobbyists have decided not to take a position on the IOU amendment because of its late entry and our commitment to the contractor groups.

CO-OP BILLS OF INTEREST

The logjam of legislation is beginning to break, and several bills are moving in a last-minute flurry of activity. As of Friday morning, 17 bills and 10 resolutions had passed both chambers. Here are some measures that co-op lobbyists are closely following:

Service restoration



SB 7, sponsored by Sen. Ed Worley, would require regulated utilities to assign at least one full-time service restoration employee in each county in which the utility has 500 or more customers. It appears dead in the Senate Agriculture & Natural Resources Committee.

Eminent domain



HB 458, sponsored by Rep. Jim DeCesare, R-Bowling Green, would prohibit cities from using eminent domain to condemn blighted and slum areas. It also changes the co-ops' enabling statutes, KRS 279, however. It appears dead in the House Judiciary Committee.

Transportation



SB 84, sponsored by Sen. Brett Guthrie, R-Bowling Green, would require employers to notify the state Transportation

Cabinet if an employee with a commercial driver's license fails a drug test. Co-ops offered an amendment to remove any liability from releasing the information. The bill appears dead in the Senate Transportation Committee.



HB 150, sponsored by Rep. Tom Burch, D-Louisville, would automatically charge people with felony reckless homicide if they were fatigued or fell asleep while driving and caused a fatal wreck. It appears dead in the House Judiciary Committee.



HB 454, sponsored by Rep. Ancel Smith, D-Leburn, would require shippers and receivers of coal to report deliveries and truck weights to the state, or face fines. Fines are waived if a receiver, such as a power plant, reports overweight shipments within 24 hours. It appears dead in the House Transportation Committee.

Industrial energy facilities



SB 196, sponsored by Sen. Robert Stivers, R-Manchester, would set permitting timelines for new industrial energy gasification facilities that cost at least \$750 million at time of construction. Any challenge to those permits would go to a local circuit court, and the facilities would

be exempt from the merchant plant siting requirements. The bill passed the House with a minor floor amendment early Friday. It now goes back to the Senate for concurrence.

Tire-derived fuel



SB 125, sponsored by Sen. Tom Jensen, R-London, excludes tire-derived fuel from the definition of solid waste. EKPC has been testing tire-derived fuel at its Gilbert Unit in Maysville. The bill passed the House Friday and now goes to the governor for consideration.

Conservation easements



HB 354, sponsored by Rep. Robin Webb, D-Grayson, would establish a tax credit for easements to allow public access to private lands for hunting, fishing and other wildlife activities. Co-ops worked with the bill's supporters to make sure it didn't impact future utility facilities. It passed the House and appears stalled in the Senate A & R Committee.

QUIZ ANSWER

'Tis the season for piggybacks! Most are ruled "out of order" by leadership, since an amendment has to be germane to the bill's official title. But it can happen – particularly if you're a member of your chamber's majority party.

A report from Frankfort

2007 General Assembly

2 legislative days left

SESSION ADJOURNS – WHERE WE STAND

The closing days of a legislative session are often filled with last-minute surprises, tension, tempers and political drama.

This year is no different.

Before leaving Monday night for the two-week veto period, the Senate suddenly turned an energy bill into a controversial centerpiece for negotiations.

The House – in some heated comments – turned its back on the Senate’s plan to stabilize the state’s retirement program.

The budget finally came into play, despite calls for fiscal restraint, as legislators added funds for the World Equestrian Games and Wolf Creek Dam.

And Gov. Ernie Fletcher joined the fracas by warning that he’ll call a special session to deal with all these issues if they can’t be worked out in the final two days (March 26 and 27).

What will happen is anybody’s guess. It was clear Monday night that all sides needed the veto period to cool off, sit down and try to work out a deal.

But with the governor’s race heating up, it will be interesting to see which side blinks first – if at all.

As for Kentucky’s co-ops, the session once again looks to be a success, no matter what happens. Co-op lobbyists have

been successful in bills dealing with RUS contracts, copper theft and many other issues.

And it’s not going to be a “do-nothing session,” as many predicted (or feared).

Legislators have passed several important measures that are on the governor’s desk, including bills on mine safety, increasing the minimum wage, a new 70 mph speed limit and a ban on human trafficking.

THE VETO PROCESS

So what happens in this two-week veto period?

First, the governor has 10 days, excluding Sundays, to act on a bill once his office receives it.

The governor can sign a bill into law or veto it. If he does not act within those 10 days, the bill becomes law.

The legislature has the power to override any vetoed bills, but it must be done by a majority of both chambers.

Here’s an interesting possibility that might come into play this year: If the legislature passes a bill March 26 or 27 and it’s vetoed later by the governor, the option to override the veto is forfeited because lawmakers can’t meet after March 30 in a short session, according to the Kentucky Constitution.

DATE FOR NEW LAWS

New laws won’t take effect until 90 days after the session ends – on June 27, if they follow the schedule. The Attorney General’s Office sets the official date once legislators adjourn “sine die.”

Some bills have an “emergency clause” that allows them to take effect immediately upon the governor’s signature, while some others state an effective date within the legislation.

ENERGY INDEPENDENCE BILL IN LIMBO

The future of House Bill 5 is uncertain because of the last-minute Senate changes on Monday night.



The measure, sponsored by the powerful House Majority Floor Leader Rocky Adkins, D-Sandy Hook, originally

dealt with energy efficiency measures and incentives for coal gasification and alternative fuel projects.

But Senate leaders made several major modifications in addition to the original bill, including:

- Creating the “Kentucky Energy Development Authority” with broad powers to find, fund and develop projects to “reduce

the country's dependence upon imported petroleum."

- Providing millions in revenue bonds and tax credits for coal gasification, ethanol, alternative energy and bio-fuels projects.
- Attaching two controversial Senate bills (SB 1 and SB 2) that would increase pay for top math & science teachers and provide incentives for schools to begin advanced placement courses.

The revised bill easily passed the Senate, but the House adjourned without taking any action.

The inclusion of SB 1 and SB 2 might be a "poison pill," as one Senator described it, meant to kill the bill or force Rep. Adkins' hand in negotiations on other issues.

THE CURRENTS QUIZ

Supporters of the movement to enact annual legislative sessions said it would cut down on the number of special sessions that previous governors often called.

Gov. Fletcher is threatening to call a special session if some issues aren't resolved when lawmakers reconvene on March 26 and 27. How much does a special session cost Kentucky taxpayers per day?

- a) \$36,000
- b) \$82,000
- c) \$55,000
- d) \$100,000

BILLS OF INTEREST

Disclaimer: In the waning days of a session, anything can happen. Bills can gain life at a moment's notice, or die with the wave of a hand – or the veto pen. Here are our predictions.

Bills Still Alive



HB 82, sponsored by Rep. Mike Denham, D-Maysville, requires scrap dealers and other purchasers of

copper to keep a record of sales and report them within 24 hours to law enforcement agencies. It was sent to the governor on March 12.



HB 305, sponsored by Rep. J.R. Gray, D-Benton, increases the state minimum wage to \$5.85

an hour this year, \$6.55 an hour in 2008 and \$7.25 an hour in 2009. The rate would be tied to the federal wage hike if that rate exceeds the state wage. It was sent to the governor on March 12.



SB 196, sponsored by Sen. Robert Stivers, R-Manchester, sets permitting

timelines for new industrial energy gasification facilities that cost at least \$750 million at time of construction. Any challenge to those permits would go to a local circuit court, and the facilities would be exempt from the merchant

plant siting requirements. It was sent to the governor March 12.



SB 125, sponsored by Sen. Tom Jensen, R-London, excludes tire-derived fuel

from the definition of solid waste. EKPC has been testing tire-derived fuel at its Gilbert Unit in Maysville. It was sent to the governor March 9.



HB 490, sponsored by Rep. Brent Yonts, D-Greenville, sets

requirements for construction contracts and payment procedures. It passed the Senate with some changes, but the House refused to concur.

One of the changes is an amendment sponsored by the state's investor-owned utilities to exempt contracts for facilities defined in KRS 278.

That would give Kentucky co-ops a second exemption from the bill.

Co-op lobbyists already had obtained an exemption for contracts approved by the Rural Utilities Service, to avoid a potential state-federal conflict.

Several contractor groups are driving the measure. It has been titled the "Kentucky Fairness in Construction Act."

The bill is being negotiated in a free conference committee.

Bills Probably Dead



House Bill 123, sponsored by Rep. Tanya Pullin, D-South Shore, would have put “digital readout

screens” in at least 300 homes to inform and educate residents about their electricity use. The voluntary pilot program would have been funded by the state and administered by the Public Service Commission. After passing the House 100-0, the PSC asked the Senate chairman not to hear the bill because there was no way to pay for it.



SB 7, sponsored by Sen. Ed Worley, would require regulated utilities to assign at least one full-

time service restoration employee in each county in which the utility has 500 or more customers. It remains stuck in the Senate Agriculture & Natural Resources Committee.



HB 458, sponsored by Rep. Jim DeCesare, R-Bowling Green, would prohibit

cities from using eminent domain to condemn blighted and slum areas. It also changes the co-ops’ enabling statutes, KRS 279, however. It never got a hearing in the House Judiciary Committee.



SB 84, sponsored by Sen. Brett Guthrie, R-Bowling Green,

would require employers to notify the state Transportation Cabinet if an employee with a commercial driver’s license fails a drug test. Co-ops offered an amendment to remove any liability from releasing the information. The bill appears dead in the Senate Transportation Committee.



HB 150, sponsored by Rep. Tom Burch, D-Louisville, would automatically charge people with

felony reckless homicide if they were fatigued or fell asleep while driving and caused a fatal wreck. It appears dead in the House Judiciary Committee.



HB 454, sponsored by Rep. Ancel Smith, D-Leburn, would require shippers and receivers of

coal to report deliveries and truck weights to the state, or face fines. Fines are waived if receivers – including utilities - report overweight shipments within 24 hours. It appears dead in the House Transportation Committee.



HB 354, sponsored by Rep. Robin Webb, D-Grayson, would establish a tax

credit for easements to allow public access to private lands for hunting, fishing and other wildlife activities. Co-ops worked with the bill’s supporters to make sure it didn’t impact future utility facilities. It passed the House

but stalled in the Senate A & R Committee.



HB 261, sponsored by Rep. Carolyn Belcher, D-Owingsville, would have allowed natural

gas utilities to ask for yearly rate increases without going through full rate cases at the PSC. After several consumer groups voiced concern, the bill was turned into a study of the issue, until legislators decided to even kill the study.

McCONNELL, BUNNING FILE BILL ON TVA

Click [here](#) to read the entire article in Friday’s Lexington Herald-Leader.

AP -- Kentucky’s two U.S. senators raised the stakes in an ongoing debate over electric distributors breaking away from the Tennessee Valley Authority by introducing legislation they say would give customers more freedom and cheaper power.

The bill also calls for a study into privatizing the country’s largest public utility, which provides electricity to about 8.6 million customers in the South, and a review of its \$25 billion debt.

QUIZ ANSWER

It costs \$55,000 per day when the governor calls legislators into a special session.

Bill	Sponsor	Issue	Filed	Committee	Bill History	Legislative status
SB7	Worley	Requires utilities to assign a service restoration employee in each county with 500 customers	2-Jan	Agriculture & Natural Resources	Click for History	Died in Senate committee
SB10	Tapp	Requires permits for installation of HVAC system	2-Jan	House Labor & Industry	Click for History	Signed by governor, 3-23
SB74	Harris	Telecom - local government	6-Feb	House Tourism, Development & Energy	Click for History	Signed by governor, 3-21
SB75	Stivers	Venues	6-Feb	House Judiciary	Click for History	Died in House committee
SB76	Kelly	Reorganization	6-Feb	House State Gov't	Click for History	Signed by governor, 3-21
SB82	Leeper	Brownfields	6-Feb	House A & R	Click for History	Signed by governor, 3-23
SB84	Guthrie	Commercial drivers licenses	6-Feb	Transportation	Click for History	Died in Senate committee
SB85	Kelly	Reorganization -- GOEP	6-Feb	House State Gov't	Click for History	Died on House board
SB96	McGaha	Water districts	8-Feb	House Local Gov't	Click for History	Died in House committee
SB124	Jensen	Executive branch budget projects	7-Feb	A & R	Click for History	Died in Senate committee
SB125	Jensen	Tire-derived fuel	7-Feb	House Natural Resources	Click for History	Signed by governor, 3-21
SB127	Ridley	Economic development	7-Feb	A & R	Click for History	Died in Senate committee
SB192	Jensen	Civil actions	14-Feb	Judiciary	Click for History	Died in Senate committee

	<i>Stivers</i>	<i>Industrial energy facilities</i>	<i>15-Feb</i>	<i>Agriculture & Natural Resources</i>	<u>Click for History</u>	<i>Signed by governor, 3-23</i>
SB196						
SB210	Stivers	Administrative law	16-Feb	Judiciary	<u>Click for History</u>	Died in Senate committee
SR150	Harper Angel	EON - clean coal	22-Feb		<u>Click for History</u>	Adopted, 3-1
HB5	<i>Adkins</i>	<i>Energy efficiency</i>	6-Feb	Senate A & R	<u>Click for History</u>	<i>Died in conference committee</i>
HB7	<i>Webb</i>	<i>Consumer protection</i>	7-Feb	<i>Judiciary</i>	<u>Click for History</u>	<i>Died in Senate committee</i>
HB68	Owens	Exempts sales & use tax on utilities for owner/operator of apartment complex or mobile home park	2-Jan	Appropriations & Revenue	<u>Click for History</u>	Died in House committee
HB82	<i>Denham</i>	<i>Ferrous and nonferrous metals</i>	2-Jan	<i>Senate Judiciary</i>	<u>Click for History</u>	<i>Signed by governor, 3-23</i>
HB102	<i>Pullin</i>	<i>Adds crude oil and petroleum products to the definition of gas</i>	2-Jan	<i>Senate Agriculture & Natural Resources</i>	<u>Click for History</u>	<i>Signed by governor, 3-23</i>
HB116	Meeks	Interlocal agreements	2-Jan	Local Government	<u>Click for History</u>	Died when recommitted to A & R
HB117	Meeks	Human remains - requires anyone excavating archeological sites on private property to obtain a permit from the Ky. Heritage Council	2-Jan	Local Government	<u>Click for History</u>	Died on House board
HB118	Meeks	Historic preservation	2-Jan	Local Government	<u>Click for History</u>	Died in House committee

HB123	Pullin	PSC - pilot program on electric meters	2-Jan	Tourism, Development & Energy	<u>Click for History</u>	Died in Senate committee
HB134	Yonts	Railroad security	2-Jan	Transportation	<u>Click for History</u>	Died in House committee
HB137	Yonts	Petroleum storage tanks	2-Jan	Senate Agriculture & Natural Resources	<u>Click for History</u>	Signed by governor, 3-23
HB150	Burch	Fatalities by drivers who are fatigued shall be reckless homicides	2-Jan	Judiciary	<u>Click for History</u>	Died in House committee
HB157	Wayne	Mobile homes - utilities	2-Jan	Local Government	<u>Click for History</u>	Died in House committee
HB161	Edmonds	Requires Cabinet to issue permits in excess of 120,000 lbs for trucks meeting certain standards	2-Jan	Transportation	<u>Click for History</u>	Died in House committee
HB172	Nelson	Administrative regulations for railroad worker safety	2-Jan	Transportation	<u>Click for History</u>	Died in House committee
HB261	Belcher	Natural gas rate stabilization	6-Feb	Tourism, Development & Energy	<u>Click for History</u>	Died when recommitted to A & R
HB262	Belcher	Fiscal matters	6-Feb	A & R	<u>Click for History</u>	Died in House committee after SCS
HB301	Meeks	Prohibits wireless communication devices in motor vehicles	6-Feb	Transportation	<u>Click for History</u>	Died in House committee
HB327	Moberly	Governor's budget	7-Feb	A & R	<u>Click for History</u>	Died in House committee
HB334	Brinkman	Business entities - KRS conform	7-Feb	Judiciary	<u>Click for History</u>	Posted for passage, 2-27

	<i>Webb</i>	<i>Tax credits for conservation easements</i>	<i>7-Feb</i>	<i>A & R</i>	<u><i>Click for History</i></u>	<i>Died in Senate committee</i>
HB354	Webb					
HB371	Simpson	Local insurance premium taxes	8-Feb	Local Government	<u>Click for History</u>	Died in House committee
HB385	Pasley	Surface mining	8-Feb	Natural Resources	<u>Click for History</u>	Died in House committee
HB442	Baugh	Brownfields	13-Feb	Natural Resources	<u>Click for History</u>	Died when recommitted to A & R
HB454	Smith	Overweight coal trucks	13-Feb	Transportation	<u>Click for History</u>	Died in House committee
HB458	DeCesare	Eminent domain	13-Feb	Judiciary	<u>Click for History</u>	Died in House committee
HB462	Simpson	Economic development	13-Feb	A & R	<u>Click for History</u>	Signed by governor, 3-23
HB490	Yonts	Construction industry	14-Feb	Licensing & Occupations	<u>Click for History</u>	Delivered to governor, 3-23
HB509	Collins	CDL	15-Feb	Transportation	<u>Click for History</u>	Signed by governor, 3-21
HB521	B. Smith	Underground storage tanks	16-Feb	Natural Resources	<u>Click for History</u>	Died when recommitted to A & R
HB543	Collins	Oil and gas	20-Feb	Natural Resources	<u>Click for History</u>	Died on House board
HB568	Wilkey	Limestone taxation	20-Feb	A & R	<u>Click for History</u>	Died in House committee
HR146	Weston	E.ON - coal coal	15-Feb	House floor	<u>Click for History</u>	Adopted, 3-1
HR215	Pullin	Ohio River Task Force	9-Mar		<u>Click for History</u>	Adopted, 3-9

Bill	Sponsor	Minimum Wage description	Filed	Committee	Bill History	Legislative status
<u>SB5</u>	Scorsone	<p>Senate Democratic Caucus bill - increase the minimum wage to \$5.85 an hour on the effective date of this Act, to \$6.55 an hour effective July 1, 2008, and to \$7.25 an hour effective July 1, 2009; and increase to the federal minimum wage rate if that rate exceeds the state minimum wage rate.</p>	01/02/07	Economic Development, Tourism & Labor	Click for History	In Senate committee
<u>HB17</u>	Gray	<p>Increase the state minimum hourly wage to \$7.00 an hour on the effective date of this Act; provide for further increase to federal minimum hourly wage rate if such rate exceeds the state minimum hourly wage rate; require, effective July 1, 2008, and annually thereafter, that the minimum hourly wage be adjusted according to the Consumer Price Index; abolish the tip credit allowed for employers and provide that tipped employees be paid the state minimum hourly wage; and require the Department of Labor to post the state minimum hourly wage level as adjusted on the department's Internet Web site</p>	01/02/07	Labor & Industry	Click for History	Posting waived, 2-6
<u>HB37</u>	Riner	<p>Increase the state minimum wage to \$6.15 an hour on the effective date of this Act, and to \$7.00 an hour effective July 1, 2008; and increase to the federal minimum wage rate if such rate exceeds the state minimum wage rate.</p>	01/02/07	Labor & Industry	Click for History	In House committee

<u>HB54</u>	Jenkins	Increase the state minimum wage to \$5.85 an hour on the effective date of this Act, to \$6.55 an hour effective July 1, 2008, and to \$7.25 an hour effective July 1, 2009; and increase to the federal minimum wage rate if that rate exceeds the state minimum wage rate.	01/02/07	Labor & Industry	Click for History	In House committee
<u>HB305</u>	Gray	<i>House Democratic Leadership bill - Amend KRS 337.275 to increase the state minimum wage to \$5.85 an hour on the effective date of this Act, to \$6.55 an hour effective July 1, 2008, and to \$7.25 an hour effective July 1, 2009; and increase to the federal minimum wage rate if such rate exceeds the state minimum wage rate.</i>	02/06/07	Senate Economic Development, Tourism & Labor	Click for History	Signed by governor, 3-22
<u>HB499</u>	Harmon	Amend KRS 337.275 to increase the minimum wage to \$7 an hour; create a new section of KRS Chapter 141; amend KRS 141.0205 to provide a tax credit for certain employers.	02/14/07	Labor & Industry	Click for History	In House committee

Bill	Sponsor	Worker's comp description	Filed	Committee	Bill History	Legislative status
SB99	McGaha	<i>No liability for compensation if voluntary intoxication was a substantial contributing factor to an employee's injury or death</i>	February 6, 2007	House Labor & Industry	Click for History	<i>In House Committee</i>
SB151	Buford	Worker's compensation insurance premiums	February 9, 2007	Economic Development, Tourism & Labor	Click for History	In Senate Committee
SB181	Jones	Unfair claims settlement practices	February 13, 2007	Economic Development, Tourism & Labor	Click for History	In Senate Committee
SB190	Jensen	<i>Independent contractors</i>	February 14, 2007	House Labor & Industry	Click for History	<i>In House Committee</i>
SB203	Turner	<i>Exempt public sector self-insured employers from the requirement to post security, indemnity or bond to secure workers' compensation liabilities if the public employer has authority to raise taxes or tuition, issue bonds, raise fees, or has other authority to generate funds; EMERGENCY.</i>	February 16, 2007	Economic Development, Tourism & Labor	Click for History	<i>Received in House, 3-7</i>
HB296	Jenkins	<i>Public sector - self-insured employees</i>	February 6, 2007	Senate Economic Development, Tourism & Labor	Click for History	<i>Signed by governor, 3-23</i>

HB303	Gray	Relates to tort actions	February 6, 2007	Labor & Industry	Click for History	In House Committee Recommitted to committee, 2-28; posting waived
HB398	Gray	Makes employer liable if negligent	February 9, 2007	Labor & Industry	Click for History	Posted in Committee, 2-15
HB452	Yonts	Black lung - worker's comp	February 13, 2007	Labor & Industry	Click for History	2nd reading, to Rules, 3-9
HB491	Webb	Revises formula for attorney's fees Eliminate the overtime and premium pay exemption provided for in the calculations to determine average weekly wages for workers compensation benefits.	February 14, 2007	Labor & Industry	Click for History	In House Committee
HB494	Webb	Creates minimum attorney's fee of \$20,000	February 14, 2007	Labor & Industry	Click for History	Recommitted to A & R, 3-7
HB495	Webb	Amend the definition of "injury" to provide a rebuttable presumption for emergency workers who contract a communicable disease from exposure to bodily fluids and human tissue.	February 14, 2007	Labor & Industry	Click for History	In House Committee
HB516	Gray	Require the executive director to notify an injured worker of the worker's rights and benefits under the workers' compensation law.	February 15, 2007	Labor & Industry	Click for History	In House Committee
HB517	Gray		February 15, 2007	Labor & Industry	Click for History	In House Committee

MARCH 2007**Economic Development Process**

- Attended the Carroll County Community Development Board meeting on 3/02.
- Attended the Coal Fields Regional Industrial Park board meeting in Hazard on 3/02. Introduced the cooperative economic development marketing program and partnership assistance.
- Met with Gallatin County's new economic development representative, along with Owen Electric staff on 3/08.
- Attended Honey Branch Regional Business Park board meeting in Prestonsburg on 3/12. Introduced the cooperative economic development marketing program and partnership assistance.
- Participated in the EKPC Strategic Planning Team process.
- Met with the Executive Director of the Morehead/Rowan County EDA on 3/21. We are assisting in the development of marketing materials for their area.
- Attended the Elk Hill Regional Business Park board meeting during the evening of 3/27 in Manchester. Introduced the cooperative economic development marketing program and partnership assistance.
- Contacted wood pellet manufacturer in Georgia in regards to the potential siting of a plant in Kentucky. Communicated contact information to several local economic development offices in eastern and southeastern Kentucky.
- Met with the State Economic Development Cabinet and a potential industrial consumer in Fleming-Mason's service territory on 3/30.
- Initiated first direct mail marketing campaign to site consultants, corporate real estate firms, and architectural and engineering firms. We are promoting our 89 county region.
- Met with Inter County Energy and the Garrard County Judge Executive to plan a county-wide community assessment to help in planning their future.
- Participated in a press conference introducing findings from a special task force of the Kentucky Council on Post Secondary Education on Science, Technology, Engineering, and Mathematics (STEM) disciplines for the future economic development/well being of Kentucky.

Member Services

- Represented EKPC in a regional public policy development session for 7 central Kentucky counties as they plan for a Washington visit with elected representatives of our region.
- Attended, as a member of the study Steering Committee, the roll out of a regional economic analysis for 18 counties in the central region of the state. Will be assisting in the formulation of a regional meeting of elected officials of that area to help build cooperation and potential service sharing among counties.
- Assisted a start-up company determine potential financial backers and marketing opportunities for an agriculture based business.
- Attended, along with Jackson Energy, the annual Board meeting and tour of southeast Kentucky with the Kentucky Highlands Investment Corporation.
- Coordinated a meeting with Jackson Energy, Cumberland Valley and Kentucky Highlands Investment Corporation to explore the development of a housing initiative to benefit our member consumers.
- Met with Clark County Tourism official and Clark Energy to explore opportunities for alliances.
- Met with the northern Kentucky regional planning group, Vision 2015, to review their programs and to explore partnership opportunities.
- Working with Cumberland Valley RECC and the Whitley County Schools to obtain a donation of printers for the school from Lexmark.
- Attended a forum on rural historic preservation as an economic development tool for 7 counties in south central Kentucky.

Non-Traditional Power Production Process

- Discussions continue with Mason County officials concerning the development of a landfill gas to electric generating facility near Maysville, Kentucky.
- Hosted a tour at the Bavarian Landfill Gas to Generating Facility for Caterpillar representatives from the Philippines. They are interested in development of landfill gas to electric plants in their country. Bavarian was one of only three plants that they toured in the US.
- Met with the Estill County Judge Executive and Community Development Director to discuss the possibility of constructing a LFGTE plant in Estill County, Kentucky

Member Services

- Met with Louisville Clean Energy to discuss feasibility of a methanol/biodiesel plant.
- Performed backup O & M duties at the Bavarian LFGTE facility as required.
- RUS Form 12 numbers were released for calendar year 2006 and indicated that landfill gas was some of the most economical energy in EKPC's portfolio. Individual "all in" costs were reported as follows: Bavarian \$25.15/MWh, Green Valley \$29.18 /MWh, Laurel Ridge \$31.01/MWh and Hardin County \$39.93/MWh.
- Sold 60,000 Renewable Energy Credits at \$1.60 for calendar year 2007 to APS Energy Services, Company.

Marketing & Natural Resources Process

- PartnersPlus meetings held at Farmers RECC, Big Sandy, Nolin, Taylor County and South Kentucky RECC.
- Conducted the second meeting of the Demand Side Management Workgroup. The purpose of this meeting was to discuss the presentation given by Greg Ferguson (EON) the EON Direct Load Control Program. Currently this program is capable of shaving 100 MW during peak hours. Also included in the discussion at this meeting was the cost benefit analysis of Button-up, Tune-up and ETS.
- Gave a reptile safety demonstration for the Kentucky League of Cities in Elizabethtown at the request of Nolin RECC.
- Attended a DSM Webcast sponsored by CRN.
- Hosted a meeting where Greg Ferguson (EON) and Roger Gray (Good Cents) presented information about the EON Direct Load Control Program.
- Conducted a biological survey and met with the Morehead Ranger District – USFS to begin the environmental analysis for Nichols Road Distribution line for Grayson RECC.
- Did a site visit of the new Landfill Gas Project at Pendleton County Landfill. Staff is preparing for an Open House there in April.
- Conducted an EnviroWatts program for a 4H group for Farmers RECC
- Worked a booth at the Lexington Home and Garden Show highlighting the Touchstone Energy Living Savings Programs.
- Conducted interviews with NRECA concerning the organizational assessment.

Member Services

Listed below are the Environmental activities for this month:

- Presented 99 Environmental Education Programs to \approx 2,500 people in 9 member service territories.
- Construction Projects Involving Environmental Activities for March: Smith-Sideview 345/69 kV Substation and Transmission Project, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Big Creek Sub and Tap, Big Creek – Goose Rock, Burlington Sub and Tap, Garlin Sub and Tap, Woodstock Sub and Tap, Flint Ink Sub and Tap, Girdler Sub and Tap, Deatsville Substation and Tap, Liberty Church Substation and Transmission Line, Conway Sub and Tap, Sterling Sub and Tap, Garrard County Substation.
- Met with RUS officials regarding the Smith – West Garrard 345kV Transmission Line Project. Also discussed future projects that will be sent to RUS for review in the near future.
- Met with Daniel Boone National Forest officials regarding the proposed Big Creek to Goose Rock Transmission Line Project and the Big Creek – Oneida Transmission Line Project.
- Met with the consultants conducting the cultural resource work on the Smith – West Garrard Transmission Line project.
- Natural Resources submitted the following environmental reports to RUS for adoption and approval: Conway Sub and Tap
- Environmental approval from RUS was received for Burlington Sub and Tap, Sterling Sub and Tap
- Met with USFWS officials regarding the Liberty Church, and Woodstock Transmission line projects. USFWS will provide “conditional concurrence” for our projects provided we perform the appropriate surveys during the field season. This will allow construction of the projects to occur at a much earlier date.
- Met with USFWS on the Girdler Transmission Line project. A field visit of the site was conducted to determine potential habitat for the federally threatened blackside dace. The appropriate surveys required by USFWS related to this species were performed in March.
- Gave Stormwater Permit presentation to the Power Delivery Expansion Group. The presentation outlined the requirements of the permit as well as the monitoring responsibilities of the field inspectors.

Member Services

- Attended Beattyville Sub and Tap, Big Creek – Goose Rock, and Burlington Sub and Tap Open Houses.
- Met with Kentucky Heritage Council officials in the field regarding potential effects of the Smith – West Garrard project on cultural resources.

Member and Corporate Communications Process

- Completed a Communications Plan to support four key corporate goals: changing the culture, streamlining the company, sharing risks, and restoring financial strength.
- Created and distributed order forms to members for four sets of Safety Ads for member Kentucky Living inserts or local newspaper to be available for May in honor of National Electrical Safety Month.
- Completed work on the 2006 Annual Report.
- Answered media calls concerning the EKPC rate case, Spurlock Unit #4, Lake Cumberland impact upon Cooper Station, and more.
- Continued sending materials to members to assist in explaining the EKPC rate case, including a card for member customer service representatives, a press release about the interim settlement, and additional pieces.
- Posted various Fact Sheets about the interim settlement on the rate case, the proposed early retirement program for headquarters personnel and more.
- Distributed the February Fuel Adjustment Clause report with a chart showing the two-year history of the FAC.
- Posted the May InterChange list of stories for member systems optional use in their Kentucky Living inserts.
- Distributed daily stories about the electric industry and Public Service Commission orders to EKPC and member system staff.

Touchstone Energy Brand Management

- Created and recorded safety radio spots for general co-op use.
- Attended Lineman's Rodeo Committee meeting.
- Worked with legal to insure publication of rate hearing notices and confirmation of same.

Member Services

- Met with Inter-County energy staff and Garrard County Judge Executive regarding production of Economic Development/Tourism video for Garrard County.
- Worked with communications personnel on developing annual meeting booth and attendant materials.
- Worked with Communications staff on creation of safety print ads.
- Attended DSM meeting.
- Met with Blue Grass Energy regarding BG's future advertising plans.

MARCH 2007**Transmission Planning - Darrin Adams**Summary of Future Transmission Projects Identified as of April 2007

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2007 through 2016):

- 162 miles of new transmission line construction, including 55 miles of new 345 kV line required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 14 new transmission switching substations, including three new 345 kV switching substations required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 168 miles of re-conductor or rebuild of existing transmission line
- 19 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 17 new 69 kV capacitor banks totaling 267 Mvars
- 154 miles of transmission line requiring high-temperature upgrades
- 24 new distribution substations
- 2 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

No significant modifications have been made to these plans since the previous information was provided.

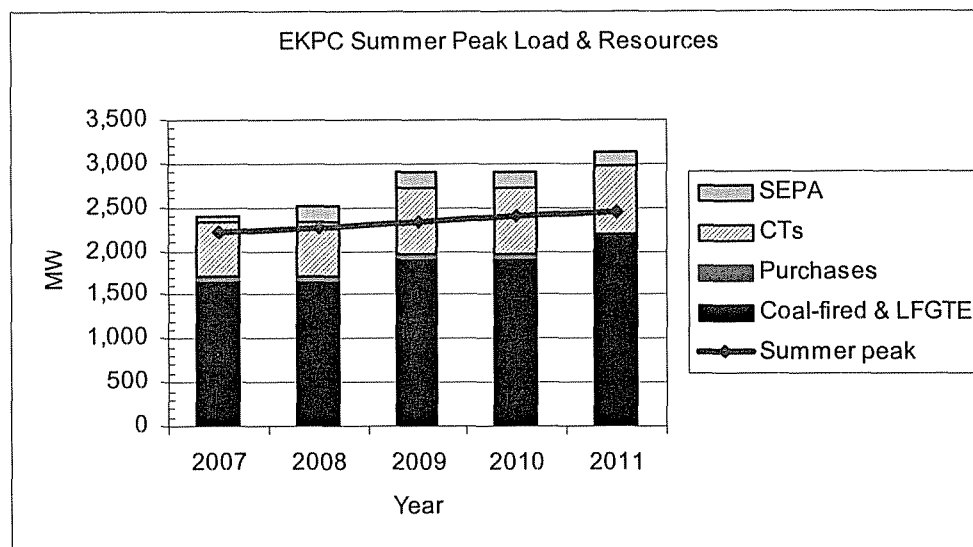
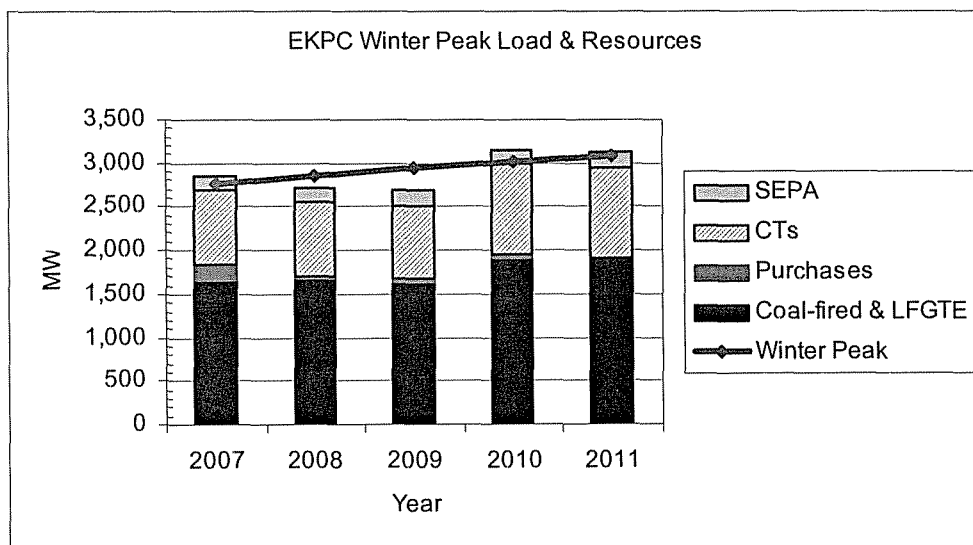
Resource Planning - Gary Davidson

The following graphs show the projected winter peak load and capacity resources broken down by baseload and other resources. Capacity resources include existing and committed resources as noted following the graphs. The peak loads shown do not include reserves. The winter graph shows that there will be capacity deficits in 2008 and 2009 and tight winter margins in 2010 and 2011 due to delays in adding new capacity. EKPC will need to make some seasonal purchases of transmission and/or power to help cover the peak load and reserves throughout the period. *Summer seasonal purchases may not be necessary although it may be economical to purchase transmission to bring in economy power.* The summer margin in 2007 is thin with only the Laurel 70MW portion of SEPA considered dependable. The graphs assume that Smith CT 8 and 9 will be available by June of 2009 and Smith CFB 1 will be available by June 2011.

Resource Planning and Mid Term Planning Staff have been involved in meetings and conference calls with SEPA, the Corps of Engineers, and SEPA preference customers

Power Supply

regarding the situation with Wolf Creek Dam and its impact on EKPC's SEPA power allocation. For the remainder of 2007 EKPC will not be able to effectively schedule the 100 MW SEPA allocation from the Cumberland River System. The Corps will operate Wolf Creek to maintain a near constant elevation of 680 feet and generation will be determined by that operation. SEPA's Cumberland System customers will receive energy on a percentage allocation basis with limited ability to schedule the generation. The Corps will re-evaluate the situation near the end of the year to determine if grouting work is having a positive impact on seepage at Wolf Creek Dam. Since this 100 MW is not dependable, it has been excluded from the resources below for Summer 2007. The 70 MW from Laurel should not be substantially impacted unless rainfall is below normal.



Power Supply

NOTES:

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Pendleton Co. LFGTE came on-line February 2007.

Spurlock 4 unit assumed to be on-line in April 2009.

Smith CTs 8-9 assumed to be on-line June 2009.

Smith CFB 1 assumed to be on-line June 2011.

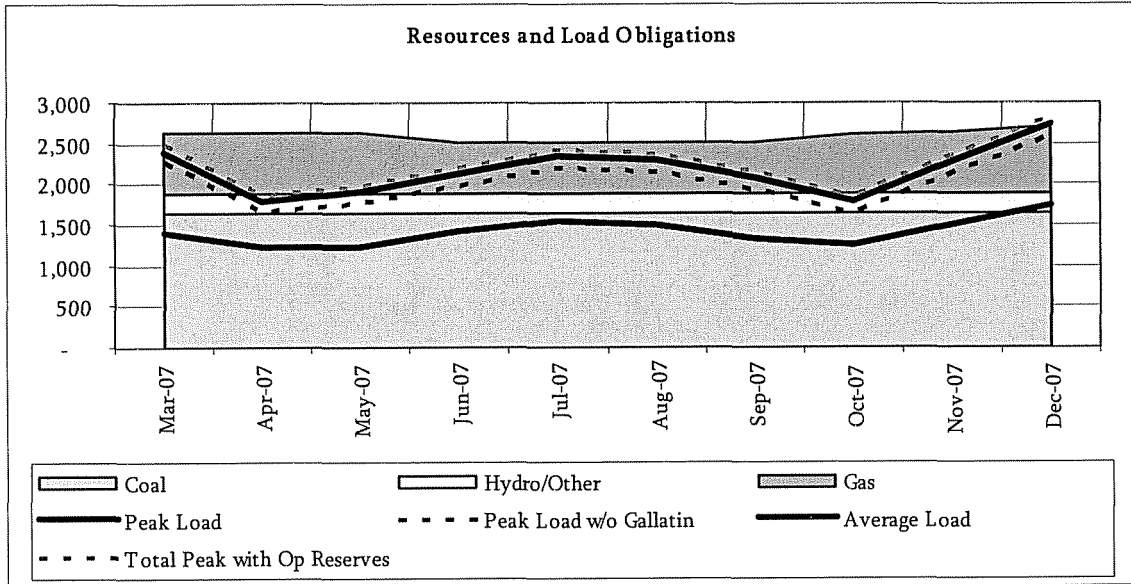
Greenup Hydro purchase ends December 31, 2010.

Mid-Term Planning - Julie Tucker

Mid-Term Planning focuses on EKPC's power supply issues from one month out to three or more years. It functions to optimize the use of EKPC's assets for power supply to our Members focusing on the mid-term time frame. We are working with other areas of the company to compile a view of hedging activity that aims to mitigate risk exposure and reduce price volatility. The following list summarizes those activities.

- Coal costs are being hedged by entering into long-term purchase contracts for approximately 75% of our needs. The remaining 25% is locked up by purchase orders on a month to two-year ahead basis. We are investigating other ways to potentially mitigate transportation cost risk.
- Emission allowances are being purchased ahead to build an inventory to average the allowance costs resulting in levelizing that portion of the environmental surcharge.
- Transmission rights are being purchased for the next year to guarantee a transportation flow into our system for the market purchases that will be needed to supply Member's needs.
- Power purchases are being evaluated to estimate our future needs and along with contracts to supply those needs.

Power Supply



In June 2006, EKPC started a Natural Gas Procurement and Price Management Program with Fellon-McCord & Associates. The objective of the program is to mitigate natural gas price volatility, create a known future cost of gas, stabilize fuel adjustment charges, and protect corporate margins and cash flow while obtaining the most reliable gas supply and transportation. EKPC will use a strategy involving fixed price forward natural gas purchases as a means to manage future natural gas price exposure.

- Projected monthly gas usage based on historical data
- Hedge 30% of monthly historical use
- Hedge with financial instruments

Power Supply

EKPC Natural Gas Hedging Summary

Delivery Month	Hedged Quantity (Dth)	Current Market Price	Average Hedged Price	Current Market Price Less Hedged Price	Average Gas Price with Hedge
Jun-06	40,000	6.570	7.170	(0.600)	7.087
Jul-06	140,000	6.099	7.360	(1.261)	7.678
Aug-06	200,000	7.965	7.540	0.425	8.418
Sep-06	0	4.201		4.201	6.429
Oct-06	0	7.153		7.153	7.543
Nov-06	40,000	7.850	8.651	(0.801)	8.548
Dec-06	60,000	8.090	9.210	(1.120)	8.696
Jan-07	80,000	6.764	9.235	(2.471)	8.835
Feb-07	40,000	7.740	9.146	(1.406)	10.366
Mar-07	60,000	7.373	7.774	(0.401)	7.203
Apr-07	0	7.093		7.093	0.00
May-07	40,000	7.225	8.015	(0.790)	7.468
Jun-07	60,000	7.361	7.491	(0.130)	7.400
Jul-07	120,000	7.468	7.966	(0.498)	7.617
Aug-07	150,000	7.525	8.488	(0.963)	7.814
Sep-07	50,000	7.650	8.008	(0.358)	7.757
Oct-07	0	8.302		8.302	0
Nov-07	30,000	8.945	9.893	(0.948)	9.164
Dec-07	30,000	9.260	8.868	0.393	9.201
Jan-08	40,000	9.250	8.945	0.305	9.205
Feb-08	20,000	9.025	9.450	(0.425)	9.090
Mar-08	15,000	7.710	7.460	0.250	7.691

*Based on historical gas usage and current market prices

Generation Dispatch - Chuck Dugan

System Peak – EKPC's coincident peak in February 2007 was 2840 MWh, occurring at hour 0800 on the 16th. Member system requirements for the month of February 2007 were 1336847 MWh, an increase of 18.21% above February 2006. During February, there were 225 more heating degree days than normal; temperature was 23.6% cooler than normal.

Fuels - Jerry Bordes

Fuel – Maintain Reliable and Competitive Energy Costs

EKPC's coal inventory at the end of March 2007 will be approximately 30 days after deducting the tonnage purchased earlier than required at discounted prices. This adjusted inventory is projected to continue decreasing to approximately 22 days during the summer

months.

Work continues on future coal and limestone sources for the new scrubbers.

Mine visits will be completed shortly in regards to the short list of suppliers for contract coal to be used in the Spurlock scrubbed units. Discussions continue with Production personnel regarding the impact of various coal qualities on the plant's performance.

Discussions continue with ACES regarding various coal and oil hedging strategies.

The Fuel department is currently in a transition process of assuming emission trading from the Finance department.

Approximately 15,000 gallons of No. 2 fuel oil were purchased for Dale Power Station, 7,500 gallons for Cooper Power Station, and 45,000 gallons for Spurlock Power Station.

Pricing -- Bill Bosta

EKPC/LG&E Transmission and Interconnection Agreement Dispute, FERC Case ER-02-2560

On February 6, the FERC issued its Final Order in the proceeding. The Commission ruled that LG&E must revert back to all aspects of the rates in effect under the Grandfathered Agreements. This is a significant ruling and means that LG&E is not allowed to charge EKPC for MISO Schedule 10, Schedule 1, Scheduling and Schedule 2, Reactive Supply & Voltage Control for the November 2002 through August 2006 time period. On March 8, LG&E filed its Refund Compliance Report and issued a refund in the amount of \$2,229,000 to EKPC. This refund, combined with the already issued refund of \$1.7 million, results in a total refund to EKPC of over \$3.9 million. LG&E filed a request for rehearing of the Commission's Order.

As a result of the Commission's Final Order in this case, EKPC's annual rates from LG&E actually declined by 12% during the period in effect compared to the 43% increase originally proposal.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

EKPC Filing to Amend its OATT at the FERC - Case No. NJ07-1-000

On November 14, EKPC filed with the FERC to amend its Open Access Transmission Tariff (OATT). The filing was made to inform the FERC that EKPC was amending its OATT to reflect a change in its network transmission rate to a "stated" rate of \$1.62/KW-mo. from its existing methodology. The change is expected to garner an additional \$200,000 to \$300,000 annually for service to LG&E under the new Interconnection Agreement with LG&E, effective September 1. In addition, the filing includes several language changes and

Power Supply

incorporates the FERC-approved procedure for small and large generator interconnections to the transmission system. On December 12, LG&E filed a protest to EKPC's proposed changes.

During December and into January, both LG&E and EKPC filed comments with the FERC regarding this filing. LG&E has requested that a FERC settlement judge is necessary, while EKPC has urged the Commission to accept its filing as is. The Commission has not ruled on whether to accept LG&E's protest. A decision is expected in the near future.

EKPC's Protest to LG&E's Filing for Approval of a New Network Service Agreement and Depancaking Mechanism - Docket No. ER06-1458

EKPC has filed a protest to the proposed Network Service Agreement and Depancaking mechanism filed by LG&E in September 2006. LG&E's filing stems from their exit from the MISO and the need to adhere to the provisions of the settlement agreement between EKPC and LG&E regarding LG&E's departure from MISO. The main issue is how LG&E will calculate the depancaking provision of the settlement agreement. In accordance with the settlement agreement, EKPC contends that it should not pay twice (for transmission) when it purchases power from MISO to serve EKPC loads located in the LG&E transmission zone. LG&E agrees that EKPC should not be pancaked, but believes the compensation mechanism should be scaled back. The FERC has established a settlement process for this case and the parties have been in settlement discussions. A report to the settlement judge must be filed by April 6.

Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On January 31, the Commission issued its Final Order for the six-month review period ending November 2005 in Case No. 2006-131. The Commission agreed with EKPC's proposal in every respect and authorized a refund of approximately \$438,000 per month for the next six months as a result of the over recovery of environmental costs in the six-month review period.

On March 20, EKPC submitted its twenty-first monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 9.04% to be applied to service rendered in March 2007 and billed the first week of April 2007. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 5.97% to 8.87%. These factors reflect approval of the recovery or amortization of over or under recoveries for each Member System during the next six months.

This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

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Case 2006-00472 EKPC Wholesale Rate Case

On March 22, 2007, the Commission held a hearing to determine whether to allow EKPC to implement an interim increase in rates on April 1, subject to refund. The Commission is considering a settlement agreement entered into by EKPC, the Attorney General and the Kentucky Industrial Utility Consumers (KIUC) that would allow EKPC to implement a \$19 million annualized increase in rates effective for service rendered on April 1. The Sierra Club filed for, and received, intervention status in the rate case, and did not agree to the settlement. On March 27, the Commission issued an Order suspending EKPC's proposed rates through August 31, 2007, but left open the possibility of ruling specifically on EKPC's request for the April 1 implementation of the interim settlement.

Case 2006-00547 Request to Continue Rebate program for Touchstone Energy Home

On December 14, EKPC filed an Application with the Public Service Commission to extend the rebate provision of its Touchstone Energy Home demand side management program. The Company cited the growth in the number of participants and the potential energy efficiency gains associated with the program. EKPC asserted that the rebate program is an important element in promoting the program. On January 8, the Rate Intervention Division of the Office of the Attorney General filed a response to EKPC's application. The Attorney General lauded the program and cited the favorable growth over the last two to three years, but expressed concern about EKPC's financial condition as indicated in the Commission's investigation in Case 2006-00455. They indicated that payment of rebates in a time of financial insecurity is not warranted. On February 14, the Commission Staff issued its First Data Request in the proceeding and EKPC filed responses on February 28. EKPC has requested action from the Commission by June 1.

Power Supply

MONTHLY REPORT

**East Kentucky Power Cooperative, Inc.
Estimated Monthly Environmental Surcharge Factors
March 2007 through December 2008**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Mar-07	\$49,757,656	\$4,810,784	9.16%
Apr-07	\$50,004,693	\$4,139,109	7.77%
May-07	\$50,507,143	\$4,931,690	9.25%
Jun-07	\$50,494,704	\$5,402,479	10.19%
Jul-07	\$50,692,159	\$6,516,641	12.35%
Aug-07	\$50,762,007	\$6,328,350	11.96%
Sep-07	\$51,347,289	\$5,681,955	10.56%
Oct-07	\$51,429,171	\$4,843,924	8.91%
Nov-07	\$52,175,480	\$4,740,009	8.57%
Dec-07	\$52,806,096	\$5,589,612	10.08%
Jan-08	\$52,836,068	\$5,802,559	10.47%
Feb-08	\$51,921,626	\$5,512,705	10.11%
Mar-08	\$51,578,845	\$5,322,254	9.81%
Apr-08	\$51,596,015	\$4,801,343	8.80%
May-08	\$51,292,766	\$5,421,302	10.06%
Jun-08	\$51,740,251	\$5,729,189	10.56%
Jul-08	\$51,990,776	\$5,372,540	9.82%
Aug-08	\$52,340,413	\$5,272,748	9.56%
Sep-08	\$52,551,373	\$4,899,496	8.81%
Oct-08	\$52,637,617	\$3,830,004	6.77%
Nov-08	\$52,650,006	\$3,852,097	6.81%
Dec-08	\$52,728,617	\$4,099,703	7.27%

Current SO₂ price is \$430 per allowance as of March 30, 2007.

Current NO_x price is \$1,025 per allowance as of March 30, 2007.

Forecasting and Market Analysis – Sally Witt

- Developed a cost of service study for Fleming-Mason Energy.
- Developed a load shape and forecast for the City of Monticello to be used in pricing and planning analyses.
- Given February had some colder temperatures and consumer bills reflected that, member systems had many high bill complaints to deal with. EK provided weather and usage analyses to Grayson RECC and Fleming Mason Energy to help with these discussions. Provided weather adjusted sales to Owen EC to show the impact the mild weather in 2006 had on sales.
- Participated in the Kentucky Energy Efficiency Working Group Meeting. This group

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includes representatives of gas and electric utilities in Kentucky, the Office of the Attorney General, Governor's Office of Energy Policy, other state agencies, and special interest groups.

- Prepared and discussed the benefits/cost analysis for existing DSM programs with the DSM Working Group.

MAY 2007

APRIL 2007

Finance & Risk Management Process – Frank Oliva, ManagerTreasury Management

- Cash Management

EKPC continues to investigate the best possible options of investing excess funds to enhance yield and project daily corporate cash needs. On April 20, EKPC had \$113,309,500 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.11% to 5.23%. \$23,272,015 (book value) is invested in long-term treasury and government agency securities, primarily pledged as security for insurance and post-retirement liabilities. This action supports EKPC's Mission to provide competitive energy to the member systems.

As of April 20, a total of 59 bank wires/transfers were initiated for a total amount of \$73,333,881. These bank wires/transfers include cash investments, benefit reimbursements, purchasing card payments, MISO payments, emission purchases, coal payments, contract payments, purchased power, debt service payments, and all expenditures related to payroll.

- Construction Funds

No advances were requested nor received for the month of April.

The interest rates on our floating/fixed rate pollution bonds through April 24 were:

Cooper – 6 Month fixed rate – 3.73%

Smith – 6 Month fixed rate – 3.70%

Spurlock – weekly floating rate ranged from 3.68% to 3.87%

The EKPC Residential Marketing Loan Program has been utilized by seven member systems for the purpose of making loans to member-consumers. EKPC will make loan funds available to each of its member systems that desire such funds. As of April 20, 6 of the 72 loans remain outstanding with balances totaling \$61,303.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of April 20, EKPC has purchased \$1,566,000 in capital stock and has loaned \$0 on the line of credit. In addition, EKPC had loaned \$3,798,498 to the four

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April 2007

subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of April 20 is \$3,333,085.

As of April 20, \$472,471 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through an Industrial Development Pilot Project. These actions support EKPC's Mission to provide competitive energy to the member systems.

- Finance

The Finance Process continues to monitor and maintain current financial information. As of April 23, the CFC interest rate for lines of credit was 6.90% and the CFC variable, long-term rate was 7.05%. FFB interest rates on April 20 were 4.58% and 4.83% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on April 23 for the CFC thirty-year long-term fixed rate loan was 7.05%. As of April 20, the interest rate on EKPC's Revolving Credit Facility ranged from 6.15% to 6.18%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepared actual-to-budget comparison reports for March 2007 for all departments and business units.

Provided historical, current, and projected volume and cost of coal, oil, gas, methane gas, emission allowances, and purchased power for the Business Management Plan. This information will be used in comparison of historical and projected trends of these large expenses for the cooperative. These actions support EKPC's Mission to provide competitive energy to member systems.

Risk Management

- Insurance – A current insurance schedule is included with this report.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

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April 2007

- Member Systems Claims for Transmission System Disturbance – No open claims.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents continue to be reviewed by EKPC and APM. The policy is to document EKPC’s policies on managing the risk inherent in its wholesale energy business.

EKPC Power Purchase Agreements and Credit Management – EKPC’s credit is being reviewed and negotiated for purchases of power, transmission, emission allowances and coal. Risk Management personnel continue to obtain, monitor and manage the credit support provided by trading counterparties, in the form of parental guarantees and payment netting provisions. Agreements are being negotiated with several counterparties.

MISO and PJM – Risk personnel continue to keep abreast of the evolving market.

**East Kentucky Power 2006-2007 Business Insurance
as of April 30, 2007**

	<u>Carrier</u>	<u>Coverage Limit</u>	<u>Self-Insured Retention</u> \$50,000 Headquarters \$2,000,000 -All other	<u>Annual Premium*</u>	<u>Policy #</u>	<u>Coverage Period</u>
Property	FM Global	\$2,988,269,000		\$1,738,831	NC268	3/1/07-3/1/08
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$531,858	X0459A1A06	10/15/06-10/15/07
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$167,697	C0459A1A06	10/15/06-10/15/07
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$8,840	HO740494	10/15/06-10/15/07
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$4,000,000	n/a	\$8,526	EX0118820	10/15/06-10/15/07
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	81151591	10/15/06-10/15/07
Directors & Officers Liability	AEGIS	\$10,000,000	\$500,000	\$59,134	DO459A1A06	11/14/06-11/14/07
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$11,409	104388370	11/14/06-11/14/07
Builder's Risk - Spurlock #4 <i>3 year policy term- at annually, coverage limit increases each year</i> Transit coverage included.	FM Global	\$375,000,000	\$500,000	\$384,329	NC125	10/3/06-10/03/07
Professional Liability	Lloyds of London	\$1,000,000	\$5,000	\$3,326	PRO00017306	10/27/06-10/27/07

ENVISION, LLC

*Premium includes state surcharge and all taxes unless otherwise noted.

E.A. Gilbert Generation Project Costs thru 3/31/2007

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr.Award/Amend Over/(Under) Design Costs	(thru 3/31/07) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,602,490	\$ 16,290
E6	Feedwater Heaters	Yuba Heat	1,436,000	728,185	(707,815)	737,889	9,704
E8	Deaerator	Ecodyne	225,000	192,500	(32,500)	192,500	-
E11	Condenser	TEI	1,620,000	1,560,662	(59,338)	1,560,662	-
E16	Circ. Water Pumps	Goulds/ITT	796,000	611,700	(184,300)	611,700	-
E17	Condensate Pumps	Flowserve	260,000	232,610	(27,390)	236,056	3,446
E21	Boiler Feed Pumps	Flowserve	1,260,000	1,735,539	475,539	1,708,081	(27,458)
E36	Distributed Control System (DCS)	ABB	2,000,000	4,345,000	2,345,000	3,329,532	(1,015,469)
E101	Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103	Radial Stacker/Reclaimer	Metso Minerals	-	1,815,500	1,815,500	1,956,671	141,171
E131	Transformers	Waukesa/PSD	2,825,000	3,576,441	751,441	3,567,561	(8,880)
E146	Switchgear	Pederson	780,000	3,783,855	3,003,855	3,783,855	0
E201	Boiler Island	Alstom Power	126,900,000	146,725,985	19,825,985	150,957,734	4,231,749
E211	Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,092,380	424,907
E221	Stack	Pullman Power	4,950,000	4,604,000	(346,000)	4,604,000	-
E222	Cooling Tower	Marley Cooling	1,900,000	2,382,600	482,600	2,383,549	949
E251	Piling	Richard Goettle	9,600,000	5,071,757	(4,528,243)	5,071,757	-
E261	Substructure	Baker	-	9,650,846	9,650,846	15,343,775	5,692,929
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,287,552	1,182,452
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	332,611,118	10,651,790
	Escalation of Contracts		\$ 4,490,000		(4,490,000)		
	Contingency		9,880,000		(9,880,000)		
	Boiler Contingency		13,000,000		(13,000,000)		
		Subtotal	\$ 27,370,000	-	(27,370,000)	-	-
		Total Contracts	\$ 292,196,000	321,959,328	29,763,328	332,611,118	10,651,790
Other Costs	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,457,853	1,737,853
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,142,354	642,354
	Spare Parts	EKPC	3,000,000	3,000,000	-	797,778	(2,202,223)
	Site Prep	EKPC	500,000	500,000	-	3,386,927	2,886,927
	Environmental Costs	EKPC	1,275,000	1,275,000	-	554,725	(720,275)
		Total Other	\$ 34,915,000	35,995,000	1,080,000	38,339,636	2,344,636
		Total Contracts + Other	\$ 327,111,000	357,954,328	30,843,328	370,950,754	12,996,426
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		Project Total	\$ 367,611,000	398,454,328	30,843,328	399,553,772	1,099,444

Spurlock #4 Generation Project Costs thru 3/31/2007

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr.Award/Amend Over/(Under) Design Costs	(thru 3/31/07) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 25,846,531	\$ (7,048,469)
F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,122,645	(84,479)
F8	DEAERATOR	Ecodyne	200,000	303,094	103,094	302,460	(634)
F11	CONDENSER	TEI	1,600,000	2,358,510	758,510	2,248,020	(110,490)
F16	CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	494,200	(200,000)
F17	CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	323,505	-
F21	BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36	DISTRIBUTED CONTROL SYSTEM	ABB	4,000,000	3,928,175	(71,825)	398,913	(3,529,263)
F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	2,673,705	(44,753)
F71	ASH HANDLING EQ ONLY	United Conveyor	1,500,000	3,121,730	1,621,730		(3,121,730)
F101	ALLOY PIPING AND ALLOY SUPPORTS	BendTec	2,450,000	3,922,297	1,472,297	3,619,571	(302,725)
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	1,240,221	(1,860,331)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700	301,400	(1,053,300)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	3,902,320	(12,326)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	115,924,943	(78,575,057)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	3,063,600	(9,014,800)
F221	STACK / CHIMNEY	Pullman Power	5,700,000	5,851,000	151,000	373,200	(5,477,800)
F222	COOLING TOWER	Marley Cooling Twr.	2,454,000	3,025,100	571,100	2,892,865	(132,235)
F251	PILING	Richard Goettle	5,650,000	9,270,142	3,620,142	9,270,142	(0)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	16,939,858	(238,618)
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	10,188,433	(197,187)
F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	27,027,113	(72,547,595)
F332	PAINTING		2,500,000		(2,500,000)		-
	Subtotal		\$ 353,770,000	414,081,209	60,311,209	229,317,344	(184,763,865)
	STEEL CONTINGENCY		\$ 10,000,000	\$ 10,000,000	\$ -		\$ (10,000,000)
	F201 BOILER CONTINGENCY		9,025,000	9,025,000	-		(9,025,000)
	F281 BOP CONTINGENCY		7,200,000	7,200,000	-		(7,200,000)
	CONTINGENCY (EXCL F1,F201,F281)		6,887,500	6,887,500	-		(6,887,500)
	Subtotal		\$ 33,112,500	33,112,500	-	-	(33,112,500)
	Total Contracts		\$ 386,882,500	\$ 447,193,709	\$ 60,311,209	\$ 229,317,344	\$ (217,876,365)
Other Costs	Engineering Design	Stanley	\$ 16,270,000	\$ 16,200,000	\$ (70,000)	\$ 8,306,721	\$ (7,893,279)
	Owners Cost	EKPC	20,000,000	20,000,000	-	8,379,808	(11,620,192)
	Spare Parts	EKPC	-	-	-	-	-
	Site Prep	EKPC	-	-	-	2,269,039	2,269,039
	Total Other		\$ 36,270,000	\$ 36,200,000	\$ (70,000)	\$ 18,955,568	\$ (17,244,432)
	Total Contracts + Other		\$ 423,152,500	\$ 483,393,709	\$ 60,241,209	\$ 248,272,912	\$ (235,120,797)
	Interest During Construction	IDC	46,546,775	46,546,775	-	12,068,049	(34,478,726)
	Fuel Credit during Commissioning						(1,979,134)
	Project Total		\$ 469,699,275	\$ 529,940,484	\$ 60,241,209	\$ 260,340,962	\$ (269,599,522)

Finance

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Accounting and Materials Management Process – Ann Wood, Manager

General Accounting

Accounts payable wrote 749 checks from April 1, 2007 through April 20, 2007 totaling approximately \$21,783,000.

The PSC granted EKPC an increase in base rates of \$19 million (subject to refund) for service rendered on and after April 1, 2007.

East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of March 31, 2007

Expense Month	EKPC Base Rate \$/mwh	EKPC Actual Fuel Rate \$/mwh	Debit/ Credit \$/mwh	KU Base Rate \$/mwh	KU Actual Fuel Rate \$/mwh	Debit/ Credit \$/mwh
Oct-05	20.25	28.34	8.09	18.10	23.89	5.79
Nov-05	20.25	26.97	6.72	18.10	20.41	2.31
Dec-05	20.25	33.34	13.09	18.10	20.73	2.63
Jan-06	20.25	27.81	7.56	18.10	20.13	2.03
Feb-06	20.25	27.13	6.88	18.10	22.50	4.40
Mar-06	20.25	26.38	6.13	18.10	25.30	7.20
Apr-06	20.25	27.37	7.12	18.10	24.18	6.08
May-06	20.25	27.91	7.66	18.10	25.33	7.23
Jun-06	20.25	24.96	4.71	18.10	26.39	8.29
Jul-06	20.25	26.08	5.83	18.10	27.57	9.47
Aug-06	20.25	27.85	7.60	18.10	31.09	12.99
Sep-06	20.25	27.00	6.75	18.10	23.18	5.08
Oct-06	20.25	22.81	2.56	18.10	25.91	7.81
Nov-06	20.25	25.40	5.15	18.10	22.49	4.39
Dec-06	20.25	27.14	6.89	18.10	21.84	3.74
Jan-07	20.25	28.24	7.99	18.10	22.10	4.00
Feb-07	20.25	35.19	14.94	18.10	24.31	6.21
Mar-07	20.25	28.73	8.48	18.10	24.40	6.30

Finance

Finance Monthly Report
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Materials Management

The Winchester Warehouse inventory increased in March by \$265,398, with an ending balance of \$13,154,099. Stock-related material handled during the month totaled \$1,004,811, and included material for eighteen (18) Power Delivery Expansion projects, and credits for nine (9) projects. 7,499 gallons of fuel was pumped at the fuel facility during February. 7,923 gallons of unleaded fuel was purchased for \$2.36/gallon; no diesel fuel was purchased during March.

Payroll

First quarter 2007 taxes were completed and filed. Two departments were added to the self service time and labor module. Testing began on a Peoplesoft tax update.

Plant Accounting

Work continues on the 2006 Property Tax Return. We have transitioned Mary Segress' job responsibilities to other team members, as a result of her retirement. We are also in the process of scheduling the 2007 Physical Inventories for all locations.

Internal Audit & Performance Measures – Graham Johns, Coordinator

Internal Auditing for Member Systems

Clark Energy Cooperative—Graham Johns and Vernon Shearer toured the Winchester, Stanton, and Frenchburg facilities on April 17 as part of an internal audit of security.

Inter-County Energy Cooperative—An audit of depreciation will begin May 8. Also, started work on an audit of the online payment process.

Jackson Energy Cooperative—Upcoming audits include wage and salary administration and work force management and productivity.

Green Power

Compiled the Green Power Generation and Sales Report for the first quarter 2007.

Finance

Finance Monthly Report
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 April 2007

Credit Union

Reviewed the Call Report for the East Kentucky Employees Federal Credit Union.

Credit Union Process – Brian Tyler, Process Owner

March 2007 Financial Report

Loans	14,268,697.31
Investments	1,797,599.67
Total Assets	18,721,589.74
Liabilities	1,825,617.22
Deposits	14,596,025.43
Equity	2,299,947.09
Interest on Loans	72,657.55
Investment Income	19,587.59
Total Income	101,368.85
Total Expenses	58,272.42
Retained Earnings	16,096.43
YTD Retained Earnings	23,366.75

Credit Union begins “Thrive by 5” Financial Literacy Program

The East Kentucky Employees Federal Credit Union has started a financial literacy program aimed at preschoolers. All EKPC employees with preschoolers will be targeted and the program will be rolled out in all locations. The name of the program is “**Thrive by 5**” and we hope to help parents protect their children from consumerism and encourage families to start financial awareness early. In short, with the first phase of our financial literacy program, we want to give parents some financial tools that will initiate a lifetime of financial stability.

The simple activities and other resources in the "Thrive by 5" program are parent and child tested and help parents teach children how money works and what it can do, talk about how money is spent within the family unit, and the program also helps parents model good money-management skills. Additionally, EKEFCU will be partnering with local libraries in displaying books specifically targeted toward preschoolers and money skills.

Finance Monthly Report

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April 2007

Stay tuned for more information about the financial literacy program as plans are unrolled! **What an exciting opportunity!**

dge/dd

c: Directors & Alternate Directors

Executive Staff

Finance Staff

G&T Operations – Power Delivery

APRIL 2007

**POWER DELIVERY – OPERATIONS – GEORGE CARRUBA,
MANAGER**

The following information is related to system transmission outages and the Average Service Unavailability Index (ASUI) and how they reflect Power Delivery-Operations efforts towards the key measures used in the corporate scorecard for reliable energy, competitive energy and providing service to our member services.

Outage Reports for March 2007 - EKPC Power Supply outages have accounted for .09 consumer hours out year-to-date. Of these, none were scheduled and .09 were emergency outages with none due to major storms. For the month of March, we experienced eight emergency outages affecting 12 substations and seven member systems. Three scheduled outage occurred and 19 line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through March 2007, our reliability measure, ASUI is 4.32 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - THIS MONTH
March 2007**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
JACKSON	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	3-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
OWEN	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
SHELBY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	6-50%	0-0%	1-8%	1-8%	0-0%	0-0%	0-0%	3-25%	0-0%	0-0%	1-8%	12-100%

TLIN=Transmission Line Equipment Failure	ROW=Right-Of-Way	VAND=Vandalism
TSUB=Transmission Sub Equipment Failure	ABO=Accident By Outsiders	WILD=Wildlife
DSUB=Distribution Sub Equipment Failure	PERR=Personnel Error	SIMP=System Improvements
WTHR=Storm/Weather Related	MOPS=Mis-operation of Protection Scheme	

**EAST KENTUCKY POWER COOPERATIVE
EMERGENCY OUTAGES - YEAR TODATE
March 2007**

	<u>TLIN</u>	<u>TSUB</u>	<u>DSUB</u>	<u>WTHR</u>	<u>ROW</u>	<u>ABO</u>	<u>PERR</u>	<u>MOPS</u>	<u>VAND</u>	<u>WILD</u>	<u>SIMP</u>	<u>TOTAL</u>
BIG SANDY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
BLUE GRASS	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FARMERS	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
FLEMING-MASON	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
GRAYSON	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
INTER-COUNTY	3-60%	0-0%	1-20%	1-20%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
JACKSON	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	3-100%
LICKING VALLEY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
NOLIN	3-50%	0-0%	0-0%	0-0%	0-0%	3-50%	0-0%	0-0%	0-0%	0-0%	0-0%	6-100%
OWEN	0-0%	0-0%	1-50%	1-50%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
SALT RIVER	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	1-100%
SHELBY	1-25%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-75%	0-0%	0-0%	0-0%	4-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
EKPC	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
SYSTEM TOTAL	11-44%	0-0%	2-8%	2-8%	0-0%	5-20%	0-0%	4-16%	0-0%	0-0%	1-4%	25-100%

TLIN=Transmission Line Equipment Failure
 TSUB=Transmission Sub Equipment Failure
 DSUB=Distribution Sub Equipment Failure
 WTHR=Storm/Weather Related
 ROW=Right-Of-Way
 ABO=Accident By Outsiders
 PERR=Personnel Error
 MOPS=Mis-operation of Protection Scheme
 VAND=Vandalism
 WILD=Wildlife
 SIMP=System Improvements

EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT MARCH 2007 FOR ENTIRE SYSTEM

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
Emer/Sched	Consumers Out	Consumer Hours Out	KWH Unserved	Substation Company	Description
03/04/07 2:24 Emergency	1 h 5 m 1,620	1,755	4,975	E92 Annville Jackson	Transmission Line Equip. Failure : Conductor Conductor broke in line section between Tyner-Annville at STR.# BD-2 & BD-3, of Tyner-E. Bernstadt 69 KV transmission line.
03/04/07 2:24 Emergency	1 h 5 m 1,313	1,422	5,318	E49 Eberle Jackson	Transmission Line Equip. Failure : Conductor Conductor broke in line section between Tyner-Annville at STR.# BD-2 & BD-3, of Tyner-E. Bernstadt 69 KV transmission line.
03/06/07 9:02	52 h 1 m	0	0	W1 Cedar Grove Ind. 17 Park	System Improvements : Maintenance A scheduled outage was required in order for LG&E to replace watt-hour meters at their Blue Lick sub. EKPC personnel adjusted MOAB switches at Cedar Grove Industrial Park.
Scheduled	4			Salt River	
03/07/07 14:25 Emergency	0 h 3 m 4,080	185	332	E41 Flemingsburg Fleming-Mason	Transmission Line Equip. Failure : Switch Received report from field personnel that Flemingsburg Distribution station was off line. EKPC field personnel were facilitating maintenance on MOAB E41-815 at Flemingsburg. While closing the switch, it arced & substation went off line. Field personnel discovered that all distribution OCRs had opened. Later discovered that Goddard E5-814 had operated at same time that station went off. (EMS technicians had turned the RTU off) Speculate that with no feed from Goddard & partial feed from Spurlock, 3-phase OCRs at Flemingsburg saw a single-phase condition & locked out.
03/12/07 12:05 Scheduled	3 h 47 m 1,341	1,135	2,208	E82 Salt Lick Big Sandy	Accident by Outsiders : Other KYP required a scheduled outage in order to replace damaged structures by wildfires in the area.

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
MARCH 2007 FOR ENTIRE SYSTEM**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours Out			Company	Description	
03/19/07 21:16 Emergency	0 h 22 m 1	0	0	950	W8 0	Kargle #1 Nolin	Transmission Line Equip. Failure : Switch Nolin Dispatcher reported a blue glow on structure at the rear of Kargle distribution sub, Nolin & EKPC personnel notified & in route. The Stephensburg-KU E-town relayed out of service 2 minutes after receiving initial report, Nolin personnel report bottom blade & contact of switch W80-615 is heavily damaged.
03/19/07 21:16 Emergency	0 h 22 m 1	0	0	1,825	W8 0	Kargle #2 Nolin	Transmission Line Equip. Failure : Switch Nolin Dispatcher reported a blue glow on structure at rear of Kargle distribution substation, Nolin & EKPC personnel notified & in route. Stephensburg-KU E-town relayed out of service 2 minutes after receiving initial report, Nolin personnel report bottom blade & contact of switch W80-615 is heavily damaged.
03/19/07 21:16 Emergency	0 h 1 m 1,772	30	0	50	W2 1	Vertrees Nolin	Transmission Line Equip. Failure : Switch Nolin Dispatcher reported a blue glow on the structure at rear of Kargle distribution substation, Nolin & EKPC personnel notified & in route. Stephensburg-KU E-town relayed out of service 2 minutes after receiving initial report, Nolin personnel report bottom blade & contact of switch W80-615 is heavily damaged.
03/22/07 9:00 Scheduled	2 h 45 m 1,325	0	0	0	W7 0	Smithersville #2 Nolin	System Improvements : Maintenance A scheduled outage was required in order to replace a leaking bushing on main power transformer.
03/25/07 13:50 Emergency	2 h 34 m 1,623	4,166	0	10,925	N81 Shelby	Bedford	Mis-operation of Protection Scheme : Relay Failure LG&E Carrollton 67-604 Operated to lock-out (Targets: A phase Zone 3 relay). EKPC personnel found no problems during aerial patrol of transmission line. A KU contractor trip tested breaker by tripping the A phase Zone 3 relay on 3-23-07, contacts of this relay were found to be closed upon

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
MARCH 2007 FOR ENTIRE SYSTEM**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation	Type / Cause
03/25/07 13:50 Emergency	2 h 34 m 1,623	4,166	10,925	N81 Bedford Shelby	Relay Failure - Cont'd inspection by KU relay personnel. KU relay personnel report contacts never fully re-opened after field trip test, this caused a false relay operation and transmission line to lockout. Mis-Operation of Protection Scheme : Relay Failure LG&E Carrollton 67-604 Operated to lockout (Targets: A phase Zone 3 relay). EKPC personnel found no problems during aerial patrol of transmission line. A KU contractor trip tested breaker by tripping the A phase Zone 3 relay on 3/23/07, contacts of this relay were found to be closed upon inspection by KU relay personnel. KU relay personnel report contacts never fully re-opened after field trip test, this caused a false relay operation & transmission line to lockout.
03/25/07 13:50 Emergency	2 h 34 m 914	2,346	6,037	N22 Milton Shelby	Mis-Operation of Protection Scheme : Relay Failure LGE Carrollton 67-604 Operated to lock-out (Targets: A phase Zone 3 relay). EKPC personnel found no problems during aerial patrol of transmission line. A KU contractor trip tested breaker by tripping the A phase Zone 3 relay on 3-23-07, the contacts of this relay were found to be closed upon inspection by KU relay personnel. KU relay personnel report contacts never fully re-opened after field trip test, this caused a false relay operation and transmission line to lockout.
03/25/07 16:23 Emergency	0 h 1 m 1,990	33	75	N25 Campbellsburg Shelby	Mis-Operation of Protection Scheme : Other LG&E Carrollton 67-614 breakers opened in order to close KU Lawrence line switch 701-625, after disconnecting damaged lightning arrester. Normally open switch N81-625 was closed to restore service to Milton and Bedford.

**EAST KENTUCKY POWER COOPERATIVE
SUBSTATION OUTAGE SUMMARY REPORT
MARCH 2007 FOR ENTIRE SYSTEM**

03/27/07 7:21 Scheduled	77 h 44 m 1,727	0	0	E55 Keavy #2 Jackson	System Improvements : System Addition A scheduled outage was required in order to install line switches E55-625 & E55-635 and connect new Laurel County - Keavy (JM -.06 mile) tap into line section between Laurel County-South Corbin of Laurel County - KU Farley transmission line.
03/27/07 12:57 Emergency	0 h 42 m 1,659	1,161	3,251	N31 Turkey Foot Owen	Distribution Sub. Equip. Failure : Recloser (OCR) Owen Electric reported Turkeyfoot sub out of service. EKPC personnel report OCR # 252 failed in service, due to a bushing failure. Two primary fuses operated.
03/28/07 1:31 Emergency	1 h 59 m 4,121	8,173	7,139	S68 Tommy Gooch Inter-County	Storm/Weather Related : Lightning A thunderstorm with heavy lightning damaged a metering potential and current transformers. Circuit interrupter opened with targets on A & C phase differential relays.

TOTAL	23,491	20,407	43,085	Average Hours Outage Per	0.04
YEAR TO DATE	44,823	45,310	116,659	YTD Avg Hrs Outage Per	0.09

TOTAL CONSUMERS SERVED = 507,747

**EAST KENTUCKY POWER COOPERATIVE
POWER SUPPLIER OUTAGE REPORT**

March 2007

Page 1 of 1

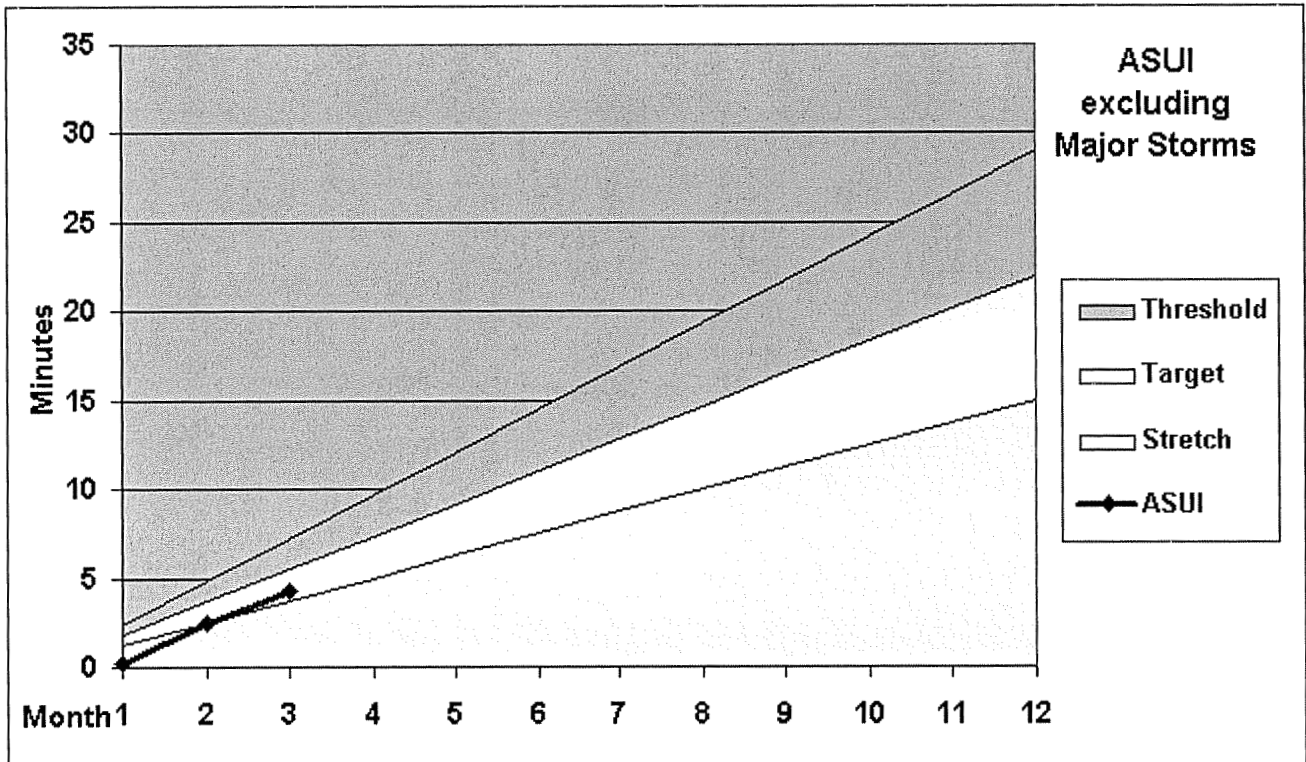
Average Hours Outage Per Consumer

	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.09	0.09	0.00	0.09	0.09
BLUE GRASS	0.00	0.00	0.00	0.00	0.00	0.00
CLARK	0.00	0.00	0.00	0.00	0.00	0.00
CUMBERLAND VALLEY	0.00	0.00	0.00	0.06	0.00	0.06
FARMERS	0.00	0.00	0.00	0.00	0.00	0.00
FLEMING-MASON	0.01	0.00	0.01	0.01	0.00	0.01
GRAYSON	0.00	0.00	0.00	0.00	0.00	0.00
INTER-COUNTY	0.31	0.00	0.31	0.86	0.00	0.86
JACKSON	0.06	0.00	0.06	0.06	0.00	0.06
LICKING VALLEY	0.00	0.00	0.00	0.00	0.00	0.00
NOLIN	0.00	0.00	0.00	0.16	0.00	0.16
OWEN	0.02	0.00	0.02	0.07	0.00	0.07
SALT RIVER	0.00	0.00	0.00	0.00	0.00	0.00
SHELBY	0.51	0.00	0.51	0.60	0.00	0.60
SOUTH KENTUCKY	0.00	0.00	0.00	0.00	0.00	0.00
TAYLOR COUNTY	0.00	0.00	0.00	0.00	0.01	0.01
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.04	0.00	0.04	0.09	0.00	0.09

EKPC POWER SUPPLIER OUTAGES have accounted for .09 consumer hours out year to date. Of these .00 were scheduled, .00 were due to major storms, and .09 were other emergency outages.

AVERAGE SERVICE UNAVAILABILITY INDEX REPORT for 2007 (ASUI)

<u>Month</u>	<u>ASUI</u>	<u>Excluding Major Storms</u>	<u>Excluding Major Storms && Foreign Util</u>	<u>Threshold</u>	<u>Target</u>	<u>Stretch</u>
January	0.27	0.27	0.15	2.42	1.83	1.25
February	2.49	2.49	2.08	4.83	3.67	2.50
March	4.32	4.32	3.16	7.25	5.50	3.75



POWER DELIVERY-MAINTENANCE – Rick Drury, Manager

The main purpose of Power Delivery Maintenance is to support the EKPC mission by “meeting or exceeding our Member’s electric service expectations by providing safe and cost effective maintenance of EKPC’s Power Delivery System.” The ongoing maintenance activities in this process are designed and carried out with this mission in mind. Below is a scorecard with measures that reflect our progress in meeting this mission.

Mission	Key Measures	¹Year-To-Date Results	¹Year-To-Date Goal	Yearly Goal
Safety				
Accidents	Lost Time Accident Rate	3.81	0.75	3.0
Inspections	Avg. Inspection Rating	99.5%	98%	98%
Electric Service				
Duration	ASUI (without major storms)	4.32	5.50	22 min.
Cost Effective				
Cost	Operating Cost	\$1,499,572	\$2,094,041	\$8,568,776
	Capital Project Cost	\$243,412	\$1,198,523	\$2,907,961

Notes:

1. Year to date results and goals through March 31, 2007

POWER DELIVERY – EXPANSION – Mary Jane Warner, Manager

Status reports for the progress of projects “under construction” in Power Delivery-Expansion are included in the board book materials.

(h:April07rpt.doc)



**Power Delivery Expansion
APRIL PROJECT SUMMARY
2007**

<u>Projects</u>	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS												
Alex Creek 5.6/6.44 MVA Substation	S	●	○	●	●	●				12/01/07		
Alex Creek Tap 69 kV, 1.4 mi.	L	●	□	○	□	●				12/01/07		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							12/01/07		
Barren Co. Sta. Upgrade	S									06/01/09		
Beattyville Rebuild, 15/20/25 mVA (CANCELLED)	S	●		○	●	❖				05/01/07	Project Cancelled	
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●		❖	□	❖				12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖	N/A	N/A	○	N/A			12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	●	●	●	□				12/01/07		
Tap, 10 mi.	L	●	●	□	□	●	□	❖		12/01/07		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●	□	□	□	●	○	❖		09/01/07		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●	□	○	●	●				06/22/07		
Tap .19 mile	L	●	□	□	●	□				06/22/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A	●	N/A	●	□	05/01/07		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●	○	○	●	●				06/29/07		
Conway Tap 0.2 mi.	L	●	□	□	●	●				06/29/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	●	●	●	●	●	□	□	04/15/07		4/16/2007
Cynthiana Normally Open 69 kV Tap and Switch	L	●	○	○	●	○				07/01/07		
Deatsville 11.2/14 MVA, 69-12.5 kV Distr. Sub	S	●		○		❖				08/24/07		
Tap, 0.2 mi	L	●	○	○	□	□				08/24/07		
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	●	●	●	●				05/01/08		
Tap 4.0 mile	S	●	○		□	❖				05/01/08		
Fall Rock 161/69 kV 100 MVA Sub.& Install 3-69 kV Brks	S	●	N/A	N/A	N/A	□				05/01/08		
Flint Ink 69-12.5 kV, 11.2/14 MVA Sub	S	●	□	□	□	○				05/01/08		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●		○	●	❖				01/19/08		
Tap, 0.5 mi	L	●	●	●	●	●	N/A			01/19/08		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	●	●	●		06/01/07		
Tap	L	●	●	□	●	●	□	○	○	06/01/07		
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	●		03/01/07	03/19/07	
Garrard Co.-KU Lancaster Trans Line, 69kV, -10 mi	L	●	●	●	●	●	●	●	●	03/01/07	03/19/07	

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion
APRIL PROJECT SUMMARY
2007**

Projects	PDE Team in Charge of Project	Project Justification\WP Amendmen	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●	○	●	●	○				01/18/08		
<i>Tap, 3.5 mi</i>	L	●	○	❖	□	●				01/18/08		
Inez Sub (Site Acquisition Only)	S	●	❖	●	○	N/A	N/A	N/A	N/A	12/01/06		Complete
<i>Tap 69 kV - 6.0 mi.</i>	L	●	○	□	●	○				10/01/07		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	●	●	●		□	□	06/01/07		
J. K. Smith 138 kV/345 DC Tie Line # 1	L	●	N/A	N/A	●	●	N/A	❖		06/01/07		
J. K. Smith 138 kV/345 DC Tie Line # 2	L	●	N/A	N/A	●	●	N/A	❖		06/01/07		
J. K. Smith CT Substation 345 kV	S	●	N/A	N/A	●	●	N/A	□		06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications	S	●	N/A	N/A	N/A	●	N/A	●	□	04/01/07		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	●	●	●	●	●	□		05/15/07		04/13/07
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Liberty Church 11.2/14 MVA, 69-13.2 kV Sub	S	●	●	□	●	❖				11/16/07		
<i>Tap, 1.8 mi</i>	L	●	○	○	○					11/16/07		
McCreary 161kV, Box Add	S							□		09/01/08		
North Clark (Sideview) 345 kV Transmission Station	S	●	●	●	●	●	●	□		06/01/07		
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.	s	●	N/A	N/A	N/A	●	●	●	●	11/01/07		
<i>Pine Grove # 2 Tap 69 kV, 0.1 mi.</i>	L	●	❖	N/A	❖	❖				11/01/07		
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	●	●	01/02/07	11/01/06	04/17/07
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	●	●	●	●	●	○		06/01/07		
<i>Tap .20 mi</i>	L	●	●	●	□	●				06/01/07		
South Point 69-12.47kV, 11.2 Sub	S	●	●	●	●	●	●	●	●	12/15/06	12/04/06	02/23/07
<i>Tap</i>	L	●	●	●	●	●	N/A	●	●	02/06/07		02/23/07
Spurlock #4	S	●	●	N/A	N/A	●	N/A			02/15/08		
Sterling 138-12.5 kV 12/16/20 MVA	S	●								10/01/07		
Tyner 161kV, Brk Add	S	●								05/01/08		
Tyner-Fall Rock Transmission Line 69kV 12 Mi.	L	●	○	❖	□	□				05/01/08		

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- - 25% - 49% Complete
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- S Substation Team
- L Line Team



Power Delivery Expansion APRIL PROJECT SUMMARY 2007

Projects	PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\RW Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
SUBS & TAPS CONT'D												
W. Bardstown Jct. 69 kV BKR Station	S	●	●	●	●	●	●	❖		09/01/07		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	N/A	N/A	N/A	●	N/A	●	○	05/01/07	04/20/07	
W. Nicholasville Tap 69 kV, .04 mi	L	●	●	N/A	●	●				05/01/07		
Web's Cross Roads 69-12.5 11.2/14 MVA Sub	S	●	●	●	●	●	●	●	●	02/01/07	Complete	04/11/07
Web's Cross Roads Tap .30 mi.	L	●	●	●	●	●	●	●	●	02/01/07	Complete	04/11/07
Woodstock 11.2/14 MVA Substation	S	●	●	●	●	○				12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●	□	□	□	●				12/01/07		
STATION UPGRADES												
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/01/07		
McKinney Corner Substation Upgrade	S	●								05/01/08	Project Cancelled	
Phil Bay Add	S	●	N/A	N/A	●	●	N/A	○		05/01/07		
Stanton Bay Add	S	●	N/A	N/A	N/A	❖	N/A			12/01/07		
CAPACITOR BANKS												
Denny 33.165 MVAR 69 kV	S									06/01/08		
Headquarters 6.123 MVAR	S									12/01/08		
Pulaski Co.(Norwood) 18.0 MVAR Cap Bank&Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/06		01/22/07
Tyner 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	●	N/A	□		03/15/07		
Tommy Gooch 12.25 MVAR 69 kV Cap Bank	S	●	N/A	N/A	●	●	N/A			03/15/07		
RECONDUCTORS												
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●								12/01/07		
Davis Jct. - Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●								05/01/12		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/09		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	○	○	09/01/06		
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L	●								12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●								12/01/10		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReBLD.954MCM 69kV,16.71mi	L	●								01/02/09		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/09		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/07		
Davis Jct.-Fayette 3.5 Miles	L	●								05/01/12		

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G&T Operations - Power Production

APRIL 2007

Engineering

Engineering is supporting the construction of the Smith Power Station Unit No. 1, combustion turbines, and Spurlock Power Station Unit No. 4.

Engineering is also supporting the construction of the scrubbers at Spurlock Power Station. Mitigation of low water levels on Lake Cumberland at Cooper Power Station is also receiving support from the Engineering group.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Environmental

The administrative hearing has concluded on the Spurlock Power Station Unit No. 4 Air Quality Construction Permit. The Sierra Club is appealing the issuance of the permit. The Judge will make a recommendation to the Secretary of Natural Resources by April 16, 2007. The main issue of concern is the level of NOx control proposed for the facility. Sierra Club asked for a 0.033 lbs./MMBtu NOx Limit.

The U.S. Forest Service met at Cooper Power Station concerning the possibility of burning refuse from abandoned coal mines in the National Forest. Discussions are continuing. EKPC has now moved into the coal sampling and analysis phase. This phase will determine if the coal is of high enough quality to use. The Forest Service has collected coal samples from various gob piles. EKPC's Central Lab has analyzed the samples and sent results to the work group.

Discussion continues with the Division of Water concerning violations of storm water discharge at the Yeiser Industrial site. Some ash was lost during the heavy rains earlier in the year. The Division of Water has turned the case over to the Division of Enforcement.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

G&T Operations - Power Production

G&T Operations – Power Production

Page 2

April 2007

Dale Power Station

Dale Power Station has generated a total of 276,450 net MWh through March 31, 2007. Unit No. 1 was on-line and fully available until April 13th. The unit was forced off-line due to a water wall tube leak. The unit was back on-line April 15th and fully available the remainder of the month. Unit No. 2 was on-line and fully available the entire month. Unit No. 3 was on-line and fully available until April 10th. The unit was forced off-line due to a generating tube leak. The unit was back on-line April 12th and fully available the remainder of the month. Unit No. 4 was on-line and fully available the month of April.

Dale personnel assisted the CT Site with water treatment needs. All departments at Dale performed preventative maintenance on Dale Units No. 1 and No. 3 during the unscheduled outages.

The Allen Company continues dewatering the No. 2 ash pond to get ready to start removing the ash. ABM Technical was on-site performing monthly vibration analysis on critical equipment plant wide. Precisions Services were on-site to hot set Unit No. 4 drum safety.

NRECA Group was on-site to interview personnel.

Other routine preventive maintenance was performed plant-wide by Dale Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

G&T Operations - Power Production

G&T Operations – Power Production

Page 3

April 2007

J.K. Smith Power Station

The combustion turbines have generated a total of 86,274 net MWh through March 31, 2007.

Units No. 1, 2, 4, 6, and 7 were fully available the month of April. Combustion inspections were performed on Units No. 3 and No. 5.

Preparation and planning are ongoing for Smith Unit No. 1 CFB and CTs No. 8 and No. 9.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station. Internal preventive maintenance is ongoing at J.K. Smith.

Other routine preventive maintenance was performed plant-wide by J.K. Smith Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Cooper Power Station

Cooper Power Station has generated 568,837 net MWh through March 31, 2007. Unit No. 1 was back on line April 1st after a forced outage to repair the submerged chain. Unit No. 2 was on-line and fully available for the month of April.

The hybrid plan consisting of barge mounted pumps for Unit No. 1 and a permanent cooling tower for Unit No. 2 due to the low lake water level was approved at the April board meeting. Stanley Consultants are currently working on an implementation plan for this project.

G&T Operations - Power Production

G&T Operations – Power Production

Page 4

April 2007

Cooper Power Station (Continues)

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of April. Some of the tasks that were completed were collected oil samples, checked condition of Unit No. 1 and Unit No. 2 submerged chains, checked brushes on both Unit No. 1 and Unit No. 2 generators, replaced the batteries in the 980-G loader, replaced 1-A conveyor belt and rebuilt the bottom part of the hopper, and replaced the hammers and screens in the run—of mine coal crusher.

Other routine preventive maintenance was performed plant-wide by Cooper's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 2,176,574 MWh through March 31, 2007. Unit No. 1 was taken off-line April 1st due to the spring outage. The unit was back on-line April 17th. Unit No. 2 was on-line for the month of April. Unit No. 3 was off-line through April. This was due to spring outage.

Maintenance work for April was tasks on Unit No. 1 and Unit No. 2 during their outages. Routine maintenance was also performed on Unit No. 3.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

Human Resources & Support Services

APRIL 2007

EKPC: To provide reliable and competitive energy and member services.

Unit: To serve and assist the Cooperative, it's employees, the Member Systems, and External Customers by:

- Managing Costs
- Ensuring the safety, well-being, and development of EKPC employees
- Providing appropriate corporate staffing requirements
- Providing effective communications
- Complying with all laws and regulations

Human Resources, Facilities Management, Corporate Support Services

1. Managing Costs

Significant Results:

- **Budget management** – Centers 032, 040, 041, 043, 046, 047 are under budget \$171,407 through March 2007
- **Cost containment** – All non-critical costs are being delayed.

2. Ensuring the safety, well-being, and development of EKPC employees

Significant Results:

- A Health Fair was held at the Headquarters location for employees, spouses, and retirees and spouses. The health fair offers critical information to employees regarding their health by providing blood work analysis for many health conditions. There are also many vendors who communicate the importance and how to get started with a healthy lifestyle and exercise. This event will inform employees of their health needs. It is our hopes employees will address these issues and begin living a healthier lifestyle, which means a more productive, happy and healthy employee.
- OSHA Lost Time Incident Rate through March 31 was 0.36
- Safety & Accident Reporting was the primary focus for a leadership training session this month to ensure management is up to date on their expected roles in this area.

Human Resources & Support Services

3. Providing appropriate corporate staffing requirements

Significant Results:

- **Positions Filled:**
- Maintenance Mechanic @ Cooper – Troy Sims
- Warehouse Technician – Jim Carey
- Environmental Instrument Technician @ J.K. Smith – Roy Furby
- Heavy Equipment Technician – Donnie Boone
- Landfill Generating Plant Operator @ Bavarian – Jeff Ramsey

- **Positions open:**
- Construction Project Manager @ Spurlock
- Senior Engineer (Production)
- Senior Engineer – EMS
- Environmentalist
- Construction Technician Crew Leader
- Electrician @ Spurlock
- Engineer – Operations (reposted)
- 2 – LAN/PC Support Specialist
- Maintenance Mechanic @ Cooper
- Maintenance Mechanic @ Spurlock
- Maintenance Mechanic – Welder @ Spurlock
- Electrician @ Spurlock
- Telecommunications Technician
- Four (4) Coal Yard Operators @ Spurlock
- Auxiliary Operator @ Dale
- Lab Technician @ HQ
- Substation Technician – Relay @ HQ
- Two (2) Construction Technicians @ HQ

4. Providing effective communications

Significant Results:

- Provided 1st quarter Employee Reference Guide update to all employees.
- Provided Long Term Care informational meetings to employees regarding the voluntary benefit.
- Provided all employees with Personal Benefit Statements that show the amount of benefits EKPC provides in comparison with their salary.
- Employees were provided assistance in advanced educational learning pursuits increasing their value to the Cooperative.
- Supervisors were updated and educated on legislative and regulatory compliance issues and their responsibilities in the area of safety and accident

Human Resources & Support Services

reporting through the Leadership Development Program.

- Three employees were coached and educated on appropriate preparation techniques and provided a better general understanding of the Targeted Selection interviewing process.

5. Regulatory compliance

Significant Results:

- Communicated 1st quarter Affirmative Action report to management.
- Placed advertisements in two minority publications to enhance Affirmative Action recruiting efforts.
- Attended a Minority Job Fair to enhance Affirmative Action recruiting efforts.
- Worked on further development of a company-wide workplace harassment training program to ensure EKPC's obligations are being met in that area.

6. Member Systems Support

Significant Results:

- Provided materials and facilitation support to two cooperatives.
- Organized a school tour of the EKPC facilities to better educate future members on the processes involved with generation and transmission of electricity.

Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

PeopleSoft HRMS Version 8.8

- ◆ Benefits – Completed work on the Annual Personalized Benefit & Compensation Statements.
- ◆ Human Resources – Created HR Metrics reports for HR. These reports will enable HR to show how they contribute to the business and will have measures such as absence rate, health care cost per employee, cost per hire, etc. to connect the importance of human capital measurement in supporting business objectives. HR will review reports for any changes. Additional reports have already been identified and will continue to create as needed. Have taken several webcasts in preparation for HRMS 9.0 upgrade.
- ◆ HRMS 9.0 Upgrade – Training units were purchased for the upgrade team; the HRMS delta class will be held onsite in May or June. MicroFocus COBOL compiler was purchased from Oracle. Two members attended the Quest, Collaborate 07, user group meeting.

Human Resources & Support Services

In anticipation of the upgrade the Business Applications team is working towards archiving data from large tables and moving this data to an Oracle database for data retrieval. This, psQuery, is a web-based application. The concept for archiving data is being tested using four tables from PeopleSoft. One end-user, Sue, is currently testing the prototype.

PeopleSoft Financials Version 7.5

Accounts Payable –EDI interface is being developed to enable the uploading of Cingular Cell Phone Bill data to the PeopleSoft Accounts Payable system. PeopleSoft is an enterprise resource-planning tool that integrates company financial and human resource information into a common application. This supports key measures **Competitive Energy** and **Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information about capital projects, benefits, expenditures, fixed assets, budgets and other financial and human resource information.

Develop Power Delivery Scoping System

- ◆ Rollout of the Online and Reporting application continues.
- ◆ Solved problems with New Crystal Report Server that delivers the reports to the users via the Intranet.
- ◆ Converted all reports from Crystal 8.5 to Crystal XI. This also involved the changing of the .asp applications and the Website.
- ◆ Continue to add minor functionality that was overlooked for the 1.2 version that has rolled out. No major functionality is being developed, and is being documented in the pre-release notes for version 2.0
- ◆ Minor bugs in the system continue to be worked out as they are reported to the Business Application team.

This supports **Competitive Energy and Reliable Energy**, by providing the capability to capture company information and to help employees make better decisions by providing more accurate and timely information for the Power Delivery Business Unit.

Enhance the Automated Price Forecast Application

- ◆ System has been enhanced to write to an application log. Since the application is automated, this will enable better error handling. Also, the runtime has been relocated to the Energy Control domain.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Implement Project Server for Power Delivery

- ◆ Developed specs and obtained quotes for hardware and software.
- ◆ Awaiting approval to order equipment from VP of Power Delivery

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate project information for the Power Delivery Business Unit.

Human Resources & Support Services

Maintain Continuity of Internet Service while making change to Internet Service Provider

- ◆ Awaiting install of T1 at Smith and DSL at Headquarters. Bellsouth has delayed the project by approximately 30 days. Target date has been moved to 4/30/07

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 54 support calls during the previous period.
- ◆ Setup and delivered six new user computers.
- ◆ Worked on Sunday network outage at Spurlock caused by scheduled shutdown of power. A fiber optic circuit did not come back on after power was restored.
- ◆ Purchased and setup a new Cascade server for Power Delivery Maintenance. This should improve response time from the Cascade application
- ◆ Added a new file server at Headquarters. More capacity was needed for user and department network files.
- ◆ Experienced a five-hour Internet outage caused by power failure at our primary ISP. Switch to backup provide within one hour to continue service for Energy Control.

Computer and network services support key measures **Competitive Energy** and **Reliable Energy** by developing a network and computing environment that facilitates a collaborative work environment.

Provide Telecommunications to Substations and Power Plants.

- ◆ The RFL 9785 carrier sets between Goddard and Rowan County have been tested and placed into service.
- ◆ Telecom SONET and battery racks are being installed at the North Clark Switchyard.
- ◆ Backup telecom for the Backup Control Center is now installed. Total telecom recovery time would be approximately 4 hours.
- ◆ We continue making drawings and ordering materials for telecom to JK Smith 345 kV CT substation and North Clark 345 kV substation.
- ◆ A quote was received to perform a field path survey and design for McCreary County Switching station to Cooper Tower to determine the required tower height at McCreary.

This supports key measure **Reliable Energy** by providing the ability to get substation and power plant information and do remote switching and control.

Provide Telecommunications to Energy Control Center

- ◆ All routers and VoIP gateways have been installed for the primary and secondary SERC Hotline Phone circuits. Work by TVA and Southern

Human Resources & Support Services

Company continues for the direct primary circuit routing. Expected circuit activation is Summer 2007.

This supports key measure **Reliable Energy** by providing direct communications between the Control Center and area reliability coordinators.

Provide Telecommunications to Members.

- ◆ A SCADA radio was installed at Webbs Cross Roads.
- ◆ Tests show a usable 220 MHz radio path from EKPC's MOAB master at Renaker tower to the Snow Hill substation in Fleming-Mason's area. We will order 220 MHz equipment for Snow Hill.
- ◆ A re-evaluation of the Clark Energy SCADA radio system is still underway.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System.

- ◆ The draft RFP for a 220MHz two-way radio system has been received from the consultant and is being reviewed by EKPC personnel.

This supports key measures **Reliable Energy** and **Competitive Energy** by providing a two-way radio system that will enhance our ability to maintain and operate the transmission system and to assist in outage restoration.

Maintain the Telecommunications System

- ◆ Routine maintenance was performed at four microwave sites.
- ◆ Tower lights were repaired at the Tyner microwave site.
- ◆ Thieves cut the grounds out at Joe Knob and damaged the generator. Repairs have been made to the site grounding system. Parts are on order for the emergency generator.
- ◆ Repairs have been made to the site grounding at the New Castle microwave site.
- ◆ Repairs have been made to the site road at the Brooks microwave site.
- ◆ Repairs were made to the Low Band base station at Joe Knob.

Routine operation and maintenance of the telecom systems supports key measures **Competitive Energy** and **Reliable Energy** by providing the ability to get critical power system operating information.

IT Performance Measures

- ◆ Annual O&M Budget - Under Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 100.0%
- ◆ Two-Way Radio Availability
 - Member System Base Stations – 99.91%
 - EKPC Base Stations – 99.88%
- ◆ Application Availability – 100%

- ◆ Data Circuit Availability- 99.94%
- ◆ On-Time 555 Problem Resolution – 91%
- ◆ Customer Satisfaction Index
 - NCS Team – 100%
- ◆ PBX Availability – 100%

APRIL 2007

Pending Litigation against EKPC

1. *Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit)* – Clark Circuit Court. The case has been fully briefed and submitted for a decision. At issue are allegations by a former employee seeking damages on claims of a hostile work environment, retaliation and assault and battery by a co-worker. We are waiting on the Court's decision.
2. *Mark Jordan v. EKPC and CBA* – U.S. District Court for the Eastern District of Kentucky. On August 14, 2006, the Federal District Court Judge granted EKPC's Motion for Summary Judgment and dismissed the lawsuit. This lawsuit had been filed by a former employee alleging that EKPC had breached one or more of the terms of his workers' compensation settlement; and, had conspired with CBA to arbitrarily deny him continued long-term disability benefits. Jordan has now terminated his attorney and has filed a Motion to Vacate the Judgment. EKPC has filed a response, objecting to said motion. Motion is pending before Judge Coffman. Jordan has also filed an appeal with the Sixth Circuit Court of Appeals and the parties have briefed. Case pending decision.
3. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On January 28, 2004, the United States, on behalf of the Environmental Protection Agency ("EPA") sued EKPC alleging that physical or operating changes to three coal-fired generators resulted in simultaneous violations of the Prevention of Significant Deterioration ("PSD") provision of the Clean Air Act; the New Source Performance Standards ("NSPS") of the Clean Air Act; and the State Implementation Plan ("SIP") for Kentucky, as approved by EPA. The lawsuit seeks injunctive relief and civil penalties. The Cooperative answered the lawsuit on June 18, 2004. Since that date, the parties engaged in and have now completed discovery. On January 17, 2006, the Cooperative filed several motions with the Court asking that most, if not all of the claims, be dismissed. These Motions for Summary Judgment involved,
 - (a) statute of limitation issues;
 - (b) federal enforceability of Title V and state operating permits;
 - (c) applicability of the routine maintenance exclusion; and
 - (d) legal standards applicable to PSD and NSPS claims, generally, as decided by the Fourth Circuit in *United States v. Duke Energy*.

On August 18, 2006, the Court entered an Order Setting Aside the Pre-Trial Conference and Bench Trial (previously scheduled for October 2) pending further Orders of the Court and stating that, "It would make the most sense to wait to try this matter until after the Supreme Court has issued a decision in *Duke Energy*."

The Order also directed the parties to file a short statement with the Court by early September, “setting forth which of the outstanding Motions for Summary Judgment clearly implicate the issues raised in the *Duke Energy* case, and thus should await a decision from the Supreme Court, and which of the outstanding Motions for Summary Judgment should go forward for decision.” The parties filed the statements requested by the Court, and on September 26, the Court issued an Order dismissing most of the Government’s motions without prejudice pending a final decision in *Duke Energy*.

On March 27, 2007, the U.S. District Court for the Eastern District of Kentucky entered an Opinion and Order granting in part and denying in part EKPC’s Motion for Summary Judgment as to the statute of limitations issue as penalties. The Court held that the U.S. could seek civil penalties 5 years prior to the filing of its Complaint (January 28, 2004). In addition, the Court dismissed the U.S. claims for penalties under the Clean Air Act’s new source performance standards.

At this time, the case is effectively stayed except that the Court may enter decisions on the remaining outstanding motions not implicated in *Duke Energy*. Oral arguments in *Duke Energy* were made before the United States Supreme Court on November 1, 2006. A decision is expected in early Summer 2007.

4. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The parties have filed prehearing statements with the Court of Appeals in this case. There will be no prehearing conference. The briefing schedule will begin upon the certification of the record by the Franklin Circuit Court.
5. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. The Court of Appeals upheld the Franklin Circuit Court dismissal of Enviropower’s appeal of the PSC denial of intervention in PSC Case No. 2004-00423. While Enviropower could seek discretionary review from the Kentucky Supreme Court, this will likely be the final decision on this matter. This decision also makes it much more likely that Enviropower’s attempt to appeal the Spurlock 4 construction certificate will also fail at the Court of Appeals.
6. *Robert Mulberry v. EKPC, et al* – Scott Circuit Court. On May 2, 2006, the plaintiff sued EKPC and David Eames for personal injuries resulting from an automobile accident on July 29, 2004. Subsequent thereto, the Legal Department filed an Answer on behalf of both EKPC and David Eames; and also filed Complaints against two additional parties—St. Joseph Hospital and Dr. Joseph Westerfield—alleging their primary responsibility for the events giving rise to the automobile accident. Discovery has been initiated by both parties but no trial date has been set.
7. *Nathan Writesel v. Goodyear Tire & Rubber & EKPC, et al – (Asbestos Personal Injury)* – Court of Common Pleas, Cuyahoga County, Ohio. On June 21, 2006,

Plaintiff filed this case seeking recovery for personal injuries associated with asbestos exposure while working for various contractors throughout the years. EKPC has retained an Ohio law firm to represent it for purposes of filing a Motion to Dismiss. Limited discovery undertaken reveals that EKPC's exposure in this case is not likely and we intend to file a Motion to Dismiss at the conclusion of discovery. Discovery has been initiated by Plaintiff and EKPC has responded.

8. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On June 30, 2006, the United States, acting at the request of the Environmental Protection Agency (“EPA”) sued EKPC charging operation of Dale Station Units 1 and 2 with technical violations of the Clean Air Act (“CAA”) acid rain program, and provisions of the NOx State Implementation Plan or NOx SIP Call. The issue for both units involves whether these units were subject to regulations as generators having a “nameplate” capacity greater than 25 megawatts and/or were generators used to generate 25 megawatts or more of electricity. EKPC filed its Answer on August 8, 2006. Discovery is ongoing, and is to be completed by May 9, 2007. The Court has assigned the action for trial by jury on November 27, 2007.

On July 14, 2006, the Commonwealth of Kentucky's Motion to Intervene was granted on the basis of common questions of law and fact. The case is in discovery with depositions of EKPC employees taken beginning on January 19, 2007 and March 2007. EKPC is providing responses to the US's written discovery requests and took the deposition of the Ky. EPPC designated representative on March 15, 2007.

Pending Litigation for EKPC

1. Substation Vandalism (EKPC v. Caudill, Middleton & McElroy) – Garrard Circuit Court. Judgment was entered in favor of EKPC against these three individuals for damages in the amount of \$126,000 representing the replacement cost associated with the step-down transformer vandalized by the defendants on July 15, 1997. In addition, McElroy was assessed an additional \$50,000 for punitive damages since he was the shooter. Judgment has been entered against all three defendants. To date, \$81,121.72 on the Judgment has been collected from the defendants.
2. EKPC v. Greenwich Insurance Company – U.S. District Court for the Eastern District of Kentucky. EKPC has filed this action (originally in Clark Circuit Court but was removed to federal court) to recover proceeds of a performance bond against the surety of this land. Lexington Coal Company is claiming entitlement to the proceeds also but EKPC does not believe that claim is meritorious and intends to vigorously prosecute the claim. Lexington Coal has attempted to transfer this action to Bankruptcy Court but the U.S. District Court, in an order entered on January 24, 2006, denied the motion to transfer the case. The case has been

remanded back to Clark Circuit Court. Settlement negotiations are ongoing.

Claim and Topics

1. *KU and LG&E v. EKPC - FERC Docket No. ER 02-2560-003* – On September 18, 2002, KU and LG&E filed with the FERC a proposed restructuring of two agreements with EKPC. The first is an Interconnection Agreement dated 5/11/1995, and the second is a Transmission Agreement dated 2/9/1995 for transmission service to the Gallatin Steel Company. The modifications sought by KU and LG&E were intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objected and contended that the two agreements could not be modified since earlier amendments to the agreements, in conjunction with the KU/LG&E merger, and companion rate case, were intended to foreclose subsequent modifications for the remaining life of both agreements.

Over the past several years, the FERC entered several orders, some favorable to EKPC and others more favorable to KU/LG&E. Most recently, on October 4, 2006, EKPC filed its Request for Rehearing of FERC's Order dated September 1, 2006, which denied (1) East Kentucky's request to remove certain MISO administrative charges from interconnection and transmission agreements with LG&E/KU (all now expired), and (2) its proposal to remedy unjustified rate pancaking and associated refunds. At issue in the latest filing is approximately \$155,000. EKPC has already received approximately \$1,640,000 from LG&E/KU representing refunds plus interest for improper tariff charges pursuant to earlier FERC Orders which agreed with EKPC's positions.

In February, FERC issued a final Order on rehearing granting EKPC's request to remove MISO Schedule 1, 2 and 10 charges and to revert to pre-MISO in all respects. This should lead to an additional refund to EKPC of \$2.2 million.

(a) A similar and somewhat of a companion case has been docketed in the United States Court of Appeals for the District of Columbia as Docket No. 06-1003. This appeal is brought by EKPC asking for review of a FERC Order which authorized MISO to assess and collect administrative and operating costs from all users of the MISO grid including parties to grandfather transmission agreements that predated MISO's formation, including EKPC.

2. *FERC Case No. TX05-1* – On October 1, 2004, EKPC filed an application with the Federal Energy Regulatory Commission ("FERC") seeking an order compelling the Tennessee Valley Authority ("TVA") to physically interconnect with EKPC's transmission system at three new locations for purposes of serving Warren RECC when it becomes a member on April 1, 2008. The filing was necessary because TVA refused to allow the proposed interconnections. On January 19, 2006, FERC ordered TVA to interconnect with EKPC, and to file a modified Interconnection

Agreement within 30 days. On June 20, 2006, FERC entered an order denying TVA's Request for Rehearing.

On August 18, 2006, TVA filed a Notice of Appeal in the United States Court of Appeals for the District of Columbia Circuit asking for review of the FERC's Final Orders on Interconnection dated January 19, 2006, and denial of TVA's Request for Rehearing dated June 20, 2006. Upon Warren's terminating its Membership Agreement, EKPC no longer needed these interconnections, and this proceeding is presently moot. EKPC and TVA are in the process of terminating those proceedings.

3. Commonwealth of Kentucky Sales and Use Tax Audit – On June 6, 2005, EKPC filed its response to a sales and use tax audit totaling roughly Two Million Dollars for the period February 1, 2001 through November 30, 2004. EKPC acknowledged owing \$257,459.46 and PROTESTED the balance of the assessments. The Revenue Cabinet has advised that the matter is in abeyance pending resolution of certain related issues in the Board of Tax Appeals. EKPC has decided to join with KAEC to settle a sizeable portion of this protest in an agreement with Revenue under a Private Letter Ruling which exempts from tax the “sale, purchase or use of electric power transformers as the sale, purchase or use of machinery and equipment installed or to be installed in substations.” This settlement should be finalized within the next few weeks. EKPC will then pursue its negotiations on the remaining portion of its protest with the Revenue Cabinet.
4. PSC Case No. 2004-00401 – Proposed FAC Cap – The PSC held an informal conference on May 26, 2005, to consider possible alternatives in dealing with fuel adjustment clause fluctuations. Several EKPC member system managers and staff representatives attended and discussed the impacts of the fluctuations and billing lag. An analysis will be made of possible changes in FAC billing procedures to reduce the billing lag. A proposal will be submitted to the PSC in the next few weeks.
5. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – EKPC filed its proposed tariff for a real time pricing program on April 20. The Commission directed EKPC to develop this pilot program for commercial and industrial customers. If approved, the pilot would run for 3 years, with annual reports to the Commission.
6. PSC Case No. 2006-00131 – Six-Month Review of Environmental Surcharge – The PSC approved EKPC's Application of the Environmental Surcharge for the first six-month period.
7. PSC Case No. 2006-00455 – EKPC Financial Condition – EKPC filed additional responses to data requests in this case on April 13.

8. PSC Case No. 2006-00471 – Integrated Resource Plan – The Attorney General filed comments in this case on March 21, making certain recommendations concerning EKPC’s resource planning process. No party has requested an informal conference in this case.
9. PSC Case No. 2006-00472 – Wholesale Rate Adjustment – The Commission approved EKPC’s request for interim rate relief, based on an amount included in a settlement agreement with the Attorney General and KIUC, effective for service rendered on or after April 1, 2007. EKPC and the member systems filed interim tariffs for these rates on April 11.
10. PSC Case No. 2006-00508 – FAC 2-Year Review – Responses to supplemental commission data requests were filed on February 23. The hearing in this case is set for March 14.
11. PSC Case No. 2006-00547 – Touchstone Home Rebate – EKPC responded to Commission data requests in this case on February 28.
12. PSC Case No. 2006-00564 – EKPC filed its brief in this case on April 10. The Sierra Club and Geoffrey Young filed public comments in the case. On April 19, the Commission denied the Sierra Club’s motion for a rehearing of the denial of its intervention request in this case.
13. Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc. – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAQ-27974-037. On July 18, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock #4 air permit. The petition filed by the Sierra Club seeks to have the air permit revoked; or, in the alternative, to have the permit re-issued with corrections to what petitioner believes to be errors and mistakes in the permit conditions.

The hearing in this matter concluded in late December 2006. The Sierra Club has filed its post-hearing memorandum and proposed Hearing Officer’s Report and recommended Secretary’s Order. EKPC filed its post-hearing memorandum in reply on February 27, 2007. A decision by the Hearing Officer is expected in the Spring 2007.

On August 15, 2006, EKPC received notice of an administrative challenge brought by the Sierra Club to the issuance of the Spurlock Unit 4 air permit. This challenge was filed under Section 505 (b)(2) of the Clean Air Act (“CAA”). The Petition requests that the United States Environmental Protection Agency (“EPA”) object to the issuance of the Title V operating permit. EKPC filed its Response on September 27, 2006. The matter is pending before the EPA Administrator.

- 14. E. ON US v. EKPC FERC Docket No. NJ07-1-000 – On November 13, 2006, EKPC filed with FERC a revised Open Access Transmission Tariff (“OATT”) which proposed to change the rate which EKPC charges for network integration transmission services (“NITS”). The standard under which FERC would evaluate this rate change is whether the proposed rate is comparable to the amount that EKPC charges itself for this same service. On December 12, 2006, E.ON US challenged whether the new NITS rate is comparable to what EKPC charges itself for network service, and whether EKPC is serving itself pursuant to terms and conditions for OATT.

On December 29, 2006, EKPC filed papers with FERC setting forth both facts and arguments showing that its OATT satisfies FERC’s comparability standard, and asking that E.ON’s Protest be rejected. In January, E.ON requested FERC to order a settlement hearing. On March 28, 2007, FERC issued an Order in EKPC’s favor upholding EKPC’s rates subject to a few technical corrections to EKPC’s tariff unrelated to the rate itself.

David A. Smart
General Counsel

c: Dave Eames (for distribution)

(H:legal\MR-apr-07)

Legal - Governmental Affairs

APRIL 2007

Mission Statement:

The purpose of Governmental Affairs is to support EKPC in providing reliable, competitively priced electricity and the member systems in improving Kentuckians quality of life by:

- ◆ Developing and implementing legislative and public affairs strategies.
 - ◆ Promoting the Cooperative program by educating elected officials and staff at all levels of government.
 - ◆ Establishing and maintaining working relationships with other organizations, interests and communities.
- Updated the Learning for Leaders programs at Headquarters, Dale and Cooper on governmental affairs issues, including the 2007 legislative session and potential state and federal assistance to address the Wolf Creek Dam emergency.
 - Spoke to the Kentucky Secretaries and Administrative Professionals Association (KSAPA) on House Bill 568, the affiliate services bill in the 2006 General Assembly, and other legislative issues at their annual meeting in Owensboro.
 - Met with Central Kentucky lobbyists to begin preparations to host interim legislative committees in October. Last year, EKPC helped lead the effort to bring several committees to the area, including the Special Subcommittee on Energy in Lexington and the Appropriations and Revenue Committee in Winchester.
 - Represented Kentucky's electric co-ops at a fund-raising event for Jack Conway, Democratic candidate for state Attorney General.
 - Met with Gov. Ernie Fletcher regarding the potential for state financial assistance to address the Wolf Creek Dam emergency. Worked with Gov. Fletcher's staff to provide information and answer questions about the dam impact on EKPC facilities and co-op member-owners.
 - Helped organize a tour of Cooper Station for Administration officials regarding the Wolf Creek Dam crisis, including Hilda Legg, Executive Director of Interagency Services for the Lake Cumberland Region, and Jody Hughes, executive director of the Kentucky Infrastructure Authority.

Legal - Governmental Affairs

- Organized and attended a meeting with the Governor's Office of Local Development to initiate the process for EKPC to seek eligibility for state funds to help address the Wolf Creek Dam crisis.
- Attended the ACRE-SURE executive committee meeting in Lexington.
- Along with EKPC President & CEO Bob Marshall, participated in a Center for Energy and Economic Development (CEED) conference call regarding policy changes on state-related issues.
- Represented EKPC at the quarterly Southeastern Federal Power Customer (SeFPC) Board meeting and chaired the legislative committee.
- Attended the ribbon cutting ceremony for the Pendleton County landfill gas facility. Area legislators were scheduled to attend.
- Worked with fuels staff to help coordinate communications between EKPC and the state Environmental and Public Protection Cabinet regarding clean-coal tax credits for Gilbert and Spurlock 4 facilities.
- Registered as Executive Branch lobbyists in order to seek state funds for Cooper Station's response to the Wolf Creek Dam emergency.

Member Services

APRIL 2007

Economic Development Process

- Participated in the planning and facilitation of a community assessment and economic development strategic plan for Nicholas County and Carlisle.
- Working with the Bluegrass Alliance, a group of economic development professionals representing seven counties, on a more involved regional approach to economic development.
- Participated as a member of the Executive Committee and co-chair of a Regional Collaboration Committee of Commerce Lexington on a summit of area elected officials. This effort is designed to begin developing working relationships among the 17 counties in central and south central Kentucky.
- Attended and participated as a member of the Executive Committee of the Kentucky Chamber of Commerce in the spring board meeting and tour of Toyota.
- Attended the spring meeting of the Kentucky Association for Economic Development.
- Attended a workforce development summit at Eastern Kentucky University.
- Attended the Carroll County Community Development Board meeting.
- Attended the Coal Fields Regional Industrial Park Board Meeting in Hazard. Introduced cooperative marketing program and partnership assistance.
- Met with Gallatin County EDA representatives, along with Owen EC personnel in Warsaw.
- Attended the Honey Branch Regional Business Park Board Meeting in Prestonsburg. Introduced cooperative marketing program and partnership assistance.
- Participated in Strategic Planning process for EKPC.
- Met with the Rowan County/Morehead EDA director. We are assisting with the development of marketing materials.
- Referred a contact with a wood pellet manufacturer to nine area economic development entities for consideration. Also talking directly with the company in reference to possible plant locations.

Member Services

- Attended Elk Hill Regional Business Park Board Meeting in Manchester. Introduced cooperative marketing program and partnership assistance.
- Met with State Economic Development Cabinet and a potential industrial customer in Fleming-Mason's service territory.

Non-Traditional Power Production Process

- Continued to perform O & M duties at the Bavarian plant until the vacancy is filled.
- Members of the LFG Team installed landscaping at the Pendleton County LFGTE site instead of hiring an outside contractor, saving EKPC over \$10,000.
- Executed a Renewable Energy Credit ("REC") Sale to Buckeye Power.
- Prepared and transmitted a draft REC Agreement to Constellation Energy.
- Fielded calls from several brokers looking to purchase REC's.

Marketing & Natural Resources Process

- PartnersPlus meeting at Grayson, Salt River, Nolin, Farmers and South Kentucky RECC.
- Attended numerous meetings concerning Demand Side Management. A meeting is being planned for May 8 at EKPC HQ that will incorporate examples of successful Direct Load Control and innovative residential DSM Programs. Invited speakers, including Gary Connet (Great Rivers Energy) and Tom Brooks (MCR Consultants). MCR is currently working with EKPC concerning strategic planning.
- Gave two reptile safety demonstrations for the line crews and staff at Owen Electric.
- Attended a meeting with state and federal environmental agencies about donating environmental education materials for a booth at the 2007 Kentucky State Fair.
- Performed two environmental programs at Morehead State University for Fleming-Mason and Grayson.
- Helped Roundstone Seed with a prescribed burn at the Sisters of Charity at Nazareth for Salt River RECC.
- Continued to meet with the Morehead Ranger District – USFS to implement the environmental analysis for Nichols Road Distribution line for Grayson RECC.

Member Services

- Hosted a Members Outing at Crown Plaza Hotel in Lexington with KAEC for the spring KMSA Meeting.
- Conducted two environmental programs (Bats and Herps) at the Cincinnati Nature Center for their natural history staff.
- Worked a booth at the Lexington Home and Garden Show highlighting the Touchstone Energy Living Savings Programs.
- Worked an EnviroWatts booth at ECU for Earth Day.
- A special program was given at Camp Carlisle for Shearer Elementary on behalf of Clark Energy.
- Planned and coordinated the direction of the 2008 Energy Management Conference.
- Organized and hosted the dedication of the newest EnviroWatts Plant at Pendleton County Landfill.
- Presented an EnviroWatts program to Fleming County High School ag class.
- Created EnviroWatts display for the capital rotunda during April; partnered with Environmental and Public Protection Cabinet for Earth Week.
- Offered an EnviroWatts presentation to BCTCS Sustainability Task Force.
- Authored an EnviroWatts article published in Business Lexington, Southsider and Chevy Chaser.
- There were a total of 8 residential energy audits performed for Inter-County, Farmers, Salt River, Grayson and Fleming-Mason.
- There were 2 new Touchstone Energy Homes certified (Inter-County Energy and Salt River). Another home was rated but failed to meet the standards.
- One HERS comparison rating was performed for Jackson Energy

Listed below are the Environmental activities for this month:

- Presented 90 Environmental Education Programs to \approx 2,250 people in 9 member service territories.
- Construction Projects Involving Environmental Activities for March: Smith-Sideview 345/69 kV Substation and Transmission Project, Alex Creek Substation

Member Services

and Tap, Bullitt-Beam-Tichenor Transmission Line, Smith-West Garrard, Big Creek Sub and Tap, Big Creek – Goose Rock, Burlington Sub and Tap, Garlin Sub and Tap, Woodstock Sub and Tap, Flint Ink Sub and Tap, Girdler Sub and Tap, Deatsville Substation and Tap, Liberty Church Substation and Transmission Line, Conway Sub and Tap, Garrard County Substation.

- Met with RUS officials regarding the Smith – West Garrard 345kV Transmission Line Project. A draft copy of the EA was submitted to RUS for review.
- Met with Daniel Boone National Forest officials regarding the proposed Big Creek to Goose Rock Transmission Line Project and the Big Creek – Oneida Transmission Line Project.
- Met with the consultants conducting the cultural resource work on the Smith – West Garrard Transmission Line project.
- Submitted the following environmental reports to RUS for adoption and approval: Flint Ink Sub and Tap, Liberty Church Sub and Tap, girdler Sub and Tap, and Woodstock Sub and Tap.
- Received “conditional concurrence” from USFWS for our Girdler, Liberty Church, and Woodstock Transmission line projects provided we perform the appropriate surveys during the field season. This will allow construction of the projects to occur at a much earlier date.

Member and Corporate Communications Process

- Presented additional details of the “North Star” Communications Initiative to EKPC’s Leadership Team to support four key corporate goals: changing the corporate culture, streamlining the organization, sharing risks, and restoring financial strength.
- Answered media inquiries from numerous outlets concerning the interim rate increase settlement and issued a press release statewide explaining the interim rate increase.
- Finished distributing more than 15 pieces to help members explain the rate case and interim rate hike to retail members.
- Developed and placed a notice about the interim rate increase for the May edition of Kentucky Living.

Member Services

- Began initial work on the development of an integrated plan to assist member systems in explaining rising costs that are forecast to occur over the next several years.
- Continued filling orders for the May Electrical Safety Month advertisements.
- Prepared a press release and explainer graphic to assist the media in understanding mitigation efforts for Cooper Station in coping with lower water levels on Lake Cumberland.
- Visited Owen Electric to meet with new Communications Coordinator and assess how EKPC might assist in production of monthly Kentucky Living insert and other materials.
- Designed and printed annual meeting fans and other materials for member systems to use during upcoming annual meetings.
- Finalized plans and staff assignments to man booth, provide photography and offer other assistance for member system annual meetings.
- Wrote, designed and distributed the next Economic Development newsletter to member systems.
- Visited Nolin RECC to assess and discuss communications needs.
- Distributed the March Fuel Adjustment Clause report with a chart showing the two-year history of the FAC.
- Finalized planning efforts for the 2007 EKPC Annual Meeting.
- Posted the June/July InterChange list of stories for member systems optional use in their Kentucky Living inserts.
- Distributed daily stories about the electric industry and Public Service Commission orders to EKPC and member system staff.
- Printed more than 200,000 copies for member systems, including business forms, business cards, and a variety of bill stuffers.
- Made final corrections and proofs for the 2006 EKPC Annual Report.

Touchstone Energy Brand Management

- Met with World Expositions regarding renewal of the contract for the Co-op Connections Card.

Member Services

- Worked with graphic designer on 2007 ads for Kentucky Living inside back cover.
- Participated in a conference call regarding addition of New Benefits (pharmacy network) to Co-op Connections Card.
- Participated in DSM conference call.
- Produced safety radio spot for Clark Energy.
- Tagged & distributed TSE “Welcome Home” video to all member co-ops.

Power Supply

APRIL 2007

Transmission Planning - Darrin Adams

Summary of Future Transmission Projects Identified as of May 2007

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2007 through 2016):

- 162 miles of new transmission line construction, including 55 miles of new 345 kV line required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 14 new transmission switching substations, including three new 345 kV switching substations required to relieve existing transmission constraints and to deliver future EKPC generation to native load
- 168 miles of re-conductor or rebuild of existing transmission line
- 19 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 17 new 69 kV capacitor banks totaling 267 Mvars
- 154 miles of transmission line requiring high-temperature upgrades
- 24 new distribution substations
- 2 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

No significant modifications have been made to these plans since the previous information was provided.

Resource Planning - Gary Davidson

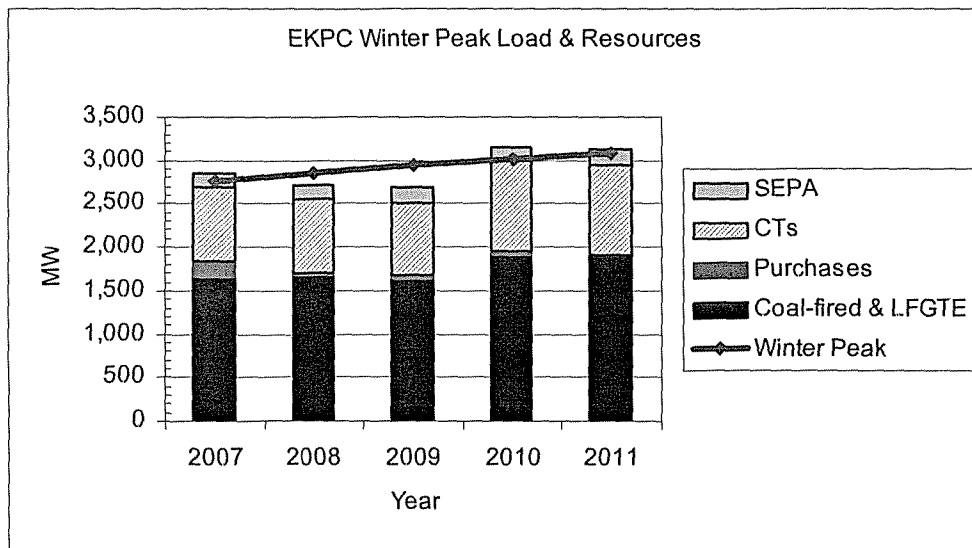
The following graphs show the projected winter peak load and capacity resources broken down by baseload and other resources. Capacity resources include existing and committed resources as noted following the graphs. The peak loads shown do not include reserves. The winter graph shows that there will be capacity deficits in 2008 and 2009 and tight winter margins in 2010 and 2011 due to delays in adding new capacity. EKPC will need to make some seasonal purchases of transmission and/or power to help cover the peak load and reserves throughout the period. Summer seasonal purchases may not be necessary although it may be economical to purchase transmission to bring in economy power. The summer margin in 2007 is thin with only the Laurel 70MW portion of SEPA considered dependable. The graphs assume that Smith CT 8 and 9 will be available by June of 2009 and Smith CFB 1 will be available by June 2011.

Resource Planning has been involved in meetings and conference calls with SEPA, the Corps of Engineers (COE), and SEPA preference customers regarding the situation with Wolf Creek

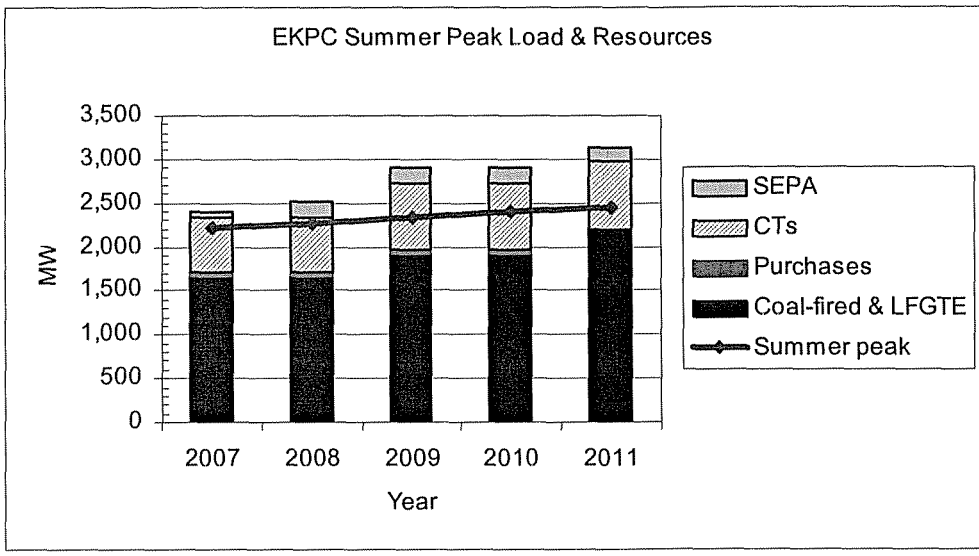
Power Supply

Dam and its impact on EKPC's SEPA power allocation. Personnel attended the *SEPA-COE-Customer* Project Coordination Committee meeting in Chattanooga to discuss the Basin Wide Rehabilitation Study that is moving into phase two. The Committee is asking SEPA to extend customers' contracts based on the life extensions of the projects before another MOA will be executed to channel funds to the COE for rehabilitation projects.

For the remainder of 2007 EKPC will not be able to effectively schedule the 100 MW SEPA allocation from the Cumberland River System. The Corps will operate Wolf Creek to maintain a near constant elevation of 680 feet and generation will be determined by that operation. SEPA's Cumberland System customers will receive energy on a percentage allocation basis with limited ability to schedule the generation. The Corps will re-evaluate the situation near the end of the year to determine if grouting work is having a positive impact on seepage at Wolf Creek Dam. Since this 100 MW is not dependable, it has been excluded from the resources below for Summer 2007. The 70 MW from Laurel should not be substantially impacted unless rainfall is below normal.



Power Supply



NOTES:

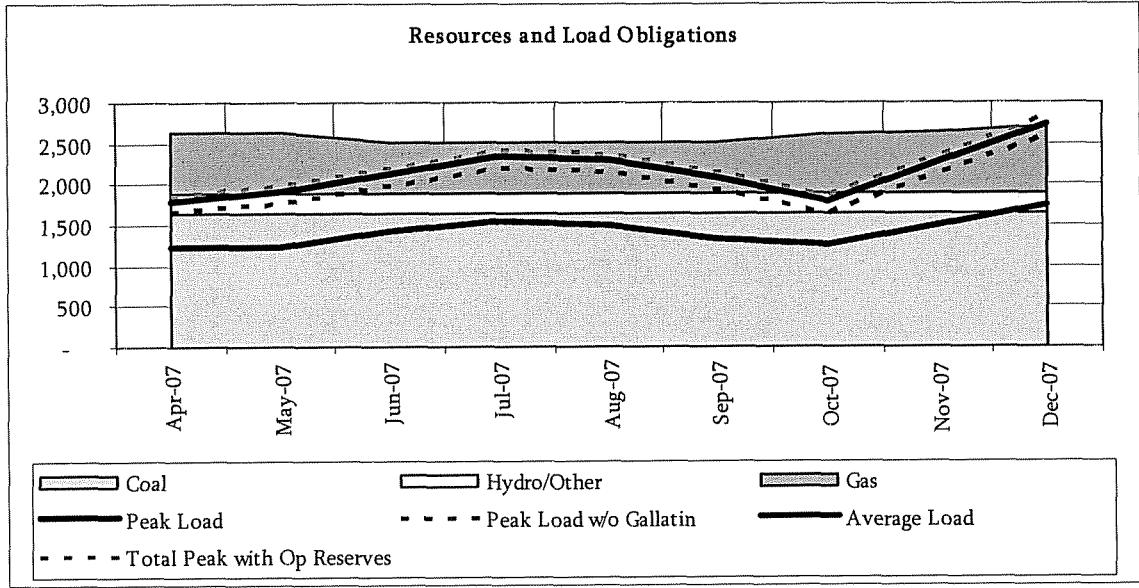
- Gallatin Steel interruptible load is excluded, along with small interruptible loads.
- Pendleton Co. LFGTE came on-line February 2007.
- Spurlock 4 unit assumed to be on-line in April 2009.
- Smith CTs 8-9 assumed to be on-line June 2009.
- Smith CFB 1 assumed to be on-line June 2011.
- Greenup Hydro purchase ends December 31, 2010.

Mid-Term Planning - Julie Tucker

Mid-Term Planning focuses on EKPC’s power supply issues from one month out to three or more years. It functions to optimize the use of EKPC’s assets for power supply to our Members focusing on the mid-term time frame. We are working with other areas of the company to compile a view of hedging activity that aims to mitigate risk exposure and reduce price volatility. The following list summarizes those activities.

- Coal costs are being hedged by entering into long-term purchase contracts for approximately 75% of our needs. The remaining 25% is locked up by purchase orders on a month to two-year ahead basis. We are investigating other ways to potentially mitigate transportation cost risk.
- Emission allowances are being purchased ahead to build an inventory to average the allowance costs resulting in leveling that portion of the environmental surcharge.
- Transmission rights are being purchased for the next year to guarantee a transportation flow into our system for the market purchases that will be needed to supply Member's needs.
- Power purchases are being evaluated to estimate our future needs and along with contracts to supply those needs.

Power Supply



In June 2006, EKPC started a Natural Gas Procurement and Price Management Program with Fellon-McCord & Associates. The objective of the program is to mitigate natural gas price volatility, create a known future cost of gas, stabilize fuel adjustment charges, and protect corporate margins and cash flow while obtaining the most reliable gas supply and transportation. EKPC will use a strategy involving fixed price forward natural gas purchases as a means to manage future natural gas price exposure.

- Projected monthly gas usage based on historical data
- Hedge 30% of monthly historical use
- Hedge with financial instruments

Power Supply

EKPC Natural Gas Hedging Summary

Delivery Month	Hedged Quantity (Dth)	Current Market Price	Average Hedged Price	Current Market Price Less Hedged Price	Average Gas Price with Hedge
Jun-06	40,000	6.570	7.170	(0.600)	7.087
Jul-06	140,000	6.099	7.360	(1.261)	7.678
Aug-06	200,000	7.965	7.540	0.425	8.418
Sep-06		4.201		4.201	6.429
Oct-06		7.153		7.153	7.543
Nov-06	40,000	7.850	8.651	(0.801)	8.548
Dec-06	60,000	8.090	9.210	(1.120)	8.696
Jan-07	80,000	6.764	9.235	(2.471)	8.835
Feb-07	40,000	7.740	9.146	(1.406)	10.366
Mar-07	60,000	7.373	7.774	(0.401)	8.277
Apr-07		7.924		7.924	
May-07	40,000	8.062	8.015	0.047	8.048
Jun-07	60,000	8.222	7.491	0.731	8.003
Jul-07	120,000	8.314	7.966	0.348	8.210
Aug-07	150,000	8.355	8.488	(0.133)	8.395
Sep-07	50,000	8.453	8.008	0.445	8.320
Oct-07		9.103		9.103	
Nov-07	30,000	9.713	9.893	(0.180)	9.755
Dec-07	45,000	10.023	9.198	0.825	9.838
Jan-08	40,000	10.008	8.945	1.063	9.851
Feb-08	20,000	9.768	9.450	0.318	9.719
Mar-08	30,000	8.328	7.785	0.543	8.247

*Based on historical gas usage and current market prices

Generation Dispatch - Chuck Dugan

System Peak – EKPC's coincident peak in March 2007 was 2200 MWh, occurring at hour 0800 on the 5th. Member system requirements for the month of March 2007 were 1037982 MWh, a decrease of -2.55 % below March 2006. During March, there were 209 fewer heating degree days than normal; temperature was 15.6% warmer than normal.

Fuels - Jerry Bordes

Fuel – Maintain Reliable and Competitive Energy Costs

EKPC's coal inventory at the end of April 2007 will be approximately 30 days after deducting the tonnage purchased earlier than required at discounted prices. This adjusted inventory is projected to be at approximately this same level until the summer months.

Work continues on future coal and limestone sources for the new scrubbers.

Power Supply

Meetings with suppliers on the scrubber coal contract short list have started. Mine visits and evaluations have been completed. Various coal qualities will be tested in Spurlock Unit No. 1 in June of this year to evaluate performance.

Discussions continue with ACES regarding various coal and oil hedging strategies.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station and 7,500 gallons for Spurlock Power Station.

Pricing Team – Bill Bosta

EKPC/LG&E Transmission and Interconnection Agreement Dispute, FERC Case ER-02-2560

On February 6, the FERC issued its Final Order in the proceeding. The Commission ruled that LG&E must revert back to all aspects of the rates in effect under the Grandfathered Agreements. This is a significant ruling and means that LG&E is not allowed to charge EKPC for MISO Schedule 10, Schedule 1, Scheduling and Schedule 2, Regulation and Frequency Response for the November 2002 through August 2006 time period. On March 8, LG&E filed its Refund Compliance Report and issued a refund check in the amount of \$2,229,000 to EKPC. This refund, combined with the already issued refund of \$1.7 million, results in a total refund to EKPC of over \$3.9 million. LG&E filed a request for rehearing of the Commission's Order. On April 6, the Commission issued a "tolling" order, effectively granting rehearing, but not setting forth any kind of date for the rehearing. The Commission is under no time obligation to set a rehearing date and can issue a final order at any time.

As a result of the Commission's Final Order in this case, EKPC's annual rates from LG&E actually declined by 12% during the period in effect compared to the 43% increase originally proposal.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

EKPC Filing to Amend its OATT at the FERC - Case No. NJ07-1-000

In late March, the FERC issued its final order approving EKPC's proposal to use a stated rate of \$1.62/KW-mo. for the Network Integration Service Tariff under its Transmission tariff. EKPC had requested that a "stated" rate be used instead of a load ratio share time revenue requirement approach. This is a significant decision in that it allows EKPC to charge LG&E an additional \$200,000 to \$300,000 for transmission service annually. Moreover, the Commission denied LG&E's claim that EKPC had no provided evidence to support the move to a stated rate. In fact, the Commission approved EKPC's proposal without any hearing and dismissed LG&E's proposal to have a settlement judge preside over the case. This represents another case where the FERC has ruled in EKPC's favor in a contested proceeding with LG&E. In addition, the Commission approved several language changes and incorporates the FERC-approved procedure for small and large generator interconnections to the transmission system.

Power Supply

EKPC's Protest to LG&E's Filing for Approval of a New Network Service Agreement and Depancaking Mechanism - Docket No. ER06-1458

EKPC has filed a protest to the proposed Network Service Agreement and Depancaking mechanism filed by LG&E in September 2006. LG&E's filing stems from their exit from the MISO and the need to adhere to the provisions of the settlement agreement between EKPC and LG&E regarding their departure from MISO. The main issue is how LG&E will calculate the depancaking provision of the settlement agreement. In accordance with the settlement agreement, EKPC contends that it should not pay twice (for transmission) when it purchases power from MISO to serve EKPC loads located in the LG&E transmission zone. LG&E agrees that EKPC should not be pancaked, but believes the compensation mechanism should be scaled back. The parties continue to negotiate a settlement to this case and are scheduled to meet again on Thursday, April 26.

Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On January 31, the Commission issued its Final Order for the six-month review period ending November 2005 in Case No. 2006-131. The Commission agreed with EKPC's proposal in every respect and authorized a refund of approximately \$438,000 per month for the next six months as a result of the over recovery of environmental costs in the six-month review period.

On April 20, EKPC submitted its twenty-second monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 9.32% to be applied to service rendered in April 2007 and billed the first week of May 2007. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 6.16% to 9.00%. These factors reflect approval of the recovery or amortization of over or under recoveries for each Member System during the next six months.

This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

Case 2006-00472 EKPC Wholesale Rate Case

On April 1, the Commission issued an Order approving a \$19 million annual increase in rates to be effective for service rendered April 1, 2007. The increase is subject to refund if the final order in the case is less than the \$19 million increase. The Commission did approve EKPC's proposed wholesale rate design methodology, but denied the proposed rate design method for retail rates. The Order stated that retail rates must be designed strictly on a proportionate basis, using the same percentage increase for the demand, energy and customer components of each rate class. As a result, the pass-through rates for each Member System were designed on that basis. On April 18, the Commission issued a procedural order for the remainder of the case, setting September 5th as the date of the hearing.

Power Supply

Case 2006-00547 Request to Continue Rebate program for Touchstone Energy Home

On December 14 EKPC filed an Application with the Public Service Commission to extend the rebate provision of its Touchstone Energy Home demand side management program. The Company cited the growth in the number of participants and the potential energy efficiency gains associated with the program. EKPC asserted that the rebate program is an important element in promoting the program. On January 8, the Rate Intervention Division of the Office of the Attorney General filed a response to EKPC's application. The Attorney General lauded the program and cited the favorable growth over the last two to three years, but expressed concern about EKPC's financial condition as indicated in the Commission's investigation in Case 2006-00455. They indicated that payment of rebates in a time of financial insecurity is not warranted. On February 14, the Commission Staff issued its First Data Request in the proceeding and EKPC filed responses on February 28. EKPC has requested action from the Commission by June 1.

Case 2006-00045 Real-Time Pricing Pilot Program

On April 20, EKPC filed testimony in support of a proposed Pilot program for large commercial and industrial customers. The filing came about as a result of the Commission's Order in the Administrative case dealing with Smart Metering and Interconnection policy. EKPC's is offering a voluntary tariff that would enable large customers to receive day-ahead prices and receive a credit on their bill if they reduce their consumption compared to a historic period or a charge if they increase consumption. The price to the customer for the decrease or increase in consumption is based on EKPC's marginal cost. The Pilot is subject to Commission approval and will last for three years. All major utilities were required to offer a Pilot Program.

Power Supply

East Kentucky Power Cooperative, Inc. Estimated Monthly Environmental Surcharge Factors April 2007 through December 2008			
Apr-07	\$50,465,754	\$4,129,104	7.67%
May-07	\$50,968,203	\$4,929,089	9.16%
Jun-07	\$50,955,765	\$5,399,658	10.09%
Jul-07	\$51,153,220	\$6,513,401	12.22%
Aug-07	\$51,223,068	\$6,325,478	11.84%
Sep-07	\$51,808,350	\$5,679,323	10.45%
Oct-07	\$51,890,232	\$4,839,037	8.82%
Nov-07	\$52,636,541	\$4,735,075	8.49%
Dec-07	\$53,267,157	\$5,582,468	9.97%
Jan-08	\$53,297,129	\$5,811,226	10.39%
Feb-08	\$52,382,687	\$5,521,100	10.03%
Mar-08	\$51,578,845	\$5,309,509	9.78%
Apr-08	\$51,596,015	\$4,789,516	8.77%
May-08	\$51,292,766	\$5,409,145	10.04%
Jun-08	\$51,740,251	\$5,716,648	10.54%
Jul-08	\$51,990,776	\$5,292,314	9.67%
Aug-08	\$52,340,413	\$5,190,561	9.41%
Sep-08	\$52,551,373	\$4,819,942	8.66%
Oct-08	\$52,637,617	\$3,751,497	6.62%
Nov-08	\$52,650,006	\$3,773,553	6.66%
Dec-08	\$52,728,617	\$4,020,724	7.12%

Current SO2 price is \$475 per allowance as of April 23, 2007.

Current NOx price is \$980 per allowance as of April 23, 2007.

Forecasting and Market Analysis – Sally Witt

- Evaluated proposals for the 2007 Appliance Saturation Survey. Regular mail as well as internet will be methods used to collect the data.
- Provided short-term and mid-term coal forecast reports to the Fuels Process.
- Reported first quarter small commercial survey results.
- Monthly transaction surveys for three member systems were conducted and reported. These survey results provide an opportunity for member systems to follow-up with members.
- Began analyzing water heater usage data to determine the winter impacts of the Direct Load Control pilot.



EKPC Business Management Plan



EAST KENTUCKY POWER COOPERATIVE

EKPC Board of Directors
Status Report for April

April 10, 2007



EAST KENTUCKY POWER COOPERATIVE

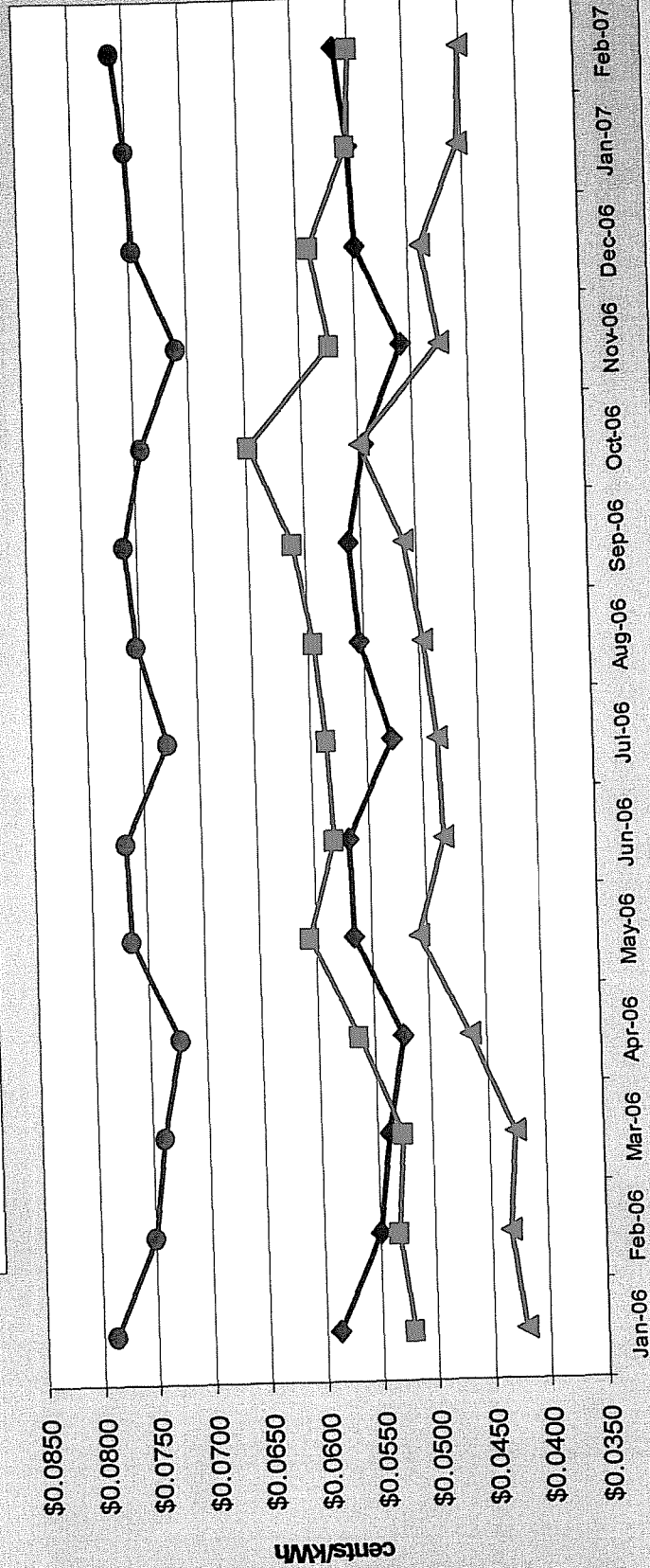
Reporting Metrics Discussion

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EK Rate E Compared to KU Residential

Legend: EK (diamond), KU bill (square), Est KU Wholesale (1¢ adder) (triangle), EK Member System (2¢ adder) (circle)



Note: Analysis by Pricing resulted in a .992¢ distribution adder for KU.



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility

Fuel - \$5 Million: Jim Lamb

	<u>2006</u>	<u>2007</u>
Total Savings Through 1/31/07	\$4,063,237	\$4,969,400
Added February '07 Savings		<u>283,000</u>
Total Savings		\$5,252,400



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

1. Reduce Fuel Adjustment Clause Charges and Volatility
 - Purchased Power - \$4 Million: Jim Lamb
 - Outage Management \$4,116,340
 - Reported June 2006 \$1,593,017
 - Deferral of Spur. 2 Fall Outage \$5,709,357
 - Total Savings To Date



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE –ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

	<u>2006</u>	<u>2007</u>
2. Operational Cost Reviews - \$8 Million		
<input type="checkbox"/> Reduce operational budget –	\$1,543,000	\$ 1,543,000
<input type="checkbox"/> October Budget Reductions-	\$4,972,316	
<input type="checkbox"/> Cost containment		
• Previous cost containment savings	\$1,355,643	\$ 3,763,058
• Administrative/Benefits		\$ 2,285,000
• Power Delivery		257,800
• Budget Reductions for '07		\$12,816,717
• Total Savings to date	\$7,870,959	\$20,665,575



SHORT TERM COST REDUCTION TARGETS

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

Total Current Estimated Savings:

2006

\$17,643,553

2007

\$31,627,332



Budget to Actual Variance Analysis

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

2007 Statement of Operations - 2 Months Actual to Budget

	Actual	Budget	Variance
• Revenue	\$139,997,728	\$140,677,011	(0.48%)
• Fuel	\$ 55,868,944	\$ 58,434,517	(4.39%)
• Operations Expense	\$ 55,039,272	\$ 46,433,843	18.53%
• Maintenance	\$ 3,650,653	\$ 8,415,139	(56.62%)
• Fixed Costs	\$ 22,963,152	\$ 24,438,087	(6.04%)
• Operating Margins	\$ 2,475,706	\$ 2,955,425	(16.23%)
• Non-Operating Items	\$ 4,698,172	\$ 4,178,125	12.45%
• Net Margins	\$ 7,173,878	\$ 7,133,550	0.57%



April 2007 Project Reviews

COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE

<u>Name</u>	<u>Status</u>	<u>Finish</u>	<u>Cost (Millions)</u>
<u>Generation</u>			
Spurlock #4	Construction	4/09	\$494
Spurlock #2 Scrubber	Construction	9/08	\$163
Spurlock #1 Scrubber	Construction	1/09	\$142
Smith #1	Air/RUS	6/11	\$615
Smith CT #8	Air/RUS	6/09	\$ 60
Smith CT #9	Air/RUS	6/09	\$ 60
<u>Transmission</u>			
Smith-North Clark 345Kv	Construction	6/07	\$ 22
Smith-West Garrard 345Kv	Permit	6/09	\$ 38



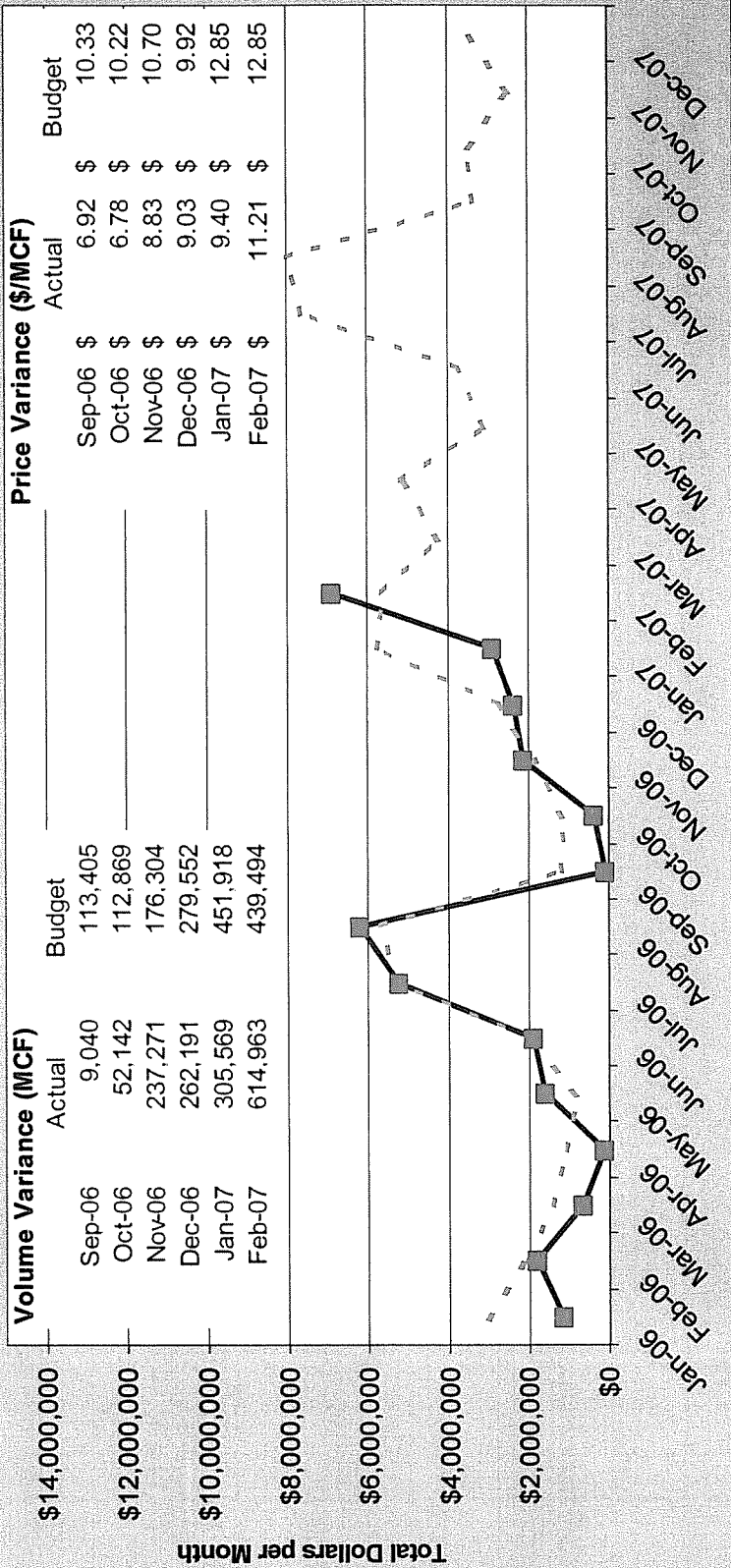
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COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Gas Dollars

— Historical ■ Actual " Budget





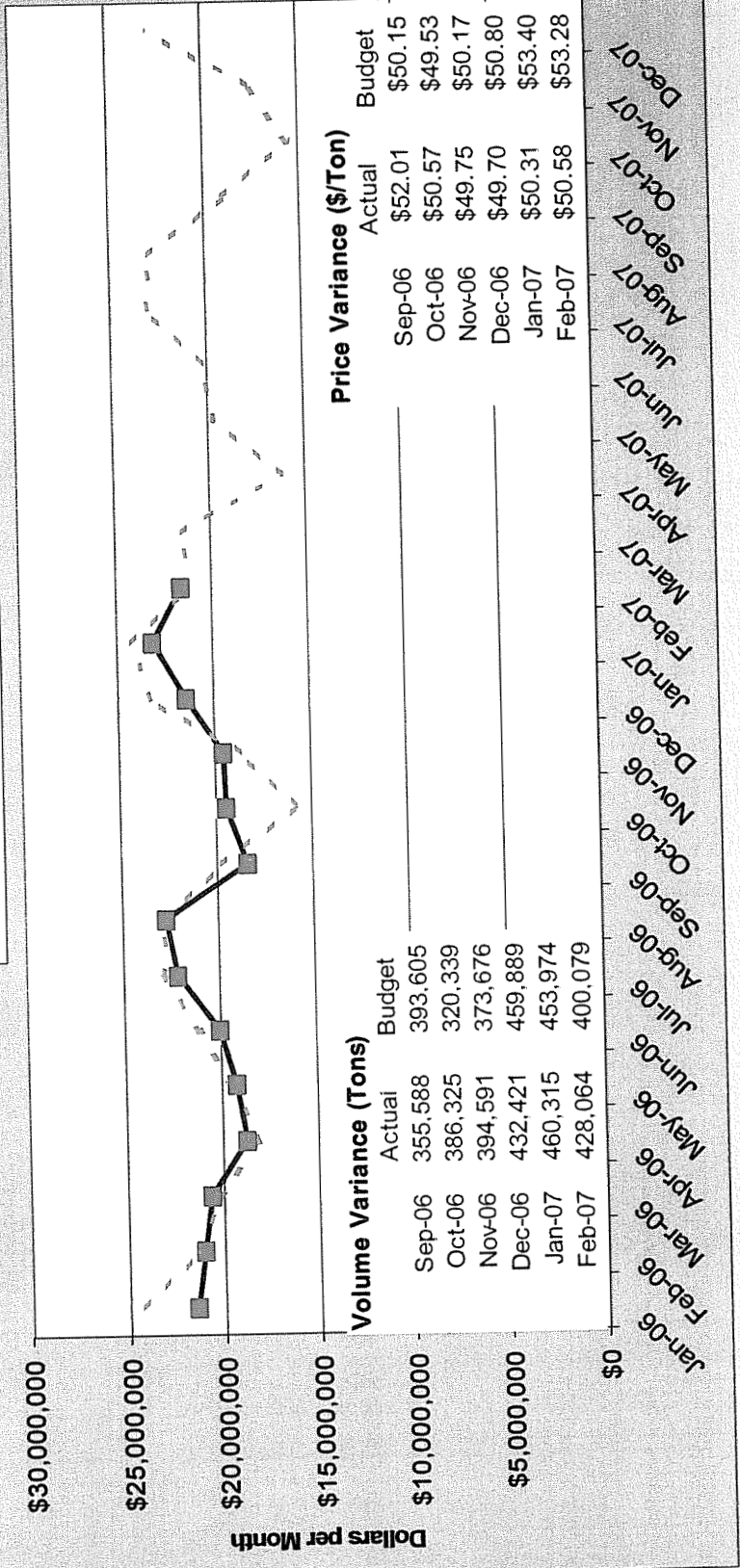
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COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Coal Dollars

— Historical ■ Actual - - Budget



Volume Variance (Tons)

	Actual	Budget
Sep-06	355,588	393,605
Oct-06	386,325	320,339
Nov-06	394,591	373,676
Dec-06	432,421	459,889
Jan-07	460,315	453,974
Feb-07	428,064	400,079

Price Variance (\$/Ton)

	Actual	Budget
Sep-06	\$52.01	\$50.15
Oct-06	\$50.57	\$49.53
Nov-06	\$49.75	\$50.17
Dec-06	\$49.70	\$50.80
Jan-07	\$50.31	\$53.40
Feb-07	\$50.58	\$53.28

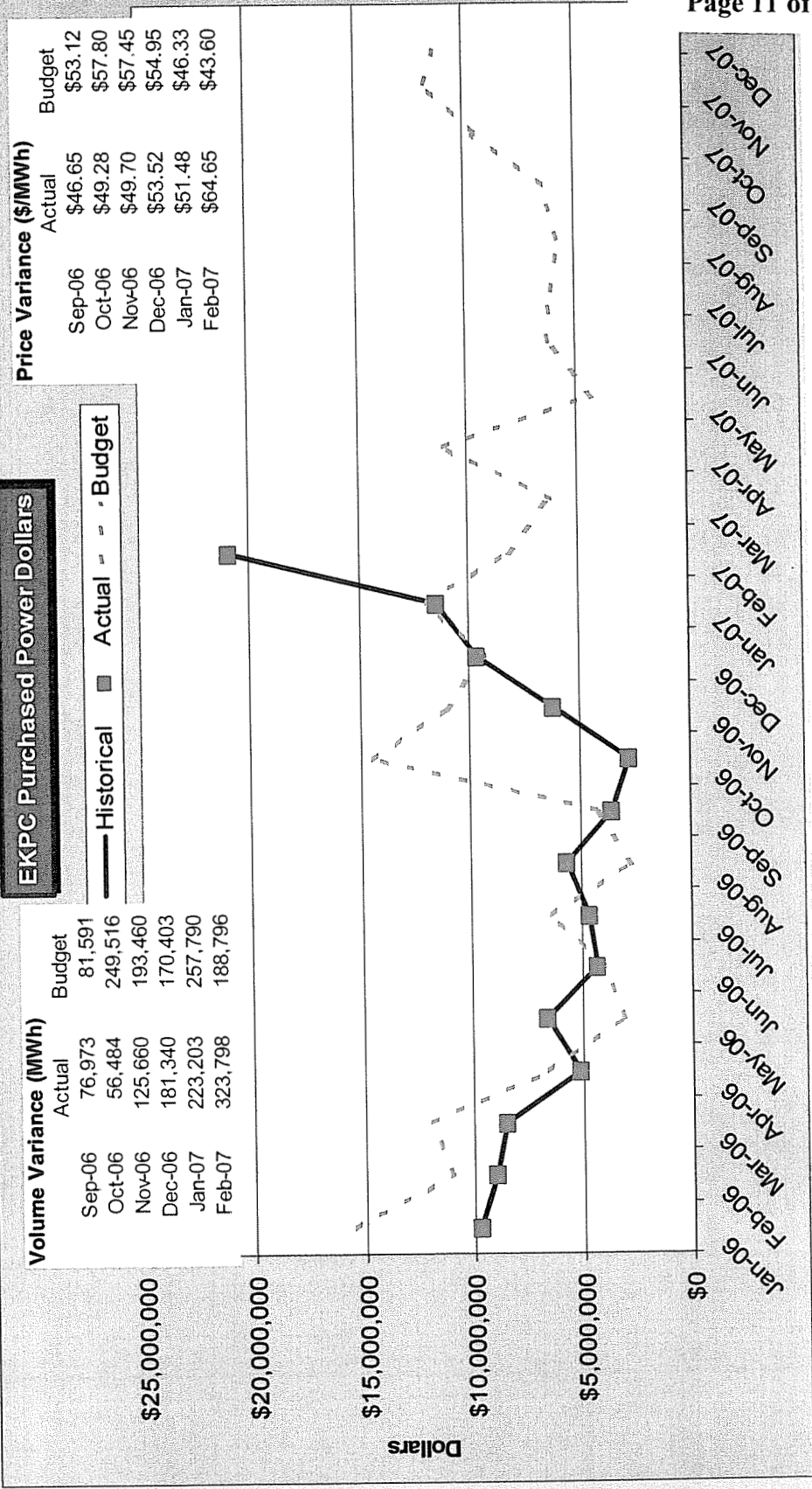


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COST CONSCIOUS CULTURE - ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EAST KENTUCKY POWER COOPERATIVE





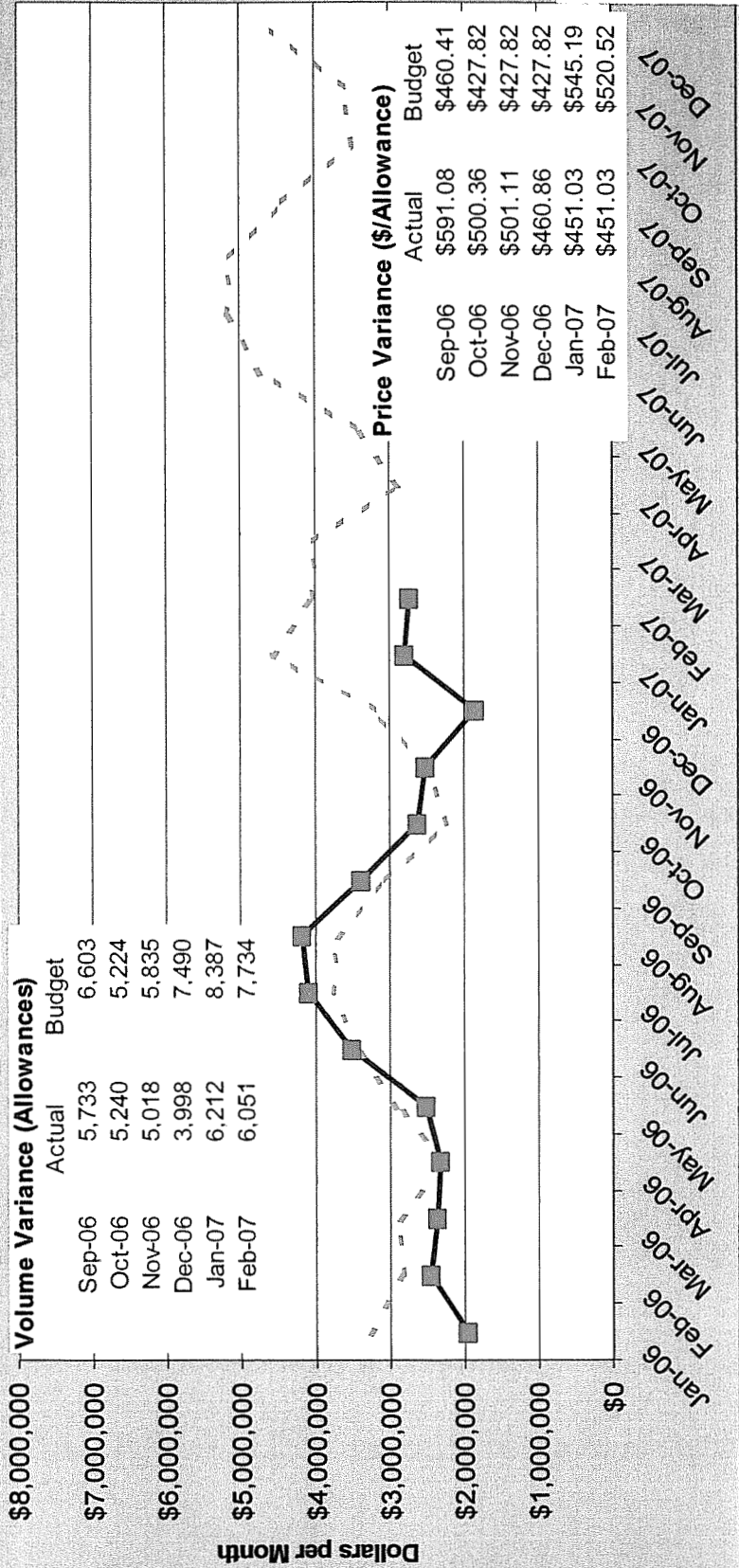
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COST CONSCIOUS CULTURE—ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC SO2 & NOx Emission Allowance Dollars

— Historical ■ Actual - - - Budget





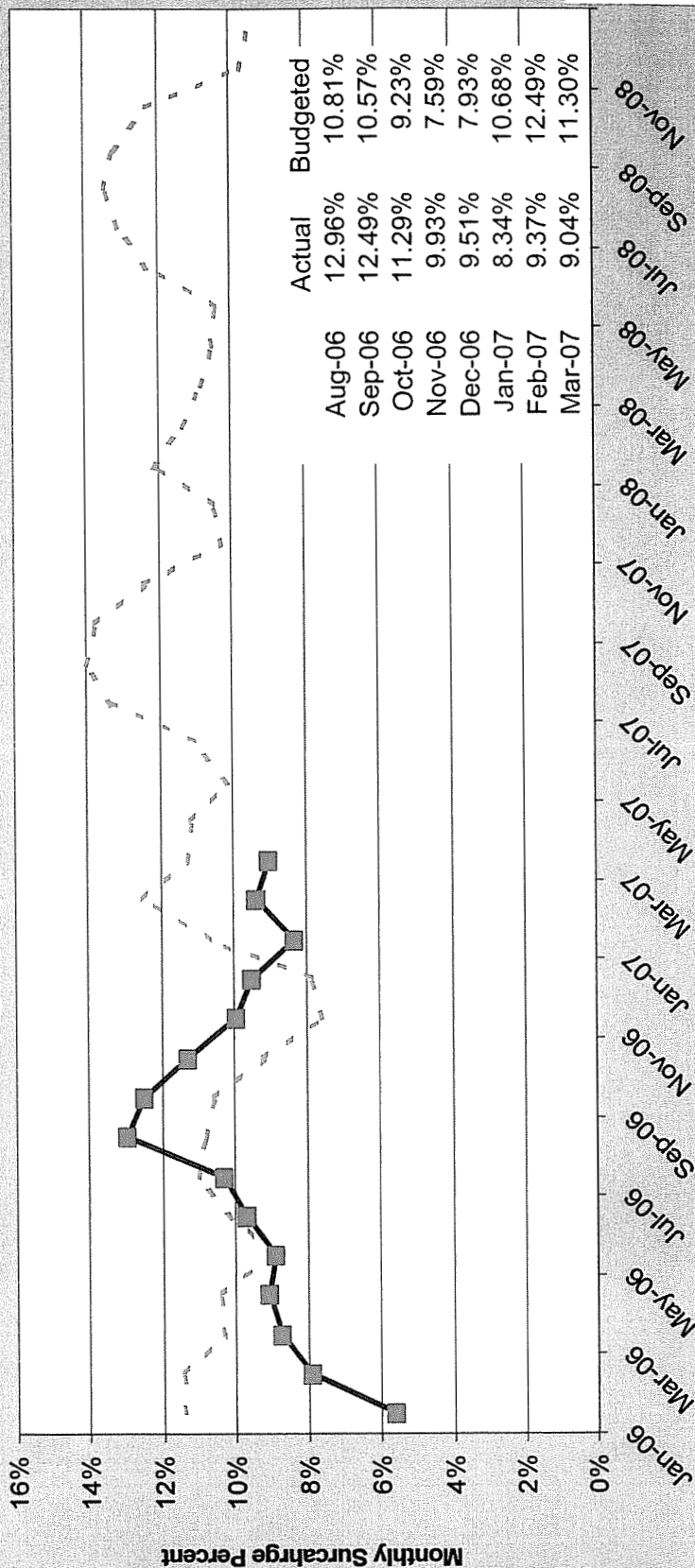
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COST CONSCIOUS CULTURE – ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

EKPC Environmental Surcharge Factors

— Historical ■ Actual - - - Budgeted





EAST KENTUCKY POWER COOPERATIVE

SUMMARY

ORGANIZATIONAL ACCOUNTABILITY

EKPC Business Management Plan

- Cost Reduction Plan
 - \$20.0 Million Target
 - \$31.6 Million Identified for 2007