

JULY 2006

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.
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- Continued to work with Rep. Tanya Pullin and legislative staff to determine the status of clean coal tax credits regulations to be promulgated by the Environmental and Public Protection Cabinet. EKPC could benefit this year by receiving a property tax credit of at least \$44,000. The Environmental & Public Protection Cabinet reported this month that the regulations are on hold so they can continue to work out details.
  - Attended interim legislative committee and subcommittee meetings, including the Interim Agriculture & Natural Resources Committee, the Interim Appropriations & Revenue Committee, and the Administrative Regulations Review Committee.
  - Participated in meetings and conference calls to help coordinate interim legislative committee meetings in Lexington and Central Kentucky. Several committees, including the Special Subcommittee on Energy, will be meeting there Oct. 19 and 20. This is the second year that interim committees will be meeting in Central Kentucky. EKPC, Blue Grass Energy, and Clark Energy sponsored the meetings last year.
  - Represented EKPC at the Southern Legislative Conference in Louisville. Kentucky's Touchstone Energy Cooperatives co-sponsored this year's conference, which gathered more than a thousand legislators, staff and lobbyists from around the South.
  - Participated in meetings regarding the Sierra Club's appeal of the Spurlock #4 air permit, which has been approved by the Environmental & Public Protection Cabinet. Developed a handout with key facts and talking points about the appeal for legislative use.

## Governmental Affairs

- Attended the Rural Utilities Service scoping meeting for the Smith-West Garrard transmission line. Contacted legislators in affected areas to educate them about the project and its need.
- Participated in cost containment team meetings.
- Participated in meetings regarding possible EPA settlement and related issues.
- Participated in Warren RECC/TVA update.
- Attended a meeting at KAEC with KU/LG&E, Big Rivers and others regarding the ongoing transformer tax issue.
- Developed a “new law” edition of Currents, EKPC’s legislative newsletter, to inform readers about new laws that took effect July 12.
- Represented EKPC at the quarterly board meeting of the Southeastern Federal Power Customers group. Attended the Legislative Committee of that organization which has worked closely with NRECA and the American Public Power Association in securing language in the U.S. Senate’s Energy and Water Appropriations Bill to temporarily prevent the Department of Energy from raising “the interest rate charged on future investment in federal hydroelectric facilities” through an unprecedented back-door administrative procedure. Senator Jim Bunning lead the effort for protecting the Power Marketing Administration (PMA) customers, and Representative Whitfield is leading the charge in the House to recede its language and then accept Section 312 of the Senate appropriations bill. This would be a one year reprieve. EKPC continues to work with members of our delegation and representatives of the SeFPC in obtaining a permanent solution to the U.S. Corps of Engineers persistent attempts to charge us \$6 million for water storage at the Wolf Creek Dam. Working with the Senate Environment and Public Works Committee staff, corrective language is in the Water Resources Development Act, S. 728, which passed the Senate July 19. That bill would require reconciliation with the House version before final passage is possible. With the usual August recess and an anticipated adjournment the end of September because of elections, speculation is that few bills, other than appropriations or continuing resolutions, will receive a vote. It is interesting to note that this Congress will have met fewer days than any other since the Truman Administration.
- At the request of KAEC, worked with former Governor Martha Layne Collins to coordinate a videotaping about this year’s Distinguished Rural Kentuckian recipient and to encourage the Governor to be this year’s KAEC annual banquet emcee.
- Invited Supreme Court Justice John Roach to be the Winchester Rotary speaker and accompanied him to that event.

- Represented EKPC at the cooperative table for the Chandler Foundation annual meeting, which honored former Governor and U.S. Senator Wendell H. Ford, Naomi Judd, and Bill Sturgill.
- Addressed the EKPC Learning for Leaders session to provide background and an update on HB 568, the cooperative services bill passed during the 2006 General Assembly and became law on July 12.

# Human Resources & Support Services

JULY 2006

**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 \$515,161 year-to-date through June.
- **Centers 032, 040, 041, 043, 046, 047** more than met the recommended 5% reduction for the 2007 budget.
- **Cost containment** – Met with FiServ to discuss reduction in medical benefits and costs for 2007 plan year.

### 2. Ensuring the safety, well-being, and development of EKPC employees

#### Significant Results:

- Through relevant health topic brown bags, EK employees have opportunities to improve lifestyles and work/life balance.
- Through the Leadership Development Program, leadership personnel have opportunities to increase their skills and knowledge to ensure success in their jobs as well as increase their knowledge about the cooperative business and the electric industry.

### 3. Providing appropriate corporate staffing requirements

#### Significant Results:

- **Positions Filled:**
  - 2 - Auxiliary Operators @ Dale
  - HR/PD Safety Training Coordinator
  - Electrician @ Cooper

## Human Resources & Support Services

- **Positions open:**
  - Construction Project Manager @ Spurlock
  - Warehouseman @ Spurlock
  - Maintenance Material Specialist @ Spurlock
  - Engineer - Operations
  - Maintenance Mechanic - Entry @ Spurlock
  - Senior Engineer
  - Senior Engineer - EMS
  - Environmentalist
  - Construction Technician Crew Leader
  - Senior Engineer
  - 2 - Senior Analyst
  - Computer & Instrument Technician @ Dale
  - Electrician @ Spurlock
  - Plant Safety Coordinator @ Dale
  - Landfill Generating Plant Operator @ Bavarian

#### 4. Providing effective communications

##### **Significant Results:**

- Employees have access to up-to-date information from updates to the Employees Reference Guide and SPD. Driving directions to all cooperatives were added this quarter. Other policy changes and updates were communicated.
- Four new employees were oriented to become quickly productive by understanding what EKPC expects from them as well as what they expect from the cooperative.
- Four new supervisors were oriented and prepared quickly for success in their new role.
- Supervisors are developing their basic interpersonal skills for managing people and work tasks and reducing the cooperative's liability through core training classes.

#### 5. Regulatory compliance

##### **Significant Results:**

- No notifications

## Human Resources & Support Services

### 6. Member Systems Support

#### Significant Results:

- Ongoing support

#### Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

*PeopleSoft HRMS Version 8.8*

- ◆ Payroll – Tax Update 06C to HRPROD.
- ◆ HR – Testing still being done on Bundle #10 in HRTEST.
- ◆ Benefits – Working on additional changes to the Personalized Employee Benefits Statements. Provided a TPA with a census of enrolled participants and a census of all possible participants.

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.

Enhance Production Management Reporting System

- ◆ Development of a Database Aging Process for managing hourly statistical information. Process will provide a clean-up type procedure that will move hourly information that is not current to aging tables that can be accessed in the future if necessary.
- ◆ Restructure of Project Cost Summary contained within the PMRS system to meet the requirements set by Accounting.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

Develop a Project Justification and Tracking System

- ◆ 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 redesign of the PDSS database has been completed, and the design of the online forms continues.

## Human Resources & Support Services

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.

Develop PeopleSoft Modification Explorer

- ◆ System design is complete. Now beginning to code system. This web-based application will replace the current windows application used to track modifications to the PeopleSoft product.

Enhance Records Management Application

- ◆ Add additional features to program and additional reporting.

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 Human Resources Business Unit.

Power Delivery's Tickler Application

- ◆ The Tickler Application is being upgraded from its original Visual Basic 6.0/ Microsoft Access platform to a Visual Basic .NET/ Oracle architecture.

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.

Upgrade MV90 Metering System

- ◆ First full version upgraded in over 10 years
- ◆ Started work with consultant on startup of new server and data conversion
- ◆ Provided support for end user training
- ◆ Code changes are being implemented due to the impact of the MV90 upgrade on existing systems including the EKPC MVReports System and the MVPBS Power Billing System.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate metering/billing data for the Production and Finance Business Units.

Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Investigating hosting of some members' websites inside EKP
- ◆ Set up post-conference website for ARECG conference. Allows interested parties to download all presentations and other info  
<http://www.ekpc.coop/arecg>

This supports key measures **Competitive Energy, Reliable Energy, and Member Services** 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 64 support calls during the previous period.

## Human Resources & Support Services

- ◆ Received final report from Print Manage, Inc. about laser printer usage and costs. Currently reviewing the information.

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.

- ◆ All RTU circuit design and drawings were reviewed and modified to reflect actual construction both at HQ and JK Smith.
- ◆ The Stratum 1 clock has been ordered. The SM multiplexer for the North Ring has been assembled. The consulting engineers and EKPC teleconferenced and have begun design work.
- ◆ We explored alternatives to a planned telecom outage at JK Smith complex and procedures are being put in place to minimize telecom disruption.
- ◆ A HVIU device has been installed at Cedar Grove switchyard.
- ◆ Engineer visited Magna, GM, E. Bowling Green, Memphis Jct, Salmons, Morgantown, and Aberdeen substations to develop cost estimates and design for fiber optic cable and electronics in Warren RECC area.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

Provide Telecommunications to Members.

- ◆ Field tests were done at Chad, Oven Fork, Bledsoe and Pine Mountain substations in Cumberland Valley's system. Chad and Oven Fork have been retested and will work direct to the master station.
- ◆ SCADA master station antennas have been installed at Goddard and Taylor Knob. These will connect to Fleming- Mason's SCADA master station radios.
- ◆ We installed an RTU circuit to Lock 7, through the local phone company, through a KU fiber optic link, and through EKPC's backbone system. The RTU at Lock 7 is in service.
- ◆ Engineer met with Warren RECC personnel to discuss fiber installation and usage.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System

- ◆ Discussions are ongoing about the timing of a new two-way radio system and member system needs.

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.



## Human Resources & Support Services

- ◆ Routine maintenance was performed at twelve microwave sites.
- ◆ The tower light controller was repaired at Liberty Junction microwave site.
- ◆ Air-conditioners have been replaced Garrison Lane and Zion ridge microwave sites.
- ◆ Telecom personnel restores operation of the Telco Systems channel bank and protective relay equipment at Barren County switchyard. This equipment was damaged by a lightning strike.
- ◆ Bi-annual microwave maintenance has been completed for the first half of 2006. All radios have been tested and conform to FCC requirements. All tower light controllers have been tested to meet quarterly requirements and the associated alarm circuits were verified.
- ◆ All 530 DACS equipment in EKPC's telecom system have had programming back ups.

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 – 97.97%
  - EKPC Base Stations – 99.85%
- ◆ Application Availability – 100%
- ◆ Data Circuit Availability- 98.92%
- ◆ On-Time 555 Problem Resolution – 93.7%
- ◆ Customer Satisfaction Index
  - NCS Team – 100%
- ◆ PBX Availability – 100%

JULY 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. A mediation was unsuccessfully held on April 11, 2006. Additional depositions were scheduled for late June 2006 but canceled by plaintiff's attorney. A Motion for Summary Judgment will be made in August.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 10, 2005, former employee Jordan sued CBA alleging improper denial of his eligibility for disability benefits under EKPC's group disability plan administered by CBA; and breach of his privately negotiated worker's compensation settlement with EKPC, specifically as to certain future disability entitlements. EKPC filed its Answer on August 19, 2005, wherein it denied any liability. On September 27, 2005, EKPC made its initial disclosure, and had the joint meeting with plaintiff's counsel as ordered by the court. EKPC filed a motion for Summary Judgment last month and is awaiting the court's decision. The motion is based on CBA's determination that Jordan no longer qualified for long term disability benefits.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal 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 of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed its Answer denying all claims.

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. 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.

The court has set this matter for trial on October 2, 2006.

5. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The PSC filed a notice with the Franklin Circuit Court on February 10 stating that the entire Designated Record of PSC Case No. 2004-00423 has been filed or incorporated by reference from the prior Enviropower action in Franklin Circuit Court seeking an injunction to prevent the hearing in that case. The court should now have all required records to allow it to render a decision on the Motions to Dismiss filed by the PSC and EKPC.
6. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. All Briefs have been filed in this appeal, and the Franklin Circuit Court has supplemented the record on appeal to include EKPC’s Motion to Dismiss, which had previously been omitted. The Court has made no determination about oral arguments, which all parties except Enviropower have stated are unnecessary.
7. *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.
8. *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.
9. *United States of America v. EKPC (Clean Air Act Enforcement)* – U.S. District Court, Lexington – On June 6, 2006, the federal 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’s Answer to the Complaint will be due in mid-

August 2006.

Kentucky has joined in as a party.

#### 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, \$77,666.72 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 Proceeding) – 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 are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may 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.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected anytime.

2. 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.

3. PSC Case No. 2005-00053- (Smith Generation Certificates) – EKPC participated in an informal conference with PSC staff and the AG on July 5. At the conference, it was agreed that EKPC would retain a consultant, approved by the Commission, to perform a review of the site assessment report that had been prepared for the proposed Kentucky Pioneer Energy project at Smith Station in 2003. An updated site assessment report was filed with the Commission on July 25. Following that filing, the Commission issued an order providing that the case will be considered to be complete if no parties request a hearing on the new site assessment report by August 14. EKPC has also responded to a data request included in that order. EKPC does not expect any party to the case to request a hearing, and hopes that the Commission will render a decision in the case shortly after August 14.
4. 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 June 20, 2006, FERC denied TVA’s request to rehear the case, and for clarification of earlier orders, and reaffirmed its decision requiring the interconnection agreement. Both EKPC and TVA are working through details necessary to implement the interconnection.
5. 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.
6. PSC Case No. 2006-00017 – Integrated Resource Plan – The PSC granted EKPC’s motion for a six-month extension of its 2006 IRP filing deadline, by an order dated February 17. EKPC’s IRP will now be due on October 21, 2006.
7. PSC Case No. 2006-00132 – Spurlock Unit 1 Scrubber – EKPC filed an Application with the Commission on March 27, 2006 for a Certificate of Public Convenience and Necessity to add a Flue Gas Desulfurization system to Spurlock Station Unit 1. EKPC responded to the Commission’s first data requests in this case on May 15, 2006.
8. PSC Case No. 2006-00236 - EKPC Depreciation Study – EKPC has received a first data request from the Commission staff in this case. Responses are due August 16.
9. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – Paul Dolloff testified at the hearing in this case, at the request of the Commission staff, concerning technical aspects of the proposed customer interconnection standards in the Energy Policy Act. This case is nearing the end, with simultaneous briefs due on August 30. EKPC testimony, filed on behalf of the member systems, recommends that time of day metering and demand response programs be established only on a voluntary basis for

jurisdictional utilities, and that utilities be allowed to develop interconnection standards appropriate for each system.

10. 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 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.
11. Sierra Club v. Environmental and Public Protection Cabinet and East Kentucky Power Cooperative, Inc. – Commonwealth of Kentucky, Environmental and Public Protection Cabinet File No. DAO-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. A preliminary hearing was held on Friday, July 21, 2006, in Frankfort at the office of Administrative Hearings for the Environmental and Public Protection Cabinet. All parties are awaiting a scheduling order from the hearing officer.

Dale W. Henley  
General Counsel

c: Dave Eames (for distribution)  
(H:legal\MR-july-06)

JULY 2006

**Economic Development Process**

- Staff attended a strategic planning session and meeting on regionalism as a board member of Commerce Lexington.
- Met with Inter-County Energy and the new Economic Development Director for Boyle County.
- Attended meetings regarding Financial Incentives, and a meeting on the impact of health care issues affecting Kentucky's economy.
- Coordinated and hosted a meeting of member cooperatives on economic development issues. Thirteen member cooperatives attended to hear presentations on community development, web-based economic development marketing, business retention, and working with local economic development professionals. This was a very successful workshop, which will become a regular event for the promotion of and improvement of the economy in our member systems service areas.
- Met with Jack Kelly, CEO, of the World Games Federation to determine how our cooperatives may partner in the 2010 World Equestrian Games. This resulted in development of a working relationship for future involvement.
- Attended the Kentucky Chamber of Commerce's Economic Summit and Annual Meeting. Darrell Ishmael was elected to the Executive Committee of the Board of this business driven organization.
- Toured (with Carroll County Industrial Committee) Gateway Community and Technical College's new campus in Northern Kentucky. This new 50-acre campus is currently focused on advanced manufacturing training and education.
- Met with Eastern Kentucky University's Economic Development staff concerning their Center for Economic Development, Entrepreneurship, and Technology. The purpose of the meeting was to learn of their current initiatives and to discuss how the cooperatives might support their efforts.
- Attended the MMRC – Morehead/Rowan County Industrial Development Board meetings.
- Met with Northern Kentucky University and Owen Electric staff on developing potential new key account services.
- Attended Farmers and Taylor County Annual Meetings.

## Member Services

- Participated on Jefferson Community & Technical College – Carrollton Campus Advisory Board.
- Attended Tri-State Touchstone Energy Cooperatives Balloon Glow.
- Attended Propane Plus Board Meetings.

### Non-Traditional Power Production Process

- Construction is underway at the Pendleton County LFGTE plant. Through the end of the month, the site has been leveled, perimeter foundation walls are in place, underground electrical conduit is in place, and most of the exterior foundations have been placed. The mechanical contractor has mobilized to begin installing the underground piping.
- EnviroWatts marketing was moved to Marketing & Natural Resources.
- A decision was made to terminate the Wind Study Program at the end of this year.
- Met with a Green Power Brokerage firm to discuss the possible sale of Green Tags.

### Marketing & Natural Resources Process

- Presented the Touchstone Energy Reptile Safety Program for the employees of Bowling Green Municipal Utilities.
- Attended the Industrial Development Workshop and gave a short update concerning EnviroWatts.
- Worked a booth at the Farmers RECC Annual Meeting.
- Visited the following cooperatives to discuss PartnersPlus and cost containment: Nolin RECC, Grayson RECC, Cumberland Valley Electric, Inter-County Energy and Farmers EC.
- Gary Crawford gave a Cost Containment summary to the members at the July Member Services Advisory Committee Meeting. Included in this summary was the reduction of PartnersPlus funds in 2007 from \$5.65 per meter to \$3.50 per meter. This will result in savings of more than one million dollars. In addition, \$120,000 in cuts were proposed in 2007 for the environmental education program. Those included: eliminating our Earth Day sponsorship at Louisville Zoo and the



## Member Services

environmental education scholarships that are provided to the members. Also there will be no nature poster produced in 2007.

- Attended a program at Nolin RECC concerning the Touchstone Energy Manufactured Home Program. Emmanuel Levy with the Manufactured Home Research Alliance gave the program. It was well attended by many of the member systems.

Listed below are the Environmental activities for this month:

- Construction Projects Involving Environmental Activities for July: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Beam-Tichenor, Inez Sub and Tap, South Point Sub and Tap, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Webb's Cross Roads, Bluegrass Parkway Sub and Tap.
- Met with Cultural Resource analysts concerning the archaeological and cultural surveys on the Wilson-Aberdeen and Memphis-Junction – Aberdeen projects.
- Met with the Kentucky Heritage Council regarding cultural resource activities associated with the Smith – West Garrard project.
- Met with Daniel Boone National Forest Service officials regarding the Cranston - Rowan Transmission line project.
- The Smith – Sideview Transmission Line Project Environmental Assessment was approved by RUS. Construction began on the project.
- Hosted the Smith – West Garrard RUS scoping meeting in Richmond. RUS representatives attended the open house. Comments from the public and agencies were gathered that will be used to determine significant issues associated with the project.
- EKPC received numerous comments regarding the GM – Memphis Junction project. Intervenors disagree with the assessments made in the document regarding effects. EKPC is working with RUS to address issues and concerns raised by the public.
- Southpoint and Webb's Cross Roads BERs were sent to RUS for approval.
- Bluegrass Parkway Sub and Tap was approved by RUS.

## Member Services

### Member and Corporate Communications Process

- Coordinated photos, coverage and printed materials with the Brand Manager for the 2006 Lineman's Rodeo.
- Finalized a brochure on Weatherization and Tax Credits for various member systems.
- Worked on adding web pages to member system web sites promoting EnviroWatts, Environmental Education, Economic Development and Buzz and Sparky Safety.
- Finished Legacy of Light, a slide show on the history of East Kentucky Power (for the front lobby and tour groups at EKPC).
- Posted various Fact Sheets, including several about new system peaks and a positive order regarding the TVA interconnection with EKPC, approval of the Spurlock Unit #2 scrubber and the administrative challenge of Spurlock Unit #4's air permit by the Sierra Club.
- Assisted with the agenda and hosting of the July meeting of the Trapp Community Advisory Group, a citizen group that is working with EKPC on issues related to the Smith Unit #1.
- Worked with concerned property owners at the Farmers annual meeting who asked the Farmers board to seek a different route for the Barren County portion of the Warren RECC transmission project.
- Distributed the September InterChange articles for member Kentucky Living inserts, including a manager's column about Tax Credits available for members for weatherization and winter safety tips.
- Assisted Power Delivery during public scoping meeting on the Smith to West Garrard transmission project.
- Finalized and posted new web pages for Shelby Energy.
- Photographed employees and material for advertising at Inter-County Energy.
- Answered media calls about transmission projects, the lawsuit from EPA, FERC orders and other topics.

## Member Services

### Touchstone Energy Brand Management

- Attended Farmers RECC Annual Meeting.
- Met with Cornett Group regarding 2007 advertising.
- Met with Host Communications regarding UK Network.
- Met with representatives of Big Rivers, Hoosier, and Buckeye Power regarding joint advertising or sponsorships.
- Attended TSE night at Louisville's Slugger Field.
- Met with Cornett Group & Blue Grass Energy.
- Worked with Communications to layout & print Lineman's Rodeo Program.
- Provided video assistance to Blue Grass Energy on a community project.
- Worked with participating co-ops and World Expositions to re-distribute Co-op Connections stickers to participating merchants.

## Power Delivery Unit

JULY 2006

### 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 June 2006 – EKPC Power Supply outages have accounted for .37 consumer hours out year-to-date. Of these, none were scheduled, and .37 were emergency outages. None of these were due to major storms. For the month of June, we experienced 10 emergency outages affecting 13 substations and eight member systems. Six scheduled outages occurred and 14 line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through June 2006, our reliability measure, ASUI is 19.95 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE  
EMERGENCY OUTAGES - THIS MONTH**

**June 2006**

Page 1 of 1

	<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	1-50%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-50%	0-0%	2-100%
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%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
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%	1-33%	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
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%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
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	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	1-100%
SOUTH KENTUCKY	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
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	1-8%	1-8%	4-31%	5-38%	0-0%	0-0%	0-0%	0-0%	0-0%	2-15%	0-0%	13-100%

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**

**June 2006**

Page 1 of 1

	<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	1-17%	0-0%	0-0%	4-67%	0-0%	0-0%	0-0%	0-0%	0-0%	1-17%	0-0%	6-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	2-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
FARMERS	0-0%	0-0%	0-0%	7-70%	0-0%	0-0%	2-20%	0-0%	0-0%	1-10%	0-0%	10-100%
FLEMING-MASON	0-0%	3-60%	2-40%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
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	2-40%	0-0%	1-20%	1-20%	0-0%	0-0%	0-0%	0-0%	0-0%	1-20%	0-0%	5-100%
JACKSON	0-0%	0-0%	0-0%	4-67%	0-0%	1-17%	0-0%	0-0%	0-0%	1-17%	0-0%	6-100%
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%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	1-100%
SALT RIVER	3-50%	0-0%	0-0%	2-33%	0-0%	0-0%	0-0%	0-0%	0-0%	1-17%	0-0%	6-100%
SHELBY	0-0%	0-0%	0-0%	5-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
SOUTH KENTUCKY	1-11%	0-0%	1-11%	7-78%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	9-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	7-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	7-100%
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	7-10%	3-4%	5-7%	42-61%	0-0%	1-1%	2-3%	0-0%	3-4%	6-9%	0-0%	69-100%

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 JUNE 2006 for Entire System

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
<b>Emer/Sched</b> 06/01/06 8:59 Scheduled	0 h 0 m 2,008	8	0	W1 Magnolia 9 Nolin	<b>Description</b> <b>Distribution Sub. Equip. Failure : Regulator</b> A scheduled outage was required in order to remove regulator #1290 from service. Control wiring was shorted & regulator was off neutral.
06/02/06 3:43 Scheduled	1 h 37 m 3,081	0	0	W5 West Nicholasville 7 Blue Grass	<b>System Improvements : Maintenance</b> A scheduled outage was required in order to replace lightning arrestors on main power transformer (Joslyn brand) & also current transformers in secondary bay above regulators were replaced due to high temperature indication during infrared inspection.
06/02/06 10:46 Emergency	1 h 13 m 2,158	2,626	4,750	W5 Ballard 6 Inter-County	<b>Distribution Sub. Equip. Failure : Insulator</b> Two bus support insulators failed in substation secondary. Two primary fuses operated. West team personnel were unable to find cause of outage. However, a property owner reported 2 days prior to this outage, heavy lightning struck all around this substation.
06/05/06 6:13 Scheduled	2 h 35 m 1,370	0	0	E10 Chad 3 Cumberland Valley	<b>System Improvements : Other</b> A scheduled outage was requested by KU in order remove line jumpers in line section between KU Cloverlick-Robbins of KU Evarts-KU Arnold transmission line.
06/07/06 16:32 Emergency	0 h 43 m 3,323	2,381	3,300	S16 Nancy South Kentucky	<b>Storm / Weather Related : Lightning</b> Lightning is thought to have caused OCR #286 to fail. Three primary fuses operated. Alarm came in as " Low unreg volts " at time of disturbance.
06/08/06 5:06 Scheduled	3 h 42 m 1,370	0	0	E10 Chad 3 Cumberland Valley	<b>System Improvements : Other</b> A scheduled outage was requested by KU in order to re-install jumpers in line section between KU Cloverlick-Robbins on KU Evarts-KU Arnold transmission line.
06/18/06 14:06 Emergency	0 h 52 m 1,357	1,176	4,475	W1 South Jessamine 01 Blue Grass	<b>Wildlife : Wildlife</b> Birds (four) made contact with the station service transformer, operating station service fuse. This fault tripped the circuit interrupter.

# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT JUNE 2006 for Entire System

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
06/19/06 3:04 Emergency	7 h 49 m 1	0	0	N40 Dravo (Main) Fleming-Mason	<b>Description</b> <b>Distribution Sub. Equip. Failure : Insulator</b> Plumville-Dravo (N34-624) transmission line relayed out of service. An insulator failed internal to customer owned Dravo "Main" substation.
06/19/06 3:04 Emergency	1 h 22 m 1	0	0	N40 Dravo (Mine) Fleming-Mason	<b>Distribution Sub. Equip. Failure : Insulator</b> Plumville-Dravo (N34-624) transmission line relayed out of service. An insulator failed internal to customer owned Dravo "Main" substation.
06/19/06 7:46 Emergency 1	3 h 7 m	0	0	N40 Dravo (Mine) Fleming-Mason	<b>Transmission Sub. Equip. Failure : Insulator</b> repair damaged insulator at customer owned Dravo "Main" substation.
06/22/06 21:13 Emergency	0 h 13 m 1,929	418	875	S35 Coburg Taylor County	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged (uprooted) an off r/w tree, which fell onto line section between Summershade-W. Columbia at STR-#J-107 of Summershade-Sewellton Jct. 69 KV transmission line.
06/22/06 21:13 Emergency	0 h 13 m 2,293	497	1,050	S10 Columbia Taylor County	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged (uprooted) an off r/w tree, which fell onto line section between Summershade-W. Columbia at STR-#J-107 of Summershade-Sewellton Jct. 69 KV transmission line.
06/22/06 21:13 Emergency	0 h 53 m 2,439	2,154	12,886	S66 West Columbia Taylor County	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged (uprooted) an off r/w tree, which fell onto line section between Summershade-W. Columbia at STR-#J-107 of Summershade-Sewellton Jct. 69 KV transmission line.
06/25/06 5:33 Scheduled	0 h 39 m 47	0	0	S58 Alcan #1 Blue Grass	<b>System Improvements : Maintenance</b> A scheduled outage was required in order to replace terminals in substation secondary bus & taps changed taps on power transformer.



# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

## JUNE 2006 for Entire System

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
06/27/06 8:40 Emergency	0 h 15 m 1,341	335	750	E82 Salt Lick Big Sandy	<b>Distribution Sub. Equip. Failure : Switch</b> Substation personnel had OCR CO# 90 bypassed for maintenance, when one bypass fuse fell out. This resulted in an arc that caused two high side fuses to operate.
06/28/06 2:55 Scheduled	0 h 27 m 1,688	760	1,850	E22 Oakdale Licking Valley	<b>Distribution Sub. Equip. Failure : Lightning Arrestor (&gt;=69kv)</b> A scheduled outage was required in order to replace substation primary lighting arrestors. This problem was found during routine infrared inspection.
06/28/06 3:40 Emergency	11 h 16 m 3,510	39,546	79,160	S85 Carpenter Cumberland Valley	<b>Storm / Weather Related : Lightning</b> Lightning damaged conductor in line section between KU Wofford - EK Carpenter Tap on KU Wofford - KU Park Plant transmission line. Multiple KU transmission line problems found on both sides of Carpenter Tap.
06/29/06 4:50 Emergency	0 h 48 m 1,631	1,305	4,569	W6 Blue Lick 3 Salt River	<b>Wildlife : Wildlife</b> Raccoon made contact above OCR-115 in secondary bus of Blue Lick substation. two primary fuses operated. Damage equipment includes: four insulators, jumpers and the OCR.
06/30/06 12:21 Emergency	0 h 6 m 1,514	151	750	W9 South Elkhorn 2 Blue Grass	<b>Transmission Line Equip. Failure : Switch</b> KU Higby Mill 66-624 opened; then 2 minutes later, Tyrone 65-654 operated due to a switch at the KU Alexander going to ground during switching procedures for a KU line request. This resulted in South Elkhorn being off line.
<b>TOTAL</b>	<b>31,062</b>	<b>51,358</b>	<b>114,415</b>	<b>Average Hours Outage Per</b>	<b>0.10</b>
<b>YEAR TO DATE</b>	<b>142,523</b>	<b>185,757</b>	<b>562,135</b>	<b>YTD Avg Hrs Outage Per</b>	<b>0.37</b>
<b>TOTAL CONSUMERS SERVED = 499,309</b>					

**EAST KENTUCKY POWER COOPERATIVE  
POWER SUPPLIER OUTAGE REPORT**

**June 2006**

Page 1 of 1

**Average Hours Outage Per Consumer**

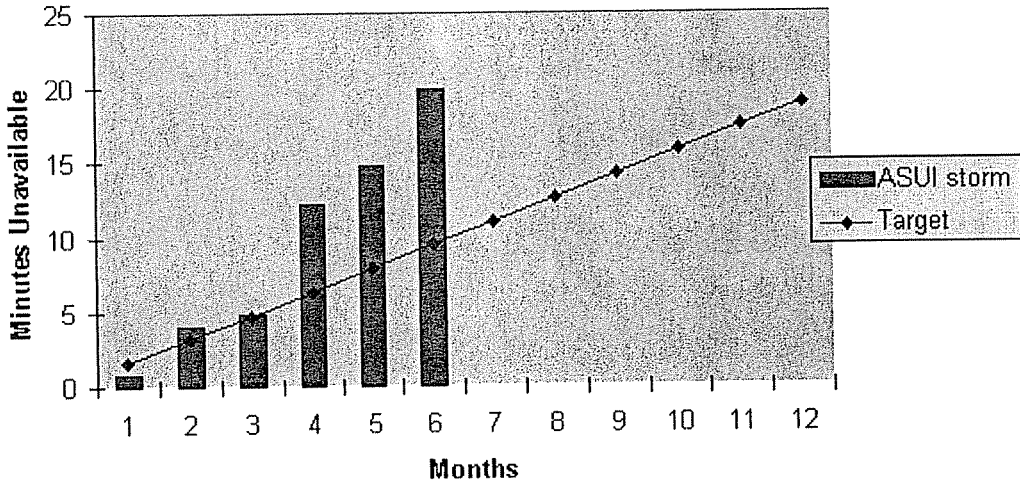
	<b>THIS MONTH</b>			<b>YEAR-TO-DATE</b>		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.03	0.00	0.03	0.03	0.00	0.03
BLUE GRASS	0.03	0.00	0.03	0.04	0.00	0.04
CLARK	0.00	0.00	0.00	0.01	0.00	0.01
CUMBERLAND VALLEY	1.70	0.00	1.70	1.76	0.00	1.76
FARMERS	0.00	0.00	0.00	0.53	0.00	0.53
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	0.10	0.00	0.10	0.40	0.00	0.40
JACKSON	0.00	0.00	0.00	0.33	0.00	0.33
LICKING VALLEY	0.00	0.04	0.04	0.01	0.12	0.13
NOLIN	0.00	0.00	0.00	0.14	0.00	0.14
OWEN	0.00	0.00	0.00	0.00	0.00	0.00
SALT RIVER	0.03	0.00	0.03	0.14	0.00	0.14
SHELBY	0.00	0.00	0.00	5.69	0.00	5.69
SOUTH KENTUCKY	0.04	0.00	0.04	0.15	0.00	0.15
TAYLOR COUNTY	0.13	0.00	0.13	0.33	0.00	0.33
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.10	0.00	0.10	0.37	0.00	0.37

EKPC POWER SUPPLIER OUTAGES have accounted for .37 consumer hours out year to date. Of these .00 were scheduled, .00 were due to major storms and .37 were other emergency outages.

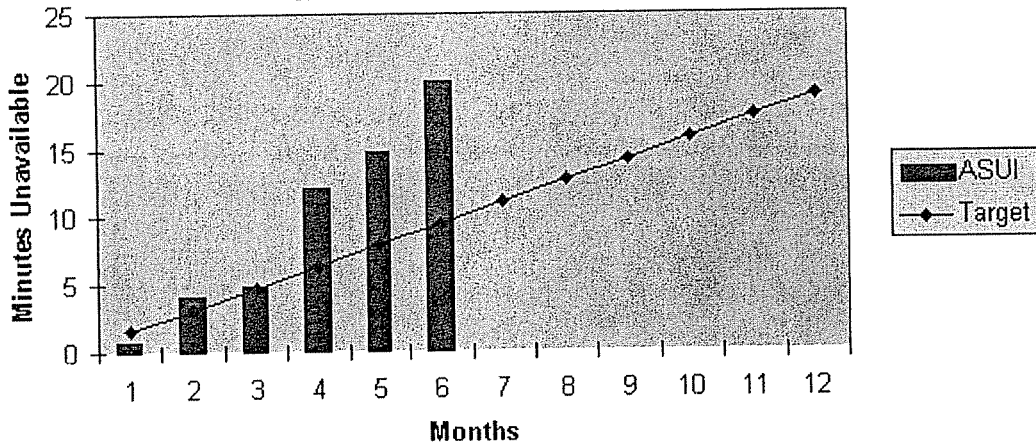
**Average System Unavailability**  
**Index Report**  
**(ASUI)**

<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	0.0000	0.0000	14.58	11.08	7.58
8	2006	0.0000	0.0000	16.67	12.67	8.67
9	2006	0.0000	0.0000	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	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.

<b>Mission</b>	<b>Key Measures</b>	<b><sup>1</sup>Year-To-Date Results</b>	<b><sup>1</sup>Year-To-Date Goal</b>	<b>Yearly Goal</b>
<b>Safety</b>				
Accidents	Lost Time Accident Rate	0.00	1.65	3.3
Inspections	Avg. Inspection Rating	100%	98%	98%
<b>Electric Service</b>				
Duration	ASUI (without major storms)	19.95	9.5	19 min.
<b>Cost Effective</b>				
Cost	Operating Cost	\$3,176,740	\$4,283,994	\$8,619,073
	Capital Project Cost	\$494,376	\$2,169,013	\$3,498,836
<b>Member’s Expectations</b>				
Member System Satisfaction	Member System Survey	N/A	88%	88%

**Notes:**

1. Year to date results and goals through June 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.



**Power Delivery Expansion  
JULY PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS</b>												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	❖	●	❖				12/31/07		
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			12/31/07		
Barren County - Magna 24 mi.	L	●	❖	○	□	□				12/31/07		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville #2, 69-12.5 kV, 11.2/14 MVA	S	●		○						05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖			❖				12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖	❖	○	❖				12/01/06		
Tap, 10 mi.	L	●	○	○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	□	●	●	●	●	○		11/30/06		
Tap 0.04 mi.	L	●		□						11/30/06		
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●		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		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		○		●				12/31/06		
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					05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	●	○		12/15/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖	□	○				03/07/07		
Conway Tap 0.2 mi.	L	●		❖						03/07/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	○	□	●	●				05/01/07		
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	●	○				12/31/07		
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		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●		❖						05/01/07		
Tap, 0.5 mi	L	●		❖						05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	□				12/01/06		
Tap	L	●		○	□	●				12/01/06		

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**Power Delivery Expansion  
JULY PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	□	N/A			12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●		❖	□	○				12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖						05/01/07		
Tap, 3.5 mi	L	●		❖						05/01/07		
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		
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	●		❖						12/01/06		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	□	○	●	❖	❖		06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●								06/01/07		
J. K. Smith CT Substation 345 kV	S	●	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	
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	❖	❖	○	○				06/01/06		
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		
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	●	□				12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	○	□	□	□				12/31/07		
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	●	●	●	●	●	●	□		06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	○	□	●	●	□	❖		06/01/06		

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**Power Delivery Expansion  
JULY PROJECT SUMMARY  
2006**

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)
<b>SUBS &amp; TAPS CONT'D</b>												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●		N/A	●					12/31/07		
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	●	□	□	❖	❖				06/01/06		
Tap	L	●		❖	❖	❖				06/01/06		
Spurlock #4	S	●	□	N/A	N/A	□	N/A			02/15/08		
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	●		●	□	□				12/01/06		
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	●	❖	□	□	○				11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		❖	❖					11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●	❖	❖	○	□				12/31/07		
Woodstock 11.2/14 MVA Substation	S	●								12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●		❖						12/01/07		
<b>STATION UPGRADES</b>												
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	●	●	N/A	●	●	12/01/05		03/14/06
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05		
McKinney Corner Substation Upgrade	S	●								05/01/06		
<b>CAPACITOR BANKS</b>												
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		
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A			05/01/06		

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**Power Delivery Expansion  
JULY PROJECT SUMMARY  
2006**

<b>Projects</b>											<b>Target Energization Date</b>	<b>Ready for Energization (Actual)</b>	<b>Energization (Actual)</b>
	<b>PDE Team in Charge of Project</b>	<b>Project Justification\WP Amendment</b>	<b>Permits\Environmental\Soil Testing</b>	<b>Siting\RW Acquisition</b>	<b>Survey</b>	<b>Design\Drafting</b>	<b>Initial R/W Clearing</b>	<b>Construction</b>	<b>Inspection\Checkout</b>				
<b>CAPACITOR BANKS CONT'D</b>													
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		
Maytown 10.2 MVAR Cap Bank	S			N/A	N/A	○					12/01/06		
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 Increase to 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	❖					12/01/06		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	○		05/01/06		06/08/06
<b>RECONDUCTORS</b>													
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	○	○		06/01/06		
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	●									05/02/07		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●									05/01/07		
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	●									12/01/07		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●									04/01/07		
Tyner-North London ReblD.954MCM 69kV, 16.71 mi	L	●									05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●									05/01/07		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A				12/15/06		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●		05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●									12/01/06		

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## Power Production

JULY 2006

### Engineering

Engineering is supporting the Smith Unit No. 1 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

Modifications have been made and submitted for the Site Assessment Report for the J.K. Smith Project to the PSC. The PSC asked for a review by a consultant. That review was completed and submitted.

Discussions continue on the Dale Units No. 1 and No. 2 rating issue. Data is being gathered to support EKPC's position. Emission data has been submitted to EPA for their approval. Emission monitoring has been installed, and final certification is scheduled.

The Sierra Club has filed a petition regarding the Spurlock Unit No. 4 air permit. The petition is being reviewed by the Natural Resources Cabinet.

Quarterly air and water discharge reports have been filed with the Division for Air Quality and Division of Water.

Fish studies related to our intakes at Dale and Cooper Power Stations are continuing. These studies are required as a part of new EPA regulations.

Stanley Consultants is completing their review of the Smith Power Station site selection and alternative analysis for the Smith coal-fired unit. This document is required by RUS as a part of their environmental approval process.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

## Power Production

### Production Monthly Report

Page 2

July 2006

#### Fuel

EKPC's coal inventory at the end of July 2006 will be approximately 37 days. The inventory is projected to continue decreasing through the months of August and September.

A recommendation for a coal supply contract with Trinity Coal Marketing for Cooper Power Station will be presented at the August 2006 Board and Committee Meetings.

A coal supply contract amendment with Argus Energy to reduce the price and increase the ash content for Spurlock Power Station will be presented at the August 2006 Board and Committee Meetings.

Recommendations for spot coal purchases for Dale and Cooper Power Stations will be presented for approval at the August 2006 Fuel and Power Supply Committee Meeting.

Negotiations continue with Gatliff Coal Company representatives in regards to a coal supply contract market price re-opener.

Fuel personnel continue to work with various departments in providing fuel price projections for use in the budget and the Integrated Resource Plan.

Approximately 15,000 gallons of No. 2 fuel oil were purchased for Dale Power Station and approximately 7,500 gallons for Cooper Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

# Power Production

## Production Monthly Report

Page 3

July 2006

### Production

#### Dale Power Station

Dale Power Station has generated a total of 516,938 net MWh through June 30, 2006. Units No. 1, No. 2, No.3, and No. 4 were on-line and fully available for the entire month.

Riley Power was on-site to perform clean air tests on Unit No. 3 mills. R&P Chimney was also on-site installing stack flow monitoring equipment on Units No. 1 and No. 2. Brown Sprinkler and Vulcan Fire Systems were on-site to energize Unit No. 4 turbine/generator fire protection system. Allen Company is on-site cleaning the No. 2 ash pond.

Maintenance personnel installed new clicker grinder for Units No. 1 and No. 2 bottom ash. Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

Safety meetings were held at Dale Power Station, concluding on prevention of back injuries during the month of July.

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 52,679 net MWh through June 30, 2006.

Units No. 2, 3, 4, 5, 6, and 7 were available the entire month of July. Unit No. 1 was on a forced outage for 35 hours and 9 minutes due to No. 1 bearing problems.

Preparation and planning is 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

July 2006

### Cooper Power Station

Cooper Power Station has generated 1,008,034 net MWh through June 30, 2006. Unit No. 1 was on-line and fully available for the month. Unit No. 2 was forced off-line on July 1 for one hour and 12 minutes due to a MK5 turbine control card failure. The unit was back on-line the same day and fully available the remainder of the month.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of July. Some of the tasks that were completed were changed oil filters on the instrument air compressors, checked Unit No. 1 and Unit No. 2 submerged chains, checked brushes on Unit No. 2 and Unit No. 2 generators, checked on Cagle generators, checked condition of the battery room batteries, repaired a leak in the heating steam drain line, patched hole in run-of-mine crusher chute, and replaced 1-B air heater soot blower drive motor. These, as well as other projects, were completed during this time.

Mann Painting Contractor continued to work on the 3-A conveyor.

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 3,732,157 MWh through June 30, 2006. Unit No. 1 was on-line and fully available until July 11<sup>th</sup> when the unit was derated to 290 MW due to high superheat temperature with No. 6 and No. 7 feedwater heaters out of service due to a leak in the No. 6 heater. The unit was back on-line July 14<sup>th</sup> and was fully available through July 25<sup>th</sup>. Unit No. 2 was on-line and fully available for the month of July. Unit No. 3 was on-line but derated to 260 MW due to PA fan limitation caused by restrictions in the floor nozzles. The unit continued to be derated to 260 MW through July 25<sup>th</sup>.

Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

**SEPTEMBER 2006**

# Coordinated Planning

AUGUST 2006

## Transmission Planning

### Summary of Future Transmission Projects Identified as of July 2006

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2006 through 2015):

- 300 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
- 16 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
- 137 miles of re-conductor or rebuild of existing transmission line
- 29 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 29 new 69 kV capacitor banks totaling 428 Mvars
- 180 miles of transmission line requiring high-temperature upgrades
- 29 new distribution substations
- 3 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

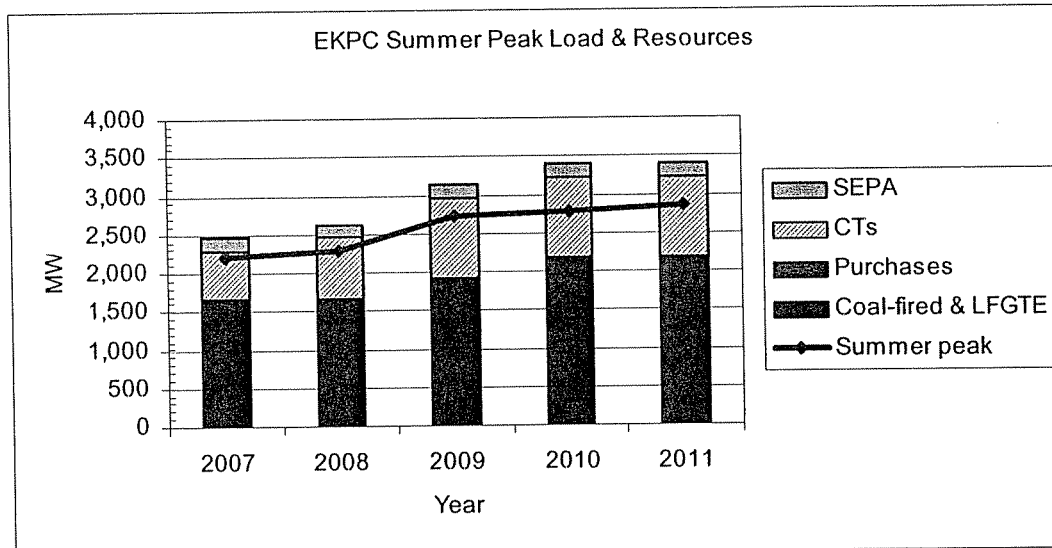
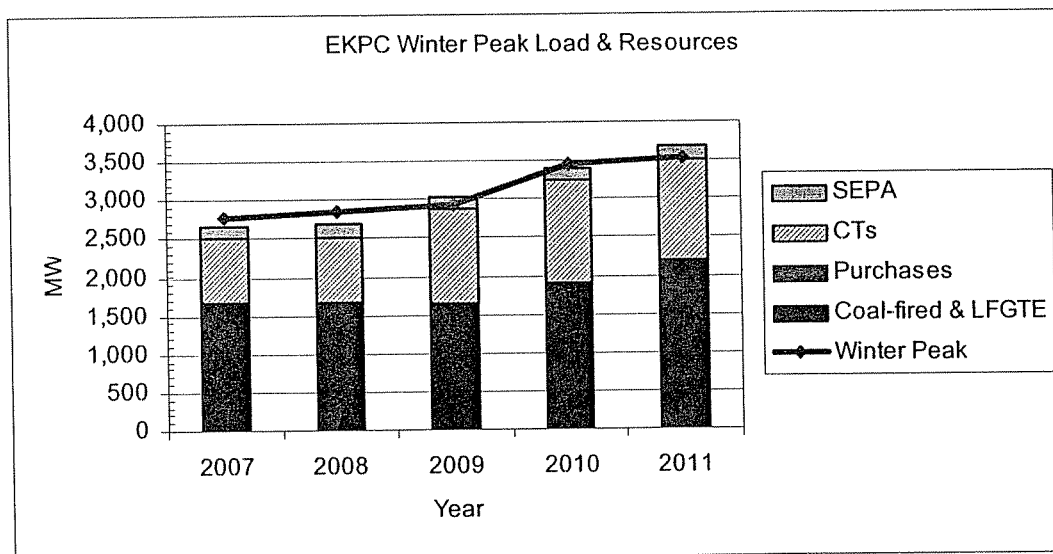
All of the above numbers include the new 161 kV lines and substations required for Warren RECC's membership in EKPC.

No changes have been made to these plans since the report provided in July 2006.

## Resource Planning

The following graphs show the projected winter peak load and capacity resources broken down 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 pick up of the Warren RECC load is delayed by one year. The winter graph shows that there will be tight win margins even with the delay of WRECC's load 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. Getting PSC approval for the proposed Smith capacity is critical for getting the power supply plan back on track. The updated graphs include the new 2006 Load Forecast.

# Coordinated Planning



**NOTES:**

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Pendleton Co. LFGTE assumed to be on-line by February 2007.

Smith CTs 8-12:

First 2 units assumed to be on-line for Summer 2008 peak.

Next 2 units assumed to be on-line for Winter 2008-09 peak.

All 5 units assumed to be on-line by Summer 2009 peak.

Warren RECC load data included April 2009 (One Year Delay).

Spurlock 4 unit assumed to be on-line in Spring 2009.

Smith CFB 1 assumed to be on-line by Summer 2010.



## Coordinated Planning

### Forecasting & Market Analysis

#### Load Management Demonstration Project

The load management demonstration project began in July and will be completed September 30, 2007. The program has been very successful to date. Blue Grass Energy has over 400 members enrolled that includes 473 air conditioners and 244 water heaters. Blue Grass Energy utilizes the Hunt Technologies TS2 system. Big Sandy RECC will be participating in water heater control scheduled to begin in October. Recruiting members for the program is currently in progress. Big Sandy RECC will utilize TWACS by DCSI.

Analysis for AC control will be available in late November. Plans are currently being made to form a Load Management Working Group that will consist of member system and EKPC personnel. This group will assess the opportunity for a large scale load management program, examine and assess the risks, and assure that a large scale program will in fact reduce EKPC's power supply costs.

### Mid-Term Planning

Mid-Term Planning functions to optimize the use of EKPC's assets to provide the low cost power supply for our Members focusing on the next 5 years. 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. We plan to provide more specifics for the activities listed above in future monthly reports.

- 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.
- Natural gas costs are being hedged by purchasing financial futures of 30% of our historical needs through Constellation Energy. The futures are sold to offset against the current month's gas purchases.
- 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 investigating opportunities to obtain contracts to supply those needs.

## Coordinated Planning

### Generation Dispatch

**System Peak** – EKPC's coincident peak in July 2006 was 2300 MWh, occurring at hour 1700 on the 19th. Member system requirements for the month of July 2006 were 1,138,745\_MWh, an increase of -3.81% above July 2005. During July, there were 30 fewer cooling degree days than last year, temperature was 1.2% cooler than last year.

AUGUST 2006

**Corporate Strategy and Technology Applications Process – Shiela Medina, Manager**

Power Delivery Cost Containment Team

The Power Delivery Technologies Team of the Corporate Strategy and Technology Applications Process has been asked to serve as a member on the Power Delivery Cost Containment Team dealing with Reliability and Congestion Management. This effort is in line with EKPC's Mission to provide reliable and competitive energy to the member systems.

Cooperative Research Network (CRN) Visit

The Corporate Strategy and Technology Applications Process scheduled and held the first of four regional visits aimed at informing the Member Systems of what is available to them with our CRN membership. The first meeting was hosted by Grayson RECC. In addition to Grayson, Big Sandy, Clark Energy, and Licking Valley attended. This effort is in line with EKPC's Mission to provide member services.

Benefits Assessment of the Electric Power Research Institute (EPRI)

The Corporate Strategy and Technology Applications Process was asked to perform a Benefits Assessment with regard to EPRI projects that have been or are currently active at EKPC. Only those projects that are being directly used by EKPC are to be considered. As directed, the Benefits Assessment considers the years from 2003 to 2011. This time period looks back three years, includes the current year, and looks forward for five years. The result of this exercise resulted in a 3 to 1 rate of return on EKPC's EPRI membership. This effort supports EKPC's Mission to provide reliable and competitive energy to the member systems.

EPRI Operations Conference

EKPC hosted the Third Annual EPRI Operations Conference. Operations personnel from fifteen different power companies attended.

Administrative Cost Containment Team

Technology Applications staff of the Corporate Strategy and Technology Applications Process participated in the Administrative Cost Containment Team. The Cost Containment Team is wrapping up its recommendations. This effort supports EKPC's Mission to provide reliable and competitive energy to the member systems.

AUGUST 2006

**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 August 31, EKPC had \$107,157,500 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.08% to 5.23%. \$22,579,730 (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.

For the month of August, a total of 100 bank wires/transfers were initiated for a total amount of \$168,662,797, which brings the total number of bank wires to 668 for the year 2006 compared to a total of 977 for the year 2005. 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

EKPC received clearance of AB-8 FFB Guarantee Loan for \$55,420,000 to construct CTs 6 & 7 at J.K. Smith. On August 7, EKPC chose to utilize these funds and requested advances of \$15,000,000 to be received on August 23, an additional \$15,000,000 to be received on August 25, and \$23,000,000 to be received on August 29.

The interest rates on our floating/fixed rate pollution bonds through August 31 were:

Cooper – 6 Month fixed rate – 3.68%

Smith – 6 Month fixed rate – 3.68%

Spurlock – weekly floating rate ranged from 3.52% to 3.77%

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

## Finance

Finance Monthly Report  
Page 2  
August 2006

funds. As of August 31, 6 of the 71 loans remain outstanding with balances totaling \$66,536.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of August 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 four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of August 31 was \$3,508,143.

As of August 31, \$656,546 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 August, 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 August 31 were 4.71% and 4.87% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on August 31 for the CFC thirty-year long-term fixed rate loan was 7.40%. As of August 31, the interest rates on EKPC's Revolving Credit Facility ranged from 6.16% to 6.26%. 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 July 2006 for all departments and business units.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2006 projected margin.

## Finance

Finance Monthly Report

Page 3

August 2006

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.

Continued to provide information to management for their use in cost containment efforts.

Continued annual preparation of reports and files for 2007-2009 budget cycle. Assisted management with preparation and entry of their department budgets. These actions support EKPC's mission to provide competitive energy to member systems.

- Financial Planning

Began work on updating the Twenty-Year Financial Forecast with changes in fuel prices, operating, maintenance, and costs related to capital additions.

Provided economic analysis of the estimated cost to settle the New Source Review lawsuit through the Department of Justice Consent Decree.

Assisted Resource Planning on various analyses and provided information for use in the 2006 Integrated Resource Plan to be filed in October 2006. This action supports 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

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Excess Liability Program, Marine and Crime Insurance – Personnel continues work on renewal applications for excess liability including employment practices coverage, excess workers' compensation, D&O, fiduciary, professional liability for Envision, marine and crime placement/renewal.

## Finance

Finance Monthly Report

Page 4

August 2006

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – Two open claims for Owen Electric Cooperative.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents are being reviewed and upon appropriate approvals will be completed by September 29, 2006. 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 2005-2006 Business Insurance as of August 31, 2006					
Type	Carrier	Coverage Limit	Self-insured Retention	Annual Premium*	Coverage Period
Property	FM Global	\$2,869,666,209	\$50,000 Headquarters \$1,000,000 -All other	\$2,136,752	3/1/06-3/01/07
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866	10/15/05-10/15/06
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178	10/15/05-10/15/06
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$6,784	10/15/05-10/15/06
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$8,374	10/15/05-10/15/06
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	10/15/05-10/15/06
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010	11/14/05-11/14/06
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900	11/14/05-11/14/06
Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year</i>	FM Global	\$250,000,000	\$500,000	\$235,631	10/3/05-10/3/06
<b>ENVISION, LLC</b>					
Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,382	10/27/05-10/27/06

\*Premium includes state surcharge and all taxes unless otherwise noted.



**E.A. Gilbert Generation Project Costs thru 7/31/2006**

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 7/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,986,679	\$ 400,479
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	3,119,895	(1,225,105)
E101	Alloy Piping	Bendtec	-	1,951,529	1,951,529	1,951,529	-
E103	Radial Stacker/Reclaimer	Melso 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	149,038,624	2,312,639
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	15,608,345	5,957,499
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,288,178	1,183,078
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	331,131,756	9,172,428
	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)	-	-
		<b>Total Contracts</b>	<b>\$ 292,196,000</b>	<b>321,959,328</b>	<b>29,763,328</b>	<b>331,131,756</b>	<b>9,172,428</b>
Other Costs	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,278,222	1,558,222
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,014,220	514,220
	Spare Parts	EKPC	3,000,000	3,000,000	-	925,285	(2,074,715)
	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	38,159,380	2,164,380
		<b>Total Contracts + Other</b>	<b>\$ 327,111,000</b>	<b>357,954,328</b>	<b>30,843,328</b>	<b>369,291,136</b>	<b>11,336,808</b>
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		<b>Project Total</b>	<b>\$ 367,611,000</b>	<b>398,454,328</b>	<b>30,843,328</b>	<b>397,894,154</b>	<b>(560,175)</b>

**Spurlock #4 Generation Project Costs thru 7/31/2006**

Contract #	Contract Number Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr.Award/Amend Over/(Under) Design Costs	(thru 7/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 23,505,938	\$ (9,389,062)
F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,118,645	(88,479)
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	69,420	(624,780)
F17	CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	169,175	(154,331)
F21	BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36	DISTRIBUTED CONTROL SYSTEM		4,000,000	3,928,175	(71,825)		(3,928,175)
F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	1,743,143	(975,315)
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	2,144,606	(1,777,690)
F103	RADIAL STACKER/RECLAIMER		-		-		-
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	310,055	(2,790,497)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700		(1,354,700)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	1,101,112	(2,813,534)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	87,693,927	(106,806,073)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	812,700	(11,265,700)
F221	STACK / CHIMNEY	Pulman 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	1,782,413	(1,242,687)
F251	PILING	Richard Goettle	5,650,000	9,246,942	3,596,942	7,359,660	(1,887,282)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	3,516,537	(13,661,939)
F271	STRUCTURAL STEEL		-		-		-
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	2,837,536	(7,548,084)
F264	ASH SILO'S		-		-		-
F281	BALANCE OF PLANT	Cheme	72,000,000	99,574,708	27,574,708	4,073,530	(95,501,178)
F281	TURBINE CRANE		-		-		-
F281	AUXILIARY GEN & BUILDING (2000 KW) <sup>c</sup>		-		-		-
F332	PAINTING		2,500,000		(2,500,000)		-
	Subtotal		\$ 353,770,000	410,936,279	57,166,279	141,904,234	(269,032,045)
	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)	-	-
	<b>Total Contracts</b>		<b>\$ 386,882,500</b>	<b>410,936,279</b>	<b>24,053,779</b>	<b>141,904,234</b>	<b>(269,032,045)</b>
	Other Costs						
	Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	6,456,257	(9,743,743)
	Owners Cost	EKPC	20,000,000	20,000,000	-	5,499,212	(14,500,788)
	Spare Parts	EKPC	-	-	-	-	-
	Site Prep	EKPC	-	-	-	1,495,506	1,495,506
	Environmental Costs	EKPC	-	-	-	-	-
	Total Other		\$ 36,270,000	36,200,000	(70,000)	13,450,975	(22,749,025)
	<b>Total Contracts + Other</b>		<b>\$ 423,152,500</b>	<b>447,136,279</b>	<b>23,983,779</b>	<b>155,355,209</b>	<b>(291,781,069)</b>
	Interest During Construction	IDC	46,546,775	46,546,775	-	4,688,383	(41,858,392)
	Fuel Credit during Commissioning						(1,979,134)
	<b>Project Total</b>		<b>\$ 469,699,275</b>	<b>493,683,054</b>	<b>23,983,779</b>	<b>160,043,592</b>	<b>(335,618,596)</b>

# Finance

Finance Monthly Report  
 Page 8  
 August 2006

## Accounting and Materials Management Process – Ann Wood, Manager

### General Accounting

Accounts payable wrote 1,056 checks in August 2006 totaling approximately \$40,239,000.

### East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of July 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
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
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

## Finance

Finance Monthly Report  
Page 9  
August 2006

### Materials Management

Two new contracts are in place that will save EKPC dollars: National Office Supplies is now providing cleaning products for the Headquarters facility, and Brock McVey will supply pvc adapters, connectors, conduit, etc. Charlie Horton is serving on a Cost Containment Team for Power Delivery.

The Winchester Warehouse inventory increased in July by \$486,976, with an ending balance of \$12,597,394. Stock-related material handled during the month totaled \$1,682,208, and included material for seventeen (17) Power Delivery Expansion projects, and credits for eight (8) projects. 6,924 gallons of fuel was pumped at the fuel facility during July. 7,912 gallons of unleaded was purchased for \$2.84/gallon. No diesel was purchased.

### Payroll

Payroll prepared the labor budget for 2007, trained three departments on the Peoplesoft Time and Labor self-service module, and continued routine payroll duties.

### Plant Accounting

Plant accounting is in the process of Scheduling Physical Inventory for each location. The first will take place in September at Spurlock with the other locations scheduled for October and November.

EKPC submitted responses to the first data request from the PSC relating to the approval of the depreciation study.

### **Pricing Process – Bill Bosta, Manager**

#### EKPC/LG&E Transmission and Interconnection Agreement Dispute

The parties filed Reply Briefs on Exception on January 3, 2006, and the case is ripe for decision. While the FERC is required to rule on Judge Grossman's decision, the Commissioners are under no time deadline to rule on the case and the rates being billed by LG&E to EKPC remain subject to refund. Based on the Commission's rulings thus far, EKPC will experience a 15% increase (about \$300,000 annually) in costs compared to the 43% increase (about \$860,000

## Finance

Finance Monthly Report  
Page 10  
August 2006

annually) originally proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund advocated by EKPC and the FERC Trial Staff due to pancaked rates is in addition to the \$1.4 million noted above.

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 EK for the pancaked rates issue beginning December 1. To date, EKPC has received a credit of about \$307,000. EKPC and LG&E have completed the negotiation of a new Interconnection Agreement. The new Agreement is scheduled to become effective on September 1.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

### Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On August 18, EKPC submitted its fourteenth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 12.96% to be applied to service rendered in August 2006 and billed the first week of September. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 8.33% to 11.08%.

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 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.

### Inquiry About Environmental Surcharge by State Park System

Following an inquiry by Natural Bridge State Park to the Public Service Commission about the Environmental Surcharge, a meeting was held with the customer on Friday, August 25. The Superintendent of the Park explained that the State Parks served by EKPC Member Systems had not budgeted for the rate increases associated with the Environmental Surcharge and were attempting to

## Finance

Finance Monthly Report  
Page 11  
August 2006

learn more about the basis and forecast of the surcharge and whether state government entities were subject to the surcharge. Bill Bosta and David Duvall of Clark Energy met with the customer and explained the history of the Environmental Surcharge statute, to whom it applies, the timing and reasons for EKPC's application to the Public Service Commission for approval, and the forecast for the next year. The meeting was informational and very cordial and helped the customer better understand the nature of the surcharge. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

### Case 2005-00045 Consideration of 2005 Energy Policy Act

On August 30, legal briefs were filed in the case. Based on the record to date and the results of the hearing, it does not appear that the Commission will mandate implementation of time-of-day metering for all customers. A decision by the Commission is expected this fall. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

### **Internal Audit & Performance Measures – Graham Johns, Coordinator**

#### Internal Auditing for Member Systems

- *Inter-County Energy Cooperative*—Completed the fieldwork on the audit of transportation and vehicles and the report is being written.
- *Jackson Energy Cooperative*—Will start an internal audit of tool control and expense in September.

#### Cost Containment

The team assembled to look at the Executive (including Corporate Strategy & Technology Applications), Legal, Finance, Governmental Affairs, and Coordinated Planning business units has completed its work. The recommendations will be presented at the September 12 meeting of the Committee of the Whole.

# Finance

Finance Monthly Report  
 Page 12  
 August 2006

Training, Education & Development

- Facilitated a supervisory training session on Motivating Employees for Blue Grass Energy Cooperative at the new Harrison district office on August 4.
- Co-facilitated a *Zodiak* Business Finance and Strategy training session for the boards of directors at Owen Electric Cooperative and Shelby Energy Cooperative at General Butler State Park on August 23.

**Credit Union Process – Brian Tyler, Process Owner**

JULY 2006 Financial Report

Loans	13,888,631.74
Investments	3,218,284.76
Total Assets	17,898,326.70
Liabilities	2,060,694.33
Deposits	13,565,053.99
Equity	2,272,578.38
Interest on Loans	68,942.41
Investment Income	20,858.14
Total Income	90,927.09
Total Expenses	78,762.83
Retained Earnings	12,164.26
YTD Retained Earnings	47,562.20

New Board Member

Jim McCarty has been appointed to the Credit Union Board of Directors to fill the seat of Patty Epperson, who resigned her seat last month. Jim will serve until the next March, when a special election will be held to fill out the remainder of the term.

dge/dd  
 c: Directors & Alternate Directors  
 Executive Staff  
 Finance Staff

# Governmental Affairs

AUGUST 2006

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.
- 
- Participated in meetings to discuss issues and prepare for public meetings on the Smith-West Garrard transmission line. Educated legislators in the affected areas about plans for the line, including need and regulatory process.
  - Developed a letter to Governor Ernie Fletcher in support of Rep. Rocky Adkins' proposal to elevate the Kentucky Office of Energy Policy to Cabinet-level status, or to attach it to the Governor's Office. A copy of the letter is enclosed.
  - Developed a letter to key legislators as part of regular updates on the Cranston line. The U.S. Forest Service issued EKPC a special use permit in early August. EKPC has been updating legislators for the past year because of the critical need of the line, and the possibility of cascading blackouts in several legislators' areas. A copy of the letter is enclosed.
  - Attended a two-day KAEC educational seminar on affiliate services in Louisville stemming from the passage of House Bill 568 in the 2006 session. Speakers included representatives from the Public Service Commission, ConnectKentucky, CFC, and others.
  - Represented EKPC at the National Conference of State Legislatures meeting in Nashville. More than 50 Kentucky legislators, as well as key staff, were registered to attend. Kentucky's Touchstone Energy Cooperatives were co-sponsors of the Kentucky Night reception for attendees.
  - Attended interim legislative committee and subcommittee meetings, including the Interim Agriculture & Natural Resources Committee and the Administrative Regulations Review Committee.



## Governmental Affairs

- Participated in meetings and conference calls to help coordinate interim legislative committee meetings in Lexington and Central Kentucky on October 19 and 20. This is the second year that interim committees will be meeting in Central Kentucky. EKPC, Blue Grass Energy, Inter-County Energy, and Clark Energy are part of the “Building a Better Bluegrass” coalition to sponsor the meetings. EKPC’s environmental education team will make a presentation to the Special Subcommittee on Energy meeting on Oct. 20 at Spindletop Hall in Lexington.
- Represented EKPC at the Southern Legislative Conference in Louisville. Kentucky’s Touchstone Energy Cooperatives co-sponsored this year’s conference, which gathered more than a thousand legislators, staff and lobbyists from around the South.
- Met with key legislators regarding the Sierra Club’s appeal of the Spurlock #4 air permit, which has been approved by the Environmental & Public Protection Cabinet. Governmental Affairs has developed a handout with key facts and talking points about the appeal for legislative use.
- Met with legislators and key staff on transmission siting and emission credits – two topics that have been adopted by the legislature’s Program Review and Investigations Committee to study soon.
- Participated in cost containment team meetings.
- Attended the regular meeting with Mason County officials in Maysville to update them on EKPC issues.
- Participated in meetings regarding possible EPA settlement and related issues.
- Continued working to develop a Governmental Affairs web site for member use.
- Met with Allison Thompson, legislative assistant to Senator Mitch McConnell, during their field visit to Kentucky. She and Kevin Atkins, the Senator’s Lexington office, requested the meeting at EKPC. Updated her on the EPA case, RUS financing to meet EKPC’s expansion plans for generation and transmission, Warren-TVA, transmission oversight and constraints, and North-South flows.

August 17, 2006

Hon. Ernie Fletcher  
Governor, Commonwealth of Kentucky  
700 Capital Avenue  
Suite 100  
Frankfort, KY 40601

Dear Gov. Fletcher:

On behalf of East Kentucky Power Cooperative, let me first express our appreciation for your ongoing efforts to establish a comprehensive energy policy.

As you know, EKPC is doing its part to ensure that Kentucky families and businesses have plenty of affordable, homegrown energy.

We are the only Kentucky-owned utility with clean coal power plants in operation and under construction. Our four “landfill gas to energy” units are the first in the state, and we’re adding two more. We’re building or upgrading more miles of transmission than any other electric utility in the Commonwealth, which will ensure reliability and strengthen homeland security.

All told, it’s an investment totaling more than \$3 billion between now and 2011.

As you can see, EKPC has a critical interest in Kentucky’s energy future. That’s why we support Rep. Rocky Adkins’ call to promote the Kentucky Office of Energy Policy to Cabinet level status, or attaching it directly to your office. In fact, it’s a recommendation that we also made in 2004 testimony to the Commonwealth Energy Policy Task Force (attached).

An executive-level position would give the Commonwealth a point person for energy issues – someone to help utilities coordinate their research and planning, and hopefully make the regulatory process more efficient. Too often, as we have worked to build these needed plants and facilities, we have found state agencies competing or conflicting with one another, either in policy or process.

That’s not good business, and it’s not good for electric consumers who end up footing the bill for unnecessary delays and bureaucratic red tape.

It also would give you direct and immediate access to address the growing energy crisis — and, on a national scale, to highlight Kentucky’s strategy and leadership on an issue that impacts everything from the environment to economic development.

I would be happy to discuss this issue further with you, and to explore how EKPC and its 16 member cooperatives can continue to help develop the Commonwealth's energy policy.

Sincerely,

Roy M. Palk  
President & CEO

August 21, 2006

The Honorable

Dear:

We thought you should know about a significant new development in our ongoing attempt to build a critical transmission line in Rowan County through part of the Daniel Boone National Forest.

On August 9, after four years of environmental review, the U.S. Forest Service issued a special use permit allowing East Kentucky Power Cooperative to proceed with construction. A copy of our press release is attached.

This is great news. Delays in the project already have exposed thousands of residents and businesses in 10 northeastern Kentucky counties to the real possibility of cascading blackouts – like the ones that plague California and the East Coast.

And it's unnecessarily increased costs to our rural consumers – your constituents.

Transmission congestion often has forced us to back down the cheap coal-fired power generated at our Mason County plants, and replace it with costly energy produced by natural gas.

These threats will only worsen until we complete the 6.9-mile line, hopefully by spring.

Unfortunately, we expect some environmental obstructionists to challenge the permit in federal court. We think that's wrong. This important project has the approval of the U.S. Forest Service and the Kentucky Public Service Commission. It is needed now.

We will keep you informed about our progress. Again, you are receiving updates because you represent one or more of the 10 northeastern counties identified as being at-risk for potential blackouts.

Thank you again for your leadership and continued support. If you have any questions or suggestions, please contact us at (859) 744-4812.

Sincerely,

Barry Mayfield  
Governmental Affairs Director

Eric Gregory  
Governmental Affairs Program Manager

# Human Resources & Support Services

AUGUST 2006

**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 \$562,839 year-to-date through June.
- **Cost Containment** -- KREC Medical Plan met to discuss medical plan changes that would reduce costs for 2007. Another meeting is scheduled after the board meeting on September 12 to finalize proposals.
- Interviewed a new company for Workers Compensation Administration. This company's fees are less, they have a better return to work ratio, and they provide additional services our current carrier does not.

## 2. Ensuring the safety, well-being, and development of EKPC employees

**Significant Results:**

- The SimplyWell Wellness Pilot program results documented potential for big dollar savings for medical claims and improving employee health and well-being.
- Emergency Procedures are up to date at the front desk through regular test drills.
- OSHA Lost Time Accident Rate is 0.79 through July 31.

## Human Resources & Support Services

### 3. Providing appropriate corporate staffing requirements

#### Significant Results:

- **Positions Filled:**

- Senior Analyst (Julia Tucker)
- Computer & Instrument Technician @ Dale (Allen Bishop)
- Plant Safety Coordinator @ Dale (Jim Bradley)
- Landfill Generating Plant Operator @ Bavarian (Jimmy Carrington)

- **Positions Open:**

- Construction Project Manager @ Spurlock
- Warehouseman @ Spurlock
- Maintenance Material Specialist @ Spurlock
- Engineer – Operations
- Maintenance Mechanic – Entry @ Spurlock
- Senior Engineer
- Senior Engineer – EMS
- Environmentalist
- Construction Technician Crew Leader
- Senior Engineer
- Senior Analyst
- Electrician @ Spurlock
- Lab Technician @ Dale
- Maintenance Mechanic @ Cooper

### 4. Providing effective communications

#### Significant Results:

- Employees had access to health related programs regarding healthy eating, weight loss, and preventing identity theft.

### 5. Regulatory compliance

#### Significant Results:

- Completed the Vet 100 and EEO1 report filing.

# Human Resources & Support Services

## 6. Member Systems Support

### Significant Results:

- Shelby and Owen boards have increased their business financial strategy knowledge by participating together in Zodiac. This not only aids them in making better decisions, but also in supporting training for all employees.

### Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

#### *PeopleSoft HRMS Version 8.8*

- ◆ Payroll – Apply Tax Update 06D in the Human Resources Development environment.
- ◆ Human Resources – Migrated Bundle #10 to the Production environment. Create reports for requirements for OFCCP voluntary guidelines for self-evaluation of compensation practices. Education data to be entered into PeopleSoft system to track employee's education level as part of self-evaluation of compensation practices.
- ◆ Benefits – Completed the Benefit & Compensation Statements. Started analysis on requirements of new interface program for insurance provider. Changed wording on Billing Late Payment Notice.

#### *PeopleSoft Financials Version 7.5*

- ◆ Accounts Payable – Implement ACH payment option to allow for Electronic Funds Transfer to vendors from the PeopleSoft Accounts Payables system.

#### *PeopleSoft - PeopleTools*

- ◆ A new release of PeopleTools, version 8.43.18, was installed in the Test environment. This is needed for EKPC to stay current with fixes and updates in the HRMS 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.

#### Enhance Production Management Reporting System

- ◆ Migrating the Power Delivery Project Costing reports within PMRS over to the new Power Delivery Scoping System.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

#### Develop Power Delivery Scoping System

- ◆ The re-development of PDSS version 1.1 has been completed, and will be presented to Power Delivery the week of 8/28 for feedback.

## Human Resources & Support Services

- ◆ Development of the Reporting Website has begun, and above meeting will kick off the reporting requirements necessary to complete the system.

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.

### Develop PeopleSoft Modification Explorer

- ◆ Continuing to code system. This web-based application will replace the current windows application used to track modifications to the PeopleSoft product.

### Enhance Maximo CMMS System

- ◆ Started test customization that allows Requisition and Purchase Order to add lines in Maximo after the order has been closed.

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.

### Enhance MV90 System

- ◆ Code changes are being implemented due to of the impact of the MV90 upgrade on existing systems including the EKPC MVReports System and the MVPBS Power Billing System.

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 Finance Business Unit.

### Enhance Records Management Application

- ◆ Add additional features to program and additional reporting.

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 Human Resources Business Unit.

### Develop Substation Forecast System

- ◆ Created a console application to post mv90 data used in substation forecasting. The application runs on a scheduling server which enables automatic output of files used for importing. Will continue to refine the current forecasting process to generate a hands-off throughput of data.

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.

### Upgrade MV90 Metering System

- ◆ First full version upgraded in over 10 years
- ◆ Started work with consultant on startup of new server and data conversion



## Human Resources & Support Services

- ◆ Provided support for end user training
- ◆ Code changes are being implemented due to of the impact of the MV90 upgrade on existing systems including the EKPC MVReports System and the MVPBS Power Billing System.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate metering/billing data for the Production and Finance Business Units.

Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Created “Frog Sounds” cell phone ring tones that can be downloaded.

This supports key measures **Competitive Energy, Reliable Energy, and Member Services** 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 83 support calls during the previous period.
- ◆ Setup and supported classroom computers for HVAC certification training hosted by Billy Abner
- ◆ Setup two new servers to support Sharepoint application.
- ◆ Worked with TVA to resolve network issues on their State Estimator system in 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.

- ◆ All RTU circuit design and drawings were reviewed and modified to reflect actual construction both at HQ and JK Smith.
- ◆ Completed wiring the backup AVTEC console at JK Smith, and installed an expansion channel bank to prepare for backup circuits.
- ◆ Tested our plan to reroute circuits to our Backup Control Center after a disaster. Additional fiber optic multiplexer parts are needed to make this work. More testing is planned.
- ◆ Ordered fiber-optic multiplexers for North Clark and JK Smith 345 KV CT substation.
- ◆ Met with Pendleton Landfill Plant staff to plan telecom circuits.
- ◆ We tested 6 reels of optical ground wire for use on the JK Smith to North Clark line.
- ◆ We relocated a fiber optic cable near Spurlock Plant, and did not drop traffic during the North Ring break.
- ◆ We are preparing for a planned break of our South Ring on September 9, when a new fiber optic patch panel will be installed at KU's headquarters in Lexington.
- ◆ A dial-up metering circuit has been installed at the Somerset switchyard.

## Human Resources & Support Services

# MONTHLY REPORT

- ◆ Loose-tube fiber optic cable was ordered to provide interconnection of optical ground wire to termination panels inside the buildings of various Warren substations.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

Provide Telecommunications to Members.

- ◆ The Burnside crew has installed SCADA radios at Oven Fork and Chad.
- ◆ We are waiting for MDS to ship the Fleming-Mason Energy Goddard and Taylor Knob SCADA master radios, which are now overdue.
- ◆ The radio link for Flemingsburg Office's EMS terminal was installed; the EMS terminal still needs to be installed and tested back to Winchester.
- ◆ Remote radios for Fleming-Mason Energy's SCADA system have been installed at Flemingsburg and Murphysville.
- ◆ An engineer and technician met with Owen Electric personnel to discuss options for AMR radio backhaul and made a proposal for best method from Stanley Parker Switchyard.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System

- ◆ Internal approval was received to proceed with system design and consulting engineering contract. The contract with Lockard & White was signed and executed.

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 seven microwave sites.
- ◆ Repairs were made to the site road at Howe Valley.
- ◆ Contract and telecom personnel repaired the grounding systems at the Shelby County microwave site tower and at the New Castle microwave site. These grounding systems were damaged by vandalism.
- ◆ Telecom personnel installed private line codes in the Johnson Hollow base station to eliminate noise on Cumberland Valley's two-way radio system.
- ◆ Repairs were made to the Stanton and Folsom base stations.

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.

## Human Resources & Support Services

### 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 – 97.58%
  - EKPC Base Stations – 99.96%
- ◆ Application Availability – 100%
- ◆ Data Circuit Availability – 98.81%
- ◆ On-Time 555 Problem Resolution – 94%
- ◆ Customer Satisfaction Index
  - NCS Team – 100%
- ◆ PBX Availability – 100%

AUGUST 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. A mediation was unsuccessfully held on April 11, 2006. Additional depositions were scheduled for late June 2006 but canceled by plaintiff's attorney. A Motion for Summary Judgment will be argued to the Court on September 7, 2006.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. 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. CASE APPEARING FOR LAST TIME.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal 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.

On August 18, 2006, Federal District Court Judge Forrester entered an Order whereby he continued the trial set for October 2, 2006, pending resolution by the United States Supreme Court of related issues presented in the case of United States v. Duke Energy Corporation. Judge Forrester indicated that he would consider various and outstanding motions for summary judgment filed by both sides which he was willing to consider as issues separate and apart from those presented in the Duke case. The Court is expected to hear oral arguments on or about November 1, 2006, with a decision anticipated early next summer. A description of the litigation

is described below.

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. On June 18, 2004, EKPC filed its Answer denying all claims.

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. 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.

5. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. Judge Thomas Wingate of the Franklin Circuit Court dismissed Enviropower’s Complaint against the Public Service Commission and EKPC on August 2, holding that Enviropower lacked standing to appeal the Commission’s issuance of construction certificates for Spurlock Unit 4. Enviropower moved for an amendment to the Order, to make clear that it was a final decision in the case. We can expect Enviropower to appeal this decision to the Court of Appeals, where its appeal of the Franklin Circuit Court’s dismissal of its Complaint relating to the Commission’s denial of its petition to intervene in the Spurlock 4 case is currently pending.
6. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. All Briefs have been filed in this appeal, and the Franklin Circuit Court has supplemented the record on appeal to include EKPC’s Motion to Dismiss, which had previously been omitted. The Court has made no determination about oral arguments, which all parties except Enviropower have stated are unnecessary.
7. *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.
8. *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.

9. *United States of America v. EKPC* (Clean Air Act Enforcement) – U.S. District Court, Lexington – On June 6, 2006, the federal 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 Answers in mid-August 2006. Discovery is now ongoing, with an anticipated trial date of August 9, 2007.

Kentucky has joined in as a party.

#### 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, \$78,061.72 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 Proceeding)* – 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 are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO (“MISO”) tariff. EKPC objects and contends that the two agreements may 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.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's

findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected anytime.

2. 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.
3. PSC Case No. 2005-00053- (Smith Generation Certificates) – The Commission granted the construction certificates for Smith CFB Unit 1 and Smith CTs 1-5 on August 29. EKPC can now proceed with necessary contracts for equipment and construction, although actual construction at the site cannot begin until an air permit is secured.
4. 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 June 20, 2006, FERC denied TVA’s request to rehear the case, and for clarification of earlier orders, and reaffirmed its decision requiring the interconnection agreement. Both EKPC and TVA are working through details necessary to implement the interconnection.
5. 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.
6. PSC Case No. 2006-00017 – Integrated Resource Plan – The PSC granted EKPC’s motion for a six-month extension of its 2006 IRP filing deadline, by an order dated February 17. EKPC’s IRP will now be due on October 21, 2006.
7. PSC Case No. 2006-00132 – Spurlock Unit 1 Scrubber – The Public Service Commission granted a certificate of public convenience and necessity for the Spurlock Unit 1 Scrubber on August 11.
8. PSC Case No. 2006-00236 - EKPC Depreciation Study – EKPC has received a first data request from the Commission staff in this case. Responses are due August 16.
9. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – The brief of EKPC and the member systems in this case was filed with the Public Service Commission on August 29. A decision by the Commission is expected before the end of the year.

10. 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.
  
11. 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. A preliminary hearing was held on Friday, July 21, 2006, in Frankfort at the office of Administrative Hearings for the Environmental and Public Protection Cabinet.

This matter is in discovery, with a hearing date set for early December 2006. The hearing is expected to last approximately three weeks

Dale W. Henley  
General Counsel

c: Dave Eames (for distribution)  
(H:legal\MR-aug-06)



## Member Services

AUGUST 2006

### Economic Development Process

- Met with Mt. Sterling Economic Development staff on August 1<sup>st</sup>.
- Assisted two local county economic development offices responding to Kentucky Economic Cabinet inquiries for possible site selection.
- Met with Blue Grass Energy staff on developing marketing material for local economic development groups in their service area.
- Attended the Carroll County Community Development Corporation Board Meeting on August 4<sup>th</sup>.
- Presented a program to Owen Electric Cooperative's scholarship students on August 7<sup>th</sup>. Attended Pendleton County fundraising event for their Student Education Fund.
- Attended the MMRC and Morehead/Rowan County Economic Development Authority Board Meeting on August 9<sup>th</sup>.
- Met with Gateway Area Development Director and MMRC Executive Director on developing marketing materials on August 9<sup>th</sup> and 30<sup>th</sup>.
- Attended the Bluegrass Alliance meeting in Lexington on August 14<sup>th</sup>.
- Met with Mason County Economic Development Executive Director on August 17<sup>th</sup>.
- Participated in Fleming-Mason's charity fundraising event on August 18<sup>th</sup> and Blue Grass Energy's key account event on August 24<sup>th</sup>.
- Attended the Kentucky Institute for Economic Development the week of August 20 – 25 in Lexington. Moderated for one day at this Institute.
- Met with Inter-County Energy staff on August 28<sup>th</sup> for local economic development site and building development.
- Participated on a Cost Containment Team exploring the Legal, Government Affairs, Finance, Planning, and Strategic Planning functions.
- Participated in a regional economic/fiscal capacity study for a 17 county region of central Kentucky.

## Member Services

- Spoke to Winchester and Georgetown Rotary Clubs.
- Met with a group of engineering and community outreach professors from Northern Kentucky University regarding placement of engineering students in northern Kentucky businesses.
- Participated in a meeting with Grayson RECC and local tourism leaders on providing marketing support for a Quilt Project in Carter and Elliot counties.

### Non-Traditional Power Production Process

- Performed O & M duties at the Bavarian plant throughout the month. Replaced 2 pistons, two cylinder liners, 2 heads and 2 turbo's on unit # 4. Replaced 1 head on Unit # 2. Inspected 2 turbo's on Unit #2. All damages are resulting from head failures and expected to be covered by warranty from Caterpillar. Replaced belts on the Gas Compressor.
- Hardin County LFGTE plant had a normal month except for an electrical problem in Unit # 3 that's burning out PT's. This is a warranty item and Caterpillar is working to find the root cause.
- Green Valley LFGTE plant had non-conforming gas for much of the month resulting in it being de-rated. The landfill found an underground leak in their header piping and repaired it on August 29<sup>th</sup>.
- Laurel Ridge LFGTE plant is experiencing a shortage in gas delivery to run the 5<sup>th</sup> engine. EKPC is working with Waste Management to find a solution.
- Pendleton County LFGTE project remains on schedule for a mid-January 2007 startup. Concrete floors were poured during the month and the masonry walls are complete.

### Marketing & Natural Resources Process

- Attended the Fayette County Green Energy Workshop.
- Worked the Touchstone Energy Home booth at the Kentucky State Fair from August 17-27.
- Visited the following cooperatives to discuss PartnersPlus and cost containment: Big Sandy, South Kentucky, and Grayson.
- Attended a Key Accounts event hosted by Blue Grass.

## Member Services

# MONTHLY REPORT

- Met with Owen Electric and a Bavarian Landfill Representative to discuss the EnviroWatts program.
- Conducted tours of our rare plant sites in Cumberland Valley's distribution lines for the Fayette County Garden Club.

Listed below are the Environmental activities for this month:

- Presented the Touchstone Energy Environmental Education Program for the Owen Electric Scholarship winners.
- Construction Projects Involving Environmental Activities for August: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Inez Sub and Tap, Alex Creek Substation and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Webb's Cross Roads, Fayette-Davis Junction-Nicholasville, Big Creek Sub and Tap, Laurel – Keavy.
- Met with Cultural Resource Analysts concerning the archaeological and cultural surveys on the GM – Memphis Junction and Memphis-Junction – Aberdeen projects.
- Met with the Kentucky Heritage Council regarding cultural resource activities associated with the Alex Creek, Laurel–Keavy, and Bullitt Co.-Tichenor projects.
- Met with Daniel Boone National Forest Service officials regarding the Cranston - Rowan Transmission line project. EKPC received the Special Use Permit for this project. Clearing for the project can begin October 15<sup>th</sup>.
- EKPC expects a decision notice on the Big Creek project from the Daniel Boone National Forest in August.
- Met with landowners on the Smith – Sideview Transmission Line Project. The landowners were concerned about environmental impacts of the project. Also conducted a site visit of the substation construction and made recommendations to the site manager regarding sedimentation control measures to ensure compliance with our stormwater permit.
- Attended two Smith – West Garrard open houses. Comments from the public will be gathered to aid in alternative analysis. Field work associated with the proposed line is ongoing and should be completed in mid-September.

## Member Services

- EKPC received numerous comments regarding the GM – Memphis Junction project. Intervenor disagree with the assessments made in the document regarding effects. EKPC addressed the comments and provided them to RUS.
- Mist-netting activities for the summer ended August 15<sup>th</sup>. Several federally endangered gray bats were caught on projects this summer. No federally endangered Indiana bats were captured on any projects. EKPC is working with US Fish and Wildlife Service officials on endangered species issues.
- Southpoint Substation project was approved.

### Member and Corporate Communications Process

- Completed cost containment progress report, a monthly chart to update all on EKPC's efforts to reduce costs by \$20-\$30 million by year end 2007.
- Completed press release and distributed materials promoting the 2006 Touchstone Energy Motorcycle Poker Run.
- Assisted with coordination and mailing of hundreds of packets of information to citizens and placed advertisements for open houses on the Smith to West Garrard transmission project.
- Attended one citizens meeting on the Smith to West Garrard project and fielded media questions about the project.
- Assisted with invitations and hosting of open house for the Trapp Community Advisory Group about the proposed Smith to West Garrard transmission project.
- Took the editor of the Winchester Sun on a tour of Smith Station.
- Completed a Close the Gap newsletter about teams meeting to contain costs in Power Delivery.
- Scheduled a tour of Spurlock Station for the Lexington Herald-Leader.
- Continued work on developing drive-through Marketing/Communications marquees for member cooperative drive-through windows. Will go to production in the next few weeks.
- Assisted Owen Electric with revamping of web site home page and addition of pages on Environmental Education, Economic Development, Safety Station and more.

## Member Services

- Distributed the next estimate from Pricing on the upcoming Environmental Surcharge factor.
- Distributed the July Fuel Adjustment Clause report, adding the average cost per MWh.
- Photographed employees and material for advertising at Blue Grass Energy and Inter-County Energy.
- Answered media calls about the EPA lawsuits and other topics.
- Photographed and made identification badges for all employees of Taylor County RECC.
- Met with Licking Valley RECC and Fleming-Mason Energy to discuss communications needs.

### Touchstone Energy Brand Management

- Met with Shelby Energy & World Expositions to develop plan to raise awareness and usage of Co-op Connections card in Shelby's Territory.
- Visited Nolin RECC.
- Met with Blue Grass Energy & Cornett Group personnel regarding Blue Grass advertising.
- Worked State Fair booth.
- Worked with co-ops to determine what marketing programs they wished to promote on UK network and during fall advertising flight.
- Produced and distributed new radio commercials for use on UK Network.
- Worked with Cornett Group to reconfigure fall ad flight based on revised budget.

## Power Delivery Unit

AUGUST 2006

### 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.

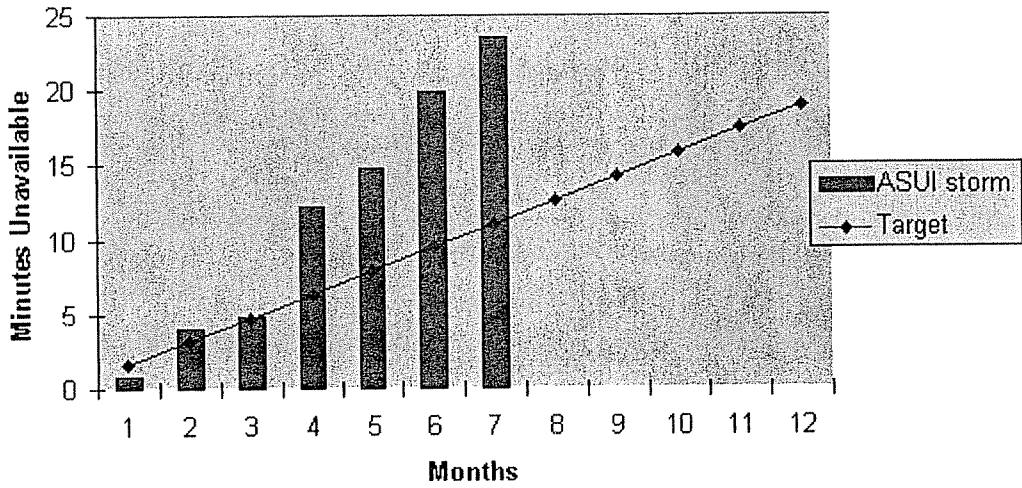
Outage Reports for July 2006 – EKPC Power Supply outages have accounted for .45 consumer hours out year-to-date. Of these, none were scheduled and .44 were emergency outages with .01 of these due to major storms. For the month of July, we experienced 13 emergency outages affecting 27 substations and eight member systems. Two scheduled outages occurred and nine line requests were also completed. Emergency outage reports for the complete system are attached.

Average Service Unavailability Index (ASUI) – Through July 2006, our reliability measure, ASUI is 23.5 minutes with no major storms occurring.

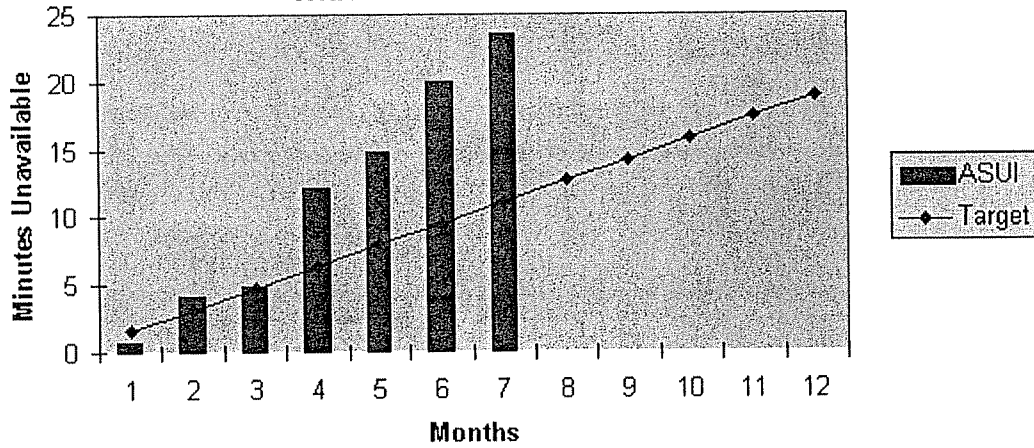
**Average System Unavailability**  
**Index Report**  
**(ASUI)**

<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	23.5166	23.5166	14.58	11.08	7.58
8	2006	0.0000	0.0000	16.67	12.67	8.67
9	2006	0.0000	0.0000	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	25.00	19.00	13.00

Average Service Unavailability Index  
with storms excluded



Average Service Unavailability Index  
with storms included





**EAST KENTUCKY POWER COOPERATIVE  
EMERGENCY OUTAGES - THIS MONTH  
July 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	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%	4-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
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%	1-50%	0-0%	1-50%	0-0%	2-100%
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	1-50%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-50%	0-0%	2-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	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	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%	5-45%	0-0%	6-55%	0-0%	0-0%	0-0%	11-100%
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	2-8%	0-0%	0-0%	4-16%	0-0%	8-32%	0-0%	7-28%	0-0%	4-16%	0-0%	25-100%

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  
July 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	2-29%	0-0%	0-0%	4-57%	0-0%	0-0%	0-0%	0-0%	0-0%	1-14%	0-0%	7-100%
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%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
FARMERS	0-0%	0-0%	0-0%	7-58%	0-0%	0-0%	2-17%	1-8%	0-0%	2-17%	0-0%	12-100%
FLEMING-MASON	0-0%	3-60%	2-40%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
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	3-43%	0-0%	1-14%	1-14%	0-0%	0-0%	0-0%	0-0%	0-0%	2-29%	0-0%	7-100%
JACKSON	0-0%	0-0%	0-0%	4-44%	0-0%	4-44%	0-0%	0-0%	0-0%	1-11%	0-0%	9-100%
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%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%	0-0%	3-100%
SALT RIVER	3-18%	0-0%	0-0%	2-12%	0-0%	5-29%	0-0%	6-35%	0-0%	1-6%	0-0%	17-100%
SHELBY	0-0%	0-0%	0-0%	5-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
SOUTH KENTUCKY	1-11%	0-0%	1-11%	7-78%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	9-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	7-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	7-100%
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	9-10%	3-3%	5-5%	46-49%	0-0%	9-10%	2-2%	7-7%	3-3%	10-11%	0-0%	94-100%

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  
JULY 2006 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours Out			Company	Description	
07/04/06 16:03 Emergency	0 h 31 m 324	166	625	N66 Treehaven Clark		<b>Storm / Weather Related : Lightning</b> Thunderstorms with heavy lightning damaged two structures, which cross I-64 at mile marker 87 in the line section between KU Haley - EKPC Office, on the KU Winchester - KU Loudon 69 KV transmission line.	
07/04/06 16:03 Emergency	0 h 31 m 660	337	1,040	N37 Van Meter Clark		<b>Storm / Weather Related : Lightning</b> Thunderstorms with heavy lightning damaged two structures, which cross I-64 at mile marker 87 in the line section between KU Haley - EKPC Office, on the KU Winchester - KU Loudon 69 KV transmission line.	
07/04/06 16:03 Emergency	0 h 31 m 1	1	351	N85 EK Office EKPC		<b>Storm / Weather Related : Lightning</b> Thunderstorms with heavy lightning damaged two structures, which cross I-64 at mile marker 87 in the line section between KU Haley - EKPC Office, on the KU Winchester - KU Loudon 69 KV transmission line.	
07/05/06 4:47 Emergency	0 h 36 m 2,786	1,672	2,925	S17 Shelby City Inter-County		<b>Transmission Line Equip. Failure : Insulator</b> KU Boyle County 101-604 to KU Lancaster 137-604 69KV transmission line relayed out of service. Insulators failed on the line section between KU Lancaster-KU Stanford on the KU Lancaster-KU Boyle County 69KV	
07/06/06 9:43 Emergency	0 h 34 m 712	403	1,204	W2 Loretto 0 Inter-County		<b>Wildlife : Wildlife</b> A squirrel made contact with the secondary bus of the substation above OCR #1043. Three primary fuses operated.	
07/11/06 9:00 Scheduled	1 h 14 m 1,341	656	739	E82 Salt Lick Big Sandy		<b>Distribution Sub. Equip. Failure : Other</b> Outage to change out 3 switches, 3 lightning arresters, jumpers and grounding wires following a fire that occurred due to equipment failure during bypass procedures for OCR maint.	
07/11/06 19:45 Emergency	0 h 47 m 1,620	1,269	4,267	E92 Annville Jackson		<b>Accident by Outsiders : Property Owner</b> A property owner cut an off right of way tree which fell onto the Eberle tap between STR. #FY-10 & FY-11 on the Tyner-Maplesville transmission line.	

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
JULY 2006 for Entire System**

<b>Date/Time</b>	<b>Time Off</b>	<b>Consumer Hours Out</b>	<b>KWH Unserved</b>	<b>Substation</b>	<b>Type / Cause</b>
<b>Emer/Sched</b>	<b>Consumers Out</b>	<b>Consumer Hours Out</b>		<b>Company</b>	<b>Description</b>
07/11/06 19:45 Emergency	2 h 55 m 1,313	3,830	6,878	E49 Eberle Jackson	<b>Accident by Outsiders : Property Owner</b> A property owner cut an off right of way tree which fell onto Eberle tap between STR. #FY-10 & FY-11 on the Tyner-Maplesville transmission line.
07/11/06 19:45 Emergency	1 h 5 m 1,523	1,650	3,975	E77 Maplesville Jackson	<b>Accident by Outsiders : Property Owner</b> A property owner cut an off right of way tree which fell onto Eberle tap between STR. #FY-10 & FY-11 on Tyner-Maplesville transmission line.
07/12/06 7:30	3 h 0 m	0	0	N56 Inland Container #2	<b>System Improvements : Maintenance</b> EKPC field personnel replaced lightning arrestors and station service transformer during a customer scheduled plant outage
Scheduled	1			Fleming-Mason	
07/14/06 5:12 Emergency	0 h 53 m 2,165	1,912	6,437	W8 Beulah Beam 5 Salt River	<b>Mis-operation of Protection Scheme : Other</b> LGE Blue Lick BL-6676 relayed out of service after a truck damaged an LG&E distribution structure. LG&E Shepherdsville distribution substation protective scheme (breaker) failed to isolate fault, causing transmission breaker BL-6676 to lockout. Initial reports indicate structure damaged was in Shepherdsville area.
07/14/06 5:12 Emergency	0 h 53 m 1,819	1,607	4,283	W6 Brooks 4 Salt River	<b>Mis-operation of Protection Scheme : Other</b> LGE Blue Lick BL-6676 relayed out of service after a truck damaged an LG&E distribution structure. The LG&E Shepherdsville distribution substation protective scheme (breaker) failed to isolate fault, causing transmission breaker BL-6676 to lockout. Initial reports indicate structure damaged was in Shepherdsville area.
07/14/06 5:12 Emergency	0 h 53 m 1,662	1,468	2,902	W6 Mt. Washington #1 7 Salt River	<b>Mis-operation of Protection Scheme : Other</b> LGE Blue Lick BL-6676 relayed out of service after a truck damaged an LG&E distribution structure. LG&E Shepherdsville distribution substation protective scheme (breaker) failed to isolate fault causing transmission breaker BL-6676 to lockout. Initial reports indicate structure damaged was in Shepherdsville

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
JULY 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation	Type / Cause
<b>Emer/Sched</b>	<b>Consumers Out</b>	<b>Hours Out</b>	<b>Unserved</b>	<b>Company</b>	<b>Description</b>
07/14/06 5:12 Emergency	0 h 53 m 1,983	1,752	2,970	W6 Mt. Washington #2 7 Salt River	<b>Mis-operation of Protection Scheme : Other</b> LGE Blue Lick BL-6676 relayed out of service after a truck damaged an LG&E distribution structure. LG&E Shepherdsville distribution substation protective scheme (breaker) failed to isolate fault, causing transmission breaker BL-6676 to lockout. Initial reports indicate structure damaged was in the Shepherdsville area.
07/14/06 5:12	0 h 53 m	1,973	3,626	W7 West Mt. 4 Washington 4	<b>Mis-operation of Protection Scheme : Other</b> LGE Blue Lick BL-6676 relayed out of service after a truck damaged an LG&E distribution structure. LG&E Shepherdsville distribution substation protective scheme (breaker) failed to isolate fault, causing transmission breaker BL-6676 to lockout. Initial reports indicate structure damaged was in Shepherdsville area.
Emergency	2,234			Salt River	
07/14/06 16:22 Emergency	1 h 15 m 507	634	2,330	W9 Little Mount 3 Salt River	<b>Mis-operation of Protection Scheme : Mis-coordination</b> The Little Mount W106-1108 circuit switcher opened for what appears to be a temporary distribution fault during a thunder storm passing through the area. Checked distribution SCADA and saw circuit switcher open and OCR 124 closed but with no flow.
07/18/06 17:52 Emergency	0 h 32 m 324	173	1,274	N66 Treehaven Clark	<b>Storm / Weather Related : Wind</b> High winds during a thunder storm damaged an off right of way tree which fell onto line section between KU Haley-EK Office on the KU Loudon- KU Winchester transmission line.
07/18/06 17:52 Emergency	0 h 32 m 660	352	1,177	N37 Van Meter Clark	<b>Storm / Weather Related : Wind</b> High winds during a thunder storm damaged an off right of way tree which fell onto line section between KU Haley-EK Office on KU Loudon- KU Winchester transmission line.
07/18/06 17:52 Emergency	0 h 32 m 0	0	0	N85 EK Office EKPC	<b>Storm / Weather Related : Wind</b> High winds during a thunder storm damaged an off right of way tree which fell onto line section between KU Haley-EK Office on the KU Loudon- KU Winchester transmission line.

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
JULY 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
07/19/06 7:01 Emergency	0 h 52 m 337	292	6,875	N48 W.M. Smith #2 Owen	<b>Wildlife : Wildlife</b> A squirrel made contact with secondary bus of substation. Two primary fuses operated.
07/19/06 21:19 Emergency	1 h 8 m 2,570	2,913	1,950	W1 Knob Lick 2 Farmers	<b>Mis-operation of Protection Scheme : Mis-coordination</b> The substation primary fuse operated before OCR #483 was able to trip and isolate distribution fault. A fast time curve fuse was inadvertently installed at substation. One primary fuse operated.
07/20/06 4:50 Emergency	1 h 38 m 2,570	4,198	4,337	W1 Knob Lick 2 Farmers	<b>Wildlife : Wildlife</b> A snake made contact with the secondary bus. One primary fuse operated.
07/24/06 8:23 Emergency	0 h 50 m 1,850	1,542	6,292	N69 Hebron Owen	<b>Wildlife : Wildlife</b> A squirrel made contact with jumpers in secondary bus above OCR# 1231, resulting in an outage at Hebron Substation.
07/28/06 15:28 Emergency	0 h 36 m 2,165	1,299	6,175	W8 Beulah Beam 5 Salt River	<b>Accident by Outsiders : Property Owner</b> A property owner cut a tree which fell onto LG&E BL-6676 transmission line causing line to relay out of service.
07/28/06 15:28 Emergency	0 h 36 m 1,819	1,091	4,713	W6 Brooks 4 Salt River	<b>Accident by Outsiders : Property Owner</b> A property owner cut a tree which fell onto LG&E BL-6676 transmission line causing line to relay out of service.
07/28/06 15:28 Emergency	0 h 36 m 1,662	997	2,980	W6 Mt. Washington #1 7 Salt River	<b>Accident by Outsiders : Property Owner</b> A property owner cut a tree which fell onto LG&E BL-6676 transmission line causing line to relay out of service.
07/28/06 15:28 Emergency	0 h 36 m 1,983	1,190	3,208	W6 Mt. Washington #2 7 Salt River	<b>Accident by Outsiders : Property Owner</b> A property owner cut a tree which fell onto LG&E BL-6676 transmission line causing line to relay out of service.

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
JULY 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause Description
07/28/06 15:28	0 h 36 m	1,340	3,700	W7 West Mt. Washington 4	Accident by Outsiders : Property Owner A property owner cut a tree which fell onto LG&E BL-6676 transmission line causing line to relay out of service.
Emergency	2,234			Salt River	
07/31/06 7:49	0 h 1 m	25	206	W9 South Elkhorn 2	Transmission Line Equip. Failure : Switch KU breaker 66-624 at Higby Mill relayed open while KU personnel was in process of opening line switch (402-605) at KU Alexander. Switch arced to ground when opened by field personnel. KU breaker 66-624 is an underrated breaker that had recloser turned to one shot position and had to be reclosed by supervisory control.
Emergency	1,514			Blue Grass	

<b>TOTAL</b>	40,339	34,741	87,439	<b>Average Hours Outage Per</b>	0.07
<b>YEAR TO DATE</b>	182,862	220,498	656,261	<b>YTD Avg Hrs Outage Per</b>	0.44
<b>TOTAL CONSUMERS SERVED = 499,309</b>					

**EAST KENTUCKY POWER COOPERATIVE  
POWER SUPPLIER OUTAGE REPORT**

**July 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	0.05	0.05	0.03	0.05	0.08
BLUE GRASS	0.00	0.00	0.00	0.04	0.00	0.04
CLARK	0.04	0.00	0.04	0.05	0.00	0.05
CUMBERLAND VALLEY	0.00	0.00	0.00	1.76	0.00	1.76
FARMERS	0.31	0.00	0.31	0.84	0.00	0.84
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	0.08	0.00	0.08	0.48	0.00	0.48
JACKSON	0.13	0.00	0.13	0.46	0.00	0.46
LICKING VALLEY	0.00	0.00	0.00	0.01	0.12	0.13
NOLIN	0.00	0.00	0.00	0.14	0.00	0.14
OWEN	0.03	0.00	0.03	0.04	0.00	0.04
SALT RIVER	0.33	0.00	0.33	0.47	0.00	0.47
SHELBY	0.00	0.00	0.00	5.69	0.00	5.69
SOUTH KENTUCKY	0.00	0.00	0.00	0.15	0.00	0.15
TAYLOR COUNTY	0.00	0.00	0.00	0.33	0.00	0.33
EKPC	0.17	0.00	0.17	0.17	0.00	0.17
SYSTEM AVERAGE	0.07	0.00	0.07	0.44	0.01	0.45

EKPC POWER SUPPLIER OUTAGES have accounted for .45 consumer hours out year to date. Of these, .01 were scheduled, none were due to major storms and .44 were other emergency outages.



## **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.

<b>Mission</b>	<b>Key Measures</b>	<b><sup>1</sup>Year-To-Date Results</b>	<b><sup>1</sup>Year-To-Date Goal</b>	<b>Yearly Goal</b>
<b>Safety</b>				
Accidents	Lost Time Accident Rate	0.00	1.96	3.3
Inspections	Avg. Inspection Rating	100%	98%	98%
<b>Electric Service</b>				
Duration	ASUI (without major storms)	23.52	11.08	19 min.
<b>Cost Effective</b>				
Cost	Operating Cost	\$3,697,902	\$4,997,194	\$8,619,073
	Capital Project Cost	\$496,194	\$2,386,283	\$3,498,836
<b>Member’s Expectations</b>				
Member System Satisfaction	Member System Survey	N/A	88%	88%

### **Notes:**

1. Year to date results and goals through July 31, 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:August2006rpt.doc)



## Power Delivery Expansion AUGUST PROJECT SUMMARY 2006

<b>Projects</b>	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)
<b>SUBS &amp; TAPS</b>												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●	❖	❖	●	❖				12/31/07		
Alex Creek 5.6/6.44 MVA Substation	S	●		□	❖					12/01/07		
<i>Alex Creek Tap 69 kV, 1.4 mi.</i>	L	●		❖						12/01/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●			N/A	□	N/A			12/31/07		
Barren County - Magna 24 mi.	L	●	❖	○	□	□				12/31/07		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville #2, 69-12.5 kV, 11.2/14 MVA	S	●		○						05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖			❖				12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖	❖	○	❖				12/01/06		
<i>Tap, 10 mi.</i>	L	●	□	○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	□	●	●	●	●	□		11/30/06		
<i>Tap 0.04 mi.</i>	L	●	●	●	●	●	●	❖		11/30/06		
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●		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		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		○	□	●				12/31/06		
Burlington 11.2/14 MVA 69-12.5 Distr.Sub	S	●		○						05/01/07		
<i>Tap .19 mile</i>	L	●		❖						05/01/07		
Campbellsville #2 69-12.5 kV, 11.2/14 MVA	S	●	N/A	N/A	N/A					05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	●	●		12/15/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖	□	○				03/07/07		
Conway Tap 0.2 mi.	L	●		❖	□	□				03/07/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	□	□	●	●				05/01/07		
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		
<i>Tap, 0.2 mi</i>	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	●	○				12/31/07		
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●	○	□	□	●				06/01/06	On Hold	
<i>Tap 4.0 mile</i>	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		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●		❖						05/01/07		
<i>Tap, 0.5 mi</i>	L	●		❖						05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	□				12/01/06		
<i>Tap</i>	L	●	○	○	□	●	❖			12/01/06		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion**  
**AUGUST PROJECT SUMMARY**  
**2006**

<b>Projects</b>		PDE Team in Charge of Project	Project Justification\WP Amendment	Permits\Environmental\Soil Testing	Siting\IR\W Acquisition	Survey	Design\Drafting	Initial RW Clearing	Construction	Inspection\Checkout	Target Energization Date	Ready for Energization (Actual)	Energization (Actual)
<b>SUBS &amp; TAPS CONT'D</b>													
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	□	N/A				12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●		❖	□	○					12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖							05/01/07		
<i>Tap, 3.5 mi</i>	L	●		❖							05/01/07		
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		
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	●		❖	❖						12/01/06		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	●	□	○	●	❖	❖			06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●									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	
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	❖	❖	○	○					06/01/06		
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	
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	●	□					12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	○	□	●	●					12/31/07		
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		
<i>Pine Grove # 2 Tap 69 kV, 0.1 mi.</i>	L	●									11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	●	●	●	06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	●	●	●	●	□	○			06/01/06		

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- S Substation Team
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**Power Delivery Expansion  
AUGUST PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
	S	L											
<b>SUBS &amp; TAPS CONT'D</b>													
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□			01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●		N/A	●	◆					12/31/07		
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	●	□	□	◆	◆					06/01/06		
Tap	L	●	□	□	○						06/01/06		
Spurlock #4	S	●	□	N/A	N/A	□	N/A				02/15/08		
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	●		●	□	□					05/20/06		
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	●	◆	●	●	○					11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		◆	◆						11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●	◆	○	○	□					12/31/07		
Woodstock 11.2/14 MVA Substation	S	●									12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●		◆							12/01/07		
<b>STATION UPGRADES</b>													
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	●									05/01/06		
<b>CAPACITOR BANKS</b>													
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		
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A				05/01/06		

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- L Line Team



**Power Delivery Expansion  
AUGUST PROJECT SUMMARY  
2006**

<b>Projects</b>	<b>PDE Team in Charge of Project</b>	<b>Project Justification\WP Amendment</b>	<b>Permits\Environmental\Soil Testing</b>	<b>Siting\R/W Acquisition</b>	<b>Survey</b>	<b>Design\Drafting</b>	<b>Initial R/W Clearing</b>	<b>Construction</b>	<b>Inspection\Checkout</b>	<b>Target Energization Date</b>	<b>Ready for Energization (Actual)</b>	<b>Energization (Actual)</b>
<b>CAPACITOR BANKS CONT'D</b>												
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	●				12/01/06		
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 Increase to 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	❖				12/01/06		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	○	05/01/06		06/08/06
<b>RECONDUCTORS</b>												
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	●								05/02/07		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/07		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A	❖	❖	09/01/06		
Headquartaers - Millersburg Reconductor .09	L	●	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	●								12/01/07		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReblD.954MCM 69kV,16.71mi	L	●								05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/07		
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	●								12/01/06		

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- S Substation Team
- L Line Team

# Power Production

AUGUST 2006

## 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

Work is continuing to complete the Smith Air Quality Permit Application. Some additional air model runs were required to satisfy the requirements of EPA and the National Parks Service.

The Sierra Club has filed a challenge to the Spurlock Power Station Unit No. 4 air permit. Hunton and Williams is collecting data to support the permit issuance from EKPC's files.

The Power Delivery Business Unit has purchased a piece of property at Webb's Crossing. The site contains paint residue, which makes the site a hazardous waste site. Steps are being taken to properly clean the site to acceptable standards.

RUS is in the process of issuing a new bulletin for Environmental Reports. This revised bulletin will change the classification of certain projects. Additionally, RUS is looking at changing their procedures for hiring consultants to prepare Environmental Reports. The current procedure is very time consuming.

The Division for Waste Management has requested some additional information on some underground storage tanks at Spurlock Power Station. The requested revised forms are being submitted to the agency.

The Environmental Report for the combustion turbines is complete and has been submitted to RUS.

The revised Siting Study and alternatives evaluations were hand delivered to RUS. There has been a problem in transmittal of reports to the Environmental Branch.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

# Power Production

## Production Monthly Report

Page 2

August 2006

### Fuel

EKPC's coal inventory at the end of August 2006 will be approximately 38 days. The inventory is projected to continue decreasing through September before increasing slightly in preparation for the winter months.

A recommendation for a coal supply contract amendment with Gatliff Coal Company for Cooper Power Station will be presented at the September 2006 Board and Committee Meetings. The amendment has been negotiated in regards to a market price re-opener contained in the contract.

Work continues on coal supplies for NOx testing at Spurlock Power Station and future coal and limestone sources for the new scrubbers.

Fuel personnel continue to work with various departments in providing fuel price projections for use in the budget and the Integrated Resource Plan.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station and approximately 15,000 gallons for Cooper Power Station.

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 614,411 net MWh through July 31, 2006. Units No. 1, No. 3, and No. 4 were on-line and fully available for the entire month. Unit No. 2 was removed from service on August 11<sup>th</sup> due to a forced outage to repair a tube leak in the generating bank sections. Repairs were also made to the ID fan motor thrust bearing during this time. The unit was back on-line on August 17<sup>th</sup> and fully available for the remainder of the month.

Allen Company is on-site cleaning the No. 2 ash pond. ABM Technical was on-site performing monthly vibration analysis on critical equipment. Lebanon Power repaired the ID fan motor bearing on Unit No. 2. R&P Chimney was on-site installing stack flow monitoring equipment on Units No. 1 and No. 2.

# Power Production

## Production Monthly Report

Page 3

August 2006

### Dale Power Station (Continues)

Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

Safety meetings were held at Dale Power Station, concluding on Bloodborne Pathogens. Jim Bradley was named the Safety Coordinator for 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 50,762 net MWh through July 31<sup>st</sup>.

All units were available the entire month of August.

Preparation and planning is 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

July 2006

### Cooper Power Station

Cooper Power Station has generated 1,193,578 net MWh through July 31, 2006. Unit No. 1 was on-line and fully available for the month. Unit No. 2 was derated on August 8<sup>th</sup> to 179 MW net. They repaired a broken classifier shaft on 2-F pulverizer. The unit was back on-line August 11<sup>th</sup> and fully available the remainder of the month.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of August. Some of the tasks that were completed were collected monthly oil samples, checked conditions of the batteries in the battery room, started and ran auxiliary diesel generator, inspected silo elevator, checked Unit No. 1 and Unit No. 2 submerged chains, checked brushes on Unit No. 1 and Unit No. 2 generators, and also repaired a leak in the fire protection main supply line. These, as well as other projects, were completed during this time.

Mann Painting Contractor continued to work on the 3-A conveyor and is now working on 2-A. Wayne Supply installed new tracks on the D6 dozer.

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 4,467,351 MWh through July 31, 2006. Unit No. 1 was on-line and fully available until August 11<sup>th</sup> when the unit was derated to 290 MW to overhaul 1H pulverizer. The unit was back on-line August 12<sup>th</sup> and was fully available through August 24<sup>th</sup>. Unit No. 2 was on-line and fully available for the month of July. Unit No. 3 was on-line but derated to 260 MW due to PA fan limitation caused by restrictions in the floor nozzles. The unit continued to be derated to 260 MW through August 24<sup>th</sup>.

Maintenance work for August besides the regular routine maintenance tasks included the completion of the replacement of Units No. 1 and No. 2 bottom ash lines and tube leak repair on No. 1-6 feedwater heater. Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

**OCTOBER 2006**

# Coordinated Planning

SEPTEMBER 2006

## Transmission Planning

### Summary of Future Transmission Projects Identified as of September 2006

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2006 through 2015):

- 262 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
- 19 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
- 191 miles of re-conductor or rebuild of existing transmission line
- 21 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 29 new 69 kV capacitor banks totaling 419 Mvars
- 193 miles of transmission line requiring high-temperature upgrades
- 25 new distribution substations
- 3 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

All of the above numbers include the new 161 kV lines and substations required for Warren RECC's membership in EKPC.

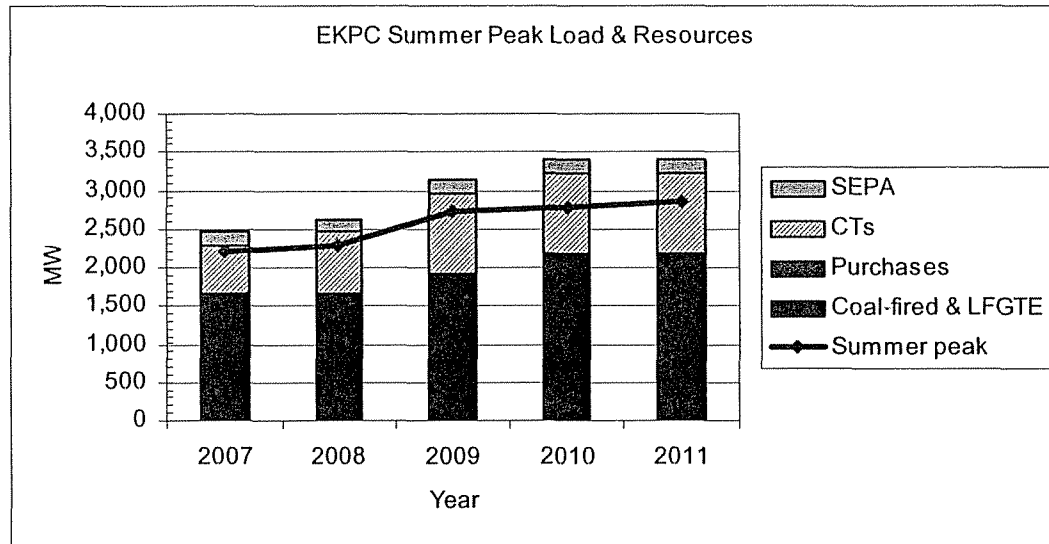
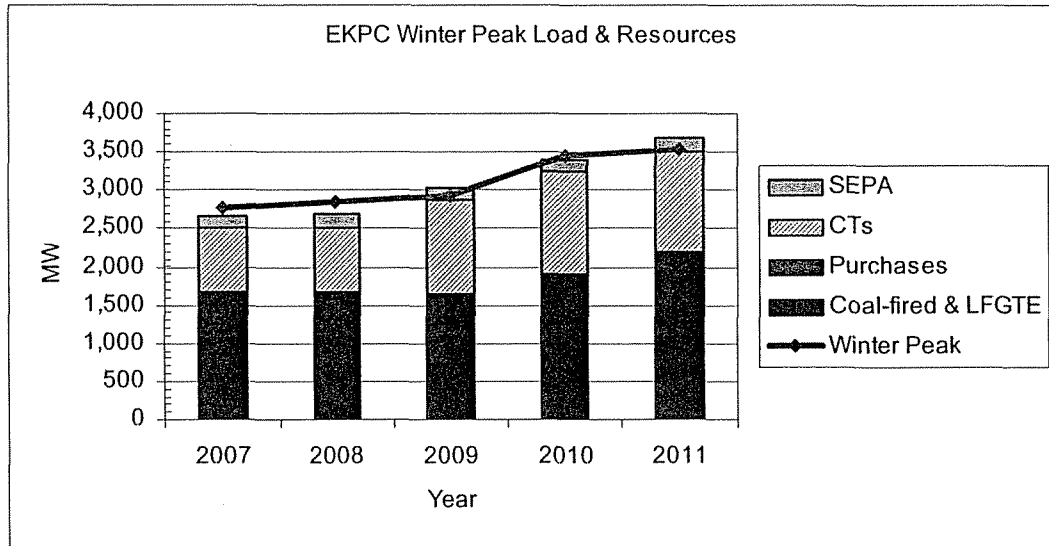
No significant changes have been made to these plans since the report provided in September 2006.

## Resource Planning

The following graphs show the projected winter peak load and capacity resources broken down 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 pick up of the Warren RECC load is delayed by one year. The winter graph shows that there will be tight win margins even with the delay of WRECC's load 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. PSC approval for the proposed Smith capacity was received August 29, 2006, and is a big step in getting the power supply plan back on track. Due to the delays, the schedule for Smith CTs 8-12 is subject to change. Now the focus turns to getting the air permit, which is necessary to begin construction of the baseload unit and CTs.

# Coordinated Planning

The analysis part of the 2006 IRP is substantially completed and the report write-up is well under way. The IRP will be filed by October 23, 2006.



**NOTES:**

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Pendleton Co. LFGTE assumed to be on-line by February 2007.

Smith CTs 8-12:

First 2 units assumed to be on-line for Summer 2008 peak.

Next 2 units assumed to be on-line for Winter 2008-09 peak.

All 5 units assumed to be on-line by Summer 2009 peak.

Warren RECC load data included April 2009 (One Year Delay).

Spurlock 4 unit assumed to be on-line in Spring 2009.

Smith CFB 1 assumed to be on-line by Summer 2010.

## Coordinated Planning

### Forecasting & Market Analysis

Completed analyses of existing and potential DSM programs for the DSM section of the IRP. There were a total of 93 programs screened from which 27 programs were further evaluated and included in the 2006 IRP. These programs pertain to residential, commercial and industrial customers.

Completed the 2006 Load Forecast Report to send to RUS. Also, completed Load Forecast Section of the IRP and provided data to Resource Planning for use in the expansion plan.

### Mid-Term Planning

Mid-Term Planning functions to optimize the use of EKPC's assets to provide the low cost power supply for our Members focusing on the next 5 years. 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. We plan to provide more specifics for the activities listed above in future monthly reports.

- 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.
- Natural gas costs are being hedged by purchasing financial futures of 30% of our historical needs through Constellation Energy. The futures are sold to offset against the current month's gas purchases.
- 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 investigating opportunities to obtain contracts to supply those needs.

### Generation Dispatch

**System Peak** – EKPC's coincident peak in August 2006 was 2,332 MWh, occurring at hour 1700 on the 3rd. Member system requirements for the month of August 2006 were 1,169,294 MWh, an increase of 2.12% above August 2005. During August, there were 34 fewer cooling degree days than last year, temperature was 1.4% cooler than last year.

SEPTEMBER 2006

**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 September 22, EKPC had \$122,637,000 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.10% to 5.20%. \$22,579,730 (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 September 22, a total of 52 bank wires/transfers were initiated for a total amount of \$77,881,845, which brings the total number of bank wires to 715 for the year 2006 compared to a total of 977 for the year 2005. 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 September.

The interest rates on our floating/fixed rate pollution bonds through September 26 were:

Cooper – 6 Month fixed rate – 3.68%

Smith – 6 Month fixed rate – 3.68%

Spurlock – weekly floating rate ranged from 3.42% to 3.80%

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 September 22, 6 of the 71 loans remain outstanding with balances totaling \$63,802.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of September 22, EKPC has purchased \$1,566,000 in capital stock and has

## Finance

Finance Monthly Report  
Page 2  
September 2006

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 September 22 was \$3,485,289.

As of September 22, \$656,546 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 September, 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 September 22 were 4.60% and 4.73% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on September 22 for the CFC thirty-year long-term fixed rate loan was 7.30%. As of September 22, 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 August 2006 for all departments and business units.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2006 projected margin.

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.

Continued to provide information to management for their use in cost containment efforts.

## Finance

Finance Monthly Report  
Page 3  
September 2006

The Budget Team began consolidation of all budget data relevant to EKPC's 2007-2008 operating budget and 2007-2009 capital budget. Extensive analyses of revenue, operation/maintenance expense, fuel, emission allowances, and purchased power are being done with comparison to prior years. These actions support EKPC's Mission to provide competitive energy to member systems.

- Financial Planning

Continued working on updating the Twenty-Year Financial Forecast with changes in fuel prices, operating, maintenance, and costs related to capital additions.

Assisted Resource Planning on various analyses and provided information for use in the 2006 Integrated Resource Plan to be filed in October 2006. 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

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Excess Liability Program, Marine and Crime Insurance – Personnel continues work on renewal applications for excess liability including employment practices coverage, excess workers' compensation, D&O, fiduciary, professional liability for Envision, marine and crime placement/renewal.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – Two claims for Owen Electric Cooperative are still under review.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents are being reviewed and upon appropriate approvals will be



Finance Monthly Report  
Page 4  
September 2006

completed by September 29, 2006. 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 2005-2006 Business Insurance						
as of September 30, 2006						
Type	Carrier	Coverage Limit	Self-Insured Retention	Annual Premium*	Coverage Period	Policy #
Property	FM Global	\$2,869,666,209	\$50,000 Headquarters \$1,000,000--All other	\$2,136,752	3/1/06-3/01/07	NC006
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866	10/15/05-10/15/06	X0459A1A05
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178	10/15/05-10/15/06	C0459A1A05
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$6,784	10/15/05-10/15/06	740494
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$8,374	10/15/05-10/15/06	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	10/15/05-10/15/06	8115-1591
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010	11/14/05-11/14/06	BINDER D0459A1A05
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900	11/14/05-11/14/06	104388370
Builder's Risk - Spurlock #4	FM Global	\$250,000,000	\$500,000	\$235,631	10/3/05-10/3/06	NC125
<i>3 year policy term- pd annually, coverage limit increases each year</i>						
<b>ENVISION, LLC</b>						
Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,382	10/27/05-10/27/06	BINDER

\*Premium includes state surcharge and all taxes unless otherwise noted.

**E.A. Gilbert Generation Project Costs thru 8/31/2006**

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 8/31/06) 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	3,328,071	(1,016,929)
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	149,038,624	2,312,639
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	15,553,811	5,902,965
E281		Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,288,178	1,183,078
E332		Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
			Subtotal	\$ 264,826,000	321,959,328	57,133,328	330,901,210	8,941,881
		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)	-	-
		<b>Total Contracts</b>		<b>\$ 292,196,000</b>	<b>321,959,328</b>	<b>29,763,328</b>	<b>330,901,210</b>	<b>8,941,881</b>
Other Costs		Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,278,222	1,558,222
		Owners Cost	EKPC	19,500,000	19,500,000	-	20,014,220	514,220
		Spare Parts	EKPC	3,000,000	3,000,000	-	925,285	(2,074,715)
		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	38,159,380	2,164,380
		<b>Total Contracts + Other</b>		<b>\$ 327,111,000</b>	<b>357,954,328</b>	<b>30,843,328</b>	<b>369,060,590</b>	<b>11,106,261</b>
		IDC		40,500,000	40,500,000	-	30,582,152	(9,917,848)
		Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		<b>Project Total</b>		<b>\$ 367,611,000</b>	<b>398,454,328</b>	<b>30,843,328</b>	<b>397,663,607</b>	<b>(790,721)</b>

Spurlock #4 Generation Project Costs thru 8/31/2006

Contract #	Contract	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr Award/Amend Over/(Under) Design Costs	(thru 8/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 23,505,938	\$ (9,389,062)
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	69,420	(624,780)
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	1,801,795	(916,663)
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	2,144,606	(1,777,690)
F103	RADIAL STACKER/RECLAIMER		-		-		-
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	310,055	(2,790,497)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700		(1,354,700)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	1,131,827	(2,782,819)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	90,728,005	(103,771,995)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400	1,010,200	(11,068,200)
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	1,782,413	(1,242,687)
F251	PILING	Richard Goettle	5,650,000	9,246,942	3,596,942	9,069,387	(177,555)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	4,918,490	(12,259,986)
F271	STRUCTURAL STEEL		-		-		-
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	2,837,536	(7,548,084)
F264	ASH SILO'S		-		-		-
F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	4,817,097	(94,757,611)
F281	TURBINE CRANE		-		-		-
F281	AUXILIARY GEN & BUILDING (2000 KW) <sup>c</sup>		-		-		-
F332	PAINTING		2,500,000		(2,500,000)		-
		Subtotal	\$ 353,770,000	410,936,279	57,166,279	149,238,756	(261,697,523)
	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)	-	-
		<b>Total Contracts</b>	<b>\$ 386,882,500</b>	<b>410,936,279</b>	<b>24,053,779</b>	<b>149,238,756</b>	<b>(261,697,523)</b>
	Other Costs						
	Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	6,635,206	(9,564,794)
	Owners Cost	EKPC	20,000,000	20,000,000	-	5,916,162	(14,083,838)
	Spare Parts	EKPC	-	-	-	-	-
	Site Prep	EKPC	-	-	-	1,567,826	1,567,826
	Environmental Costs	EKPC	-	-	-	-	-
		Total Other	\$ 36,270,000	36,200,000	(70,000)	14,119,195	(22,080,805)
		<b>Total Contracts + Other</b>	<b>\$ 423,152,500</b>	<b>447,136,279</b>	<b>23,983,779</b>	<b>163,357,951</b>	<b>(283,778,328)</b>
	Interest During Construction	IDC	46,546,775	46,546,775	-	5,415,323	(41,131,452)
	Fuel Credit during Commissioning						(1,979,134)
		<b>Project Total</b>	<b>\$ 469,699,275</b>	<b>493,683,054</b>	<b>23,983,779</b>	<b>168,773,273</b>	<b>(326,888,914)</b>

# Finance

Finance Monthly Report  
 Page 8  
 September 2006

## Accounting and Materials Management Process – Ann Wood, Manager

### General Accounting

Accounts payable wrote 734 checks from September 1 through September 22, 2006, totaling approximately \$33,163,000.

### East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of August 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
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
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

## Finance

Finance Monthly Report

Page 9

September 2006

### Materials Management

EKPC has entered into a corporate-wide scrap metal program with Mansbach Metal Company. A two-year agreement has been entered into with United States Alumoweld for alumoweld shield wire for line construction, with an estimated total spend of \$200,000. A two-year agreement has been entered into with Alcan Cable for line construction conductor requirements, with an estimated total spend of \$12,000,000. Jennifer Messer has been promoted to Buyer on the Purchasing Team.

The Winchester Warehouse inventory decreased in August by \$42,555, with an ending balance of \$12,554,839. Stock-related material handled during the month totaled \$1,043,948, and included material for nineteen (19) Power Delivery Expansion projects, and credits for ten (10) projects. 9,070 gallons of fuel was pumped at the fuel facility during July. 7,000 gallons of diesel was purchased for \$2.81/gallon. No unleaded was purchased. Steven Tolson has joined the Warehouse Team as a temporary laborer and delivery person. Melanie Hubbard marked her 25th year of employment with East Kentucky Power in September.

### Payroll

Tested Payroll Tax Update 06D prior to it being put in production.  
Performed routine payroll duties.

### Plant Accounting

Plant accounting is in the process of Scheduling Physical Inventory for each location. The first was performed in September at Spurlock, with the other locations scheduled for October and November.

### **Pricing Process – Bill Bosta, Manager**

#### EKPC/LG&E Transmission and Interconnection Agreement Dispute

On September 1 the Commission issued its final order in the case. The Commission essentially upheld Administrative Law Judge Grossman's prior decision. According to the Order, LG&E will be required to calculate a new transmission rate to now reflect in the formula rate any load that received service on the LG&E transmission system that had not previously been included in the denominator of the calculation. LG&E had stated at the hearing and in Legal

## Finance

Finance Monthly Report  
 Page 10  
 September 2006

Briefs that it did not have adequate data to perform this calculation. The Commission ruled that if LG&E could not identify such data that the transmission rate would revert back to the previous rate of \$.77/KW-Mo. LG&E must identify its transmission rate calculation along with the refund amount in a Compliance Filing with the FERC that is due on October 2. EK will have the right to challenge LG&E 's Compliance Filing. The Commission's ruling brings to an end a four-year litigation with LG&E on these transmission rates, application of ancillary service charges and how to treat MISO Schedule 10 administrative charges. Shown below is a summary of the annual effect of the Commission's Order, assuming that LG&E uses the transmission rates in effect prior to their original filing in September 2002.

	Proposed Increase		Increase as Ordered	
Interconnection Agmnt	\$581,000	70.0%	\$62,000	7.4%
Transmission Agmnt	<u>\$278,000</u>	23.5%	<u>\$35,000</u>	2.9%
Total	\$859,000	42.6%	\$97,000	4.8%

As a result of the Order, EK estimates that LG&E will be required to refund about \$1.8 million, which includes interest. The actual refund amount will be determined by LG&E and submitted to the FERC in the Compliance Filing. Both EK and LG&E will have the opportunity to request rehearing. As the Commission ruled against EK and the Commission Trial Staff with regard to an additional \$3.5 million refund to EK as a result of LG&E billing EK for pancaked rates over the four-year period, EK will likely seek rehearing on that issue. The request for rehearing must be filed by October 2.

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 EK 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.

## Finance

Finance Monthly Report  
Page 11  
September 2006

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On September 20, EKPC submitted its fifteenth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 12.49% to be applied to service rendered in September 2006 and billed the first week of October. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 7.95% to 10.61%.

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 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.



# Finance

Finance Monthly Report  
 Page 12  
 September 2006

**East Kentucky Power Cooperative, Inc.  
 Estimated Monthly Environmental Surcharge Factors  
 September 2006 through December 2007**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Sep-06	\$50,459,184	\$6,268,961	11.91%
Oct-06	\$50,502,512	\$4,496,104	8.39%
Nov-06	\$51,047,770	\$4,728,871	8.75%
Dec-06	\$51,146,903	\$5,640,203	10.52%
Jan-07	\$51,639,229	\$6,441,153	11.96%
Feb-07	\$52,143,143	\$5,899,194	10.80%
Mar-07	\$52,643,493	\$5,872,894	10.65%
Apr-07	\$53,451,680	\$5,426,256	9.64%
May-07	\$54,311,212	\$6,005,887	10.55%
Jun-07	\$55,070,546	\$7,215,485	12.59%
Jul-07	\$55,422,996	\$7,653,370	13.30%
Aug-07	\$55,625,581	\$7,560,580	13.08%
Sep-07	\$55,691,712	\$6,851,741	11.79%
Oct-07	\$55,771,880	\$5,711,311	9.73%
Nov-07	\$55,435,952	\$5,808,341	9.97%
Dec-07	\$55,418,583	\$6,684,705	11.55%

Current SO2 price is \$530 per allowance as of September 25, 2006.

Current NOx price is \$1,508 per allowance as of September 25, 2006.

Case 2006-00045 Consideration of 2005 Energy Policy Act

On August 30, legal briefs were filed in the case. Based on the record to date and the results of the hearing, it does not appear that the Commission will mandate implementation of time-of-day metering for all customers. A decision is expected to be rendered by the Commission this fall. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

# Finance

Finance Monthly Report  
 Page 13  
 September 2006

## Internal Audit & Performance Measures – Graham Johns, Coordinator

### Internal Auditing for Member Systems

- **Inter-County Energy Cooperative**—Completed the audit of transportation and vehicles and delivered the report to management.
- **Jackson Energy Cooperative**—Completed the fieldwork on an internal audit of tool control and expense, and the report is being written.
- **Clark Energy Cooperative**—Will begin an audit of cash receipts in October.

### Cost Containment

The team assembled to look at the Executive (including Corporate Strategy & Technology Applications), Legal, Finance, Governmental Affairs, and Coordinated Planning business units has completed its work. The recommendations were presented at the September 12 meeting of the Committee of the Whole.

## Credit Union Process – Brian Tyler, Process Owner

### August 2006 Financial Report

Loans	14,018,462.94
Investments	3,213,339.25
Total Assets	17,966,220.06
Liabilities	2,100,950.09
Deposits	13,585,826.86
Equity	2,279,443.11
Interest on Loans	69,783.41
Investment Income	15,071.62
Total Income	85,359.54
Total Expenses	78,494.81
Retained Earnings	6,864.73
YTD Retained Earnings	54,426.93

Finance Monthly Report  
Page 14  
September 2006

Checking Account Survey

The Credit Union recently completed a survey of the members concerning adding checking accounts. Stephanie Cornett from Market Research helped conduct the survey and recently presented the results to the board of directors. We then used these results to prepare a cost/benefit analysis for the credit union. Because we are a small credit union, with limited resources, we determined that the only way to make a checking account work was to choose one of two options: 1) Offer an account with limited features and pay for it by lowering the share rate and raising loan rates, or 2) offer a full service account with a monthly fee (\$5-8) and additional fees for certain transactions. We also realize that our members are able to get a full service checking account at their local institution for free and with more services than we would be able to offer.

In the end, the board of directors determined that the credit union is meant to be a benefit to the members and is not meant to be an all purpose financial institution. We want to offer the members the best products we can, and we feel that offering a checking account will hurt everything else we do.

Results of the survey will be shared with the members in the newsletter going out on October 1, 2006. In addition to addressing the checking account issue, the newsletter will also answer other questions posed by members on the survey.

dge/dd

c: Directors & Alternate Directors  
Executive Staff  
Finance Staff

# Governmental Affairs

SEPTEMBER 2006

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.
- 
- Along with Roy Palk, met with Stan Cave, chief of staff for Gov. Ernie Fletcher, to discuss energy policy and update the Administration on EKPC programs and initiatives.
  - Reviewed and assisted in developing the co-op response to an investor-owned utility legislative presentation on environmental and rate issues.
  - Worked with Legal and Finance teams on draft regulatory language to address fuel adjustment clause issues.
  - Worked with Legal and Production on draft regulatory language for clean-coal tax credits stemming from HB 272 tax modernization legislation in the 2005 legislative session.
  - Participated in internal meetings to discuss energy policy ramifications from the resignation of LaJuana Wilcher, secretary of the Environmental & Public Protection Cabinet; her replacement, Teresa Hill, former vice chair of the Public Service Commission; and the appointment of Talina Matthews as director of the Kentucky Office of Energy Policy.
  - Participated in meetings and conference calls to help coordinate interim legislative committee meetings in Lexington and Central Kentucky on October 18, 19 and 20. This is the second year that interim committees will be meeting in Central Kentucky. EKPC, Blue Grass Energy, Inter-County Energy, and Clark Energy are part of the “Building a Better Bluegrass” coalition to sponsor the meetings. EKPC’s environmental education team will make a presentation to the Special Subcommittee on Energy meeting on Oct. 20 at Spindletop Hall in Lexington. The Interim Appropriations & Revenue Committee will be meeting on Oct. 18 in Winchester.

## Governmental Affairs

- Attended the legislature's Program Review & Investigations Committee meeting, where outlines of transmission siting and pollution credit studies were distributed. The Committee plans to begin studying these important topics for report and recommendations in 2007. Copies of these outlines are attached.
- Participated in cost containment team meetings.
- Participated in meetings regarding possible EPA settlement and related issues.
- Continued working to develop a Governmental Affairs web site for member use.
- Coordinated meetings for Big Rivers Electric and EKPC with each of Kentucky's Congressional delegations offices to update them on mutual G&T issues. KAEC was also invited but unable to join us. At selected offices, we, along with Chris Eckl, also discussed Power Marketing Administration (PMA) issues. Chris represents all the Southeastern Federal Power Customers (SeFPC) and has been working with NRECA on "agency rating" (Congressman Whitfield has been a driving force). Prior to the meetings with Congressional legislative staff, Big Rivers and EKPC met with NRECA's legislative director, Ted Case, and Paul Griffin to update them on pertinent issues and vice versa.
- Wrote and distributed letters to selected legislators updating them on the Cranston line.
- Wrote and distributed letters to member system managers regarding Governmental Affairs survey results.

**SENATE MEMBERS**

**David L. Williams**  
President, LRC Co-Chair

**Katie Kratz Stine**  
President Pro Tem

**Dan Kelly**  
Majority Floor Leader

**Ed Worley**  
Minority Floor Leader

**Richie Sanders, Jr.**  
Majority Caucus Chairman

**Johnny Ray Turner**  
Minority Caucus Chairman

**Dan Seum**  
Majority Whip

**Joey Pendleton**  
Minority Whip



**LEGISLATIVE RESEARCH COMMISSION**

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Director

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**Larry Clark**  
Speaker Pro Tem

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Minority Whip

**Study Proposal**

**To:** Program Review and Investigations Committee

**Date:** September 7, 2006

**Topic:** Pollution Emissions Credits

---

The Clean Air Act Amendment of 1990 authorized the U.S. Environmental Protection Agency (EPA) to regulate the emissions of sulfur dioxide and nitrogen dioxide. Sulfur dioxide (SO<sub>2</sub>) is a type of pollution that contributes in part to acid rain and is released when fossil fuels are burned. Nitrogen oxide (NO<sub>x</sub>) is also produced when fossil fuels are burned. While both types of pollution are produced from various sources, electric generating plants produce large shares of both types of pollution.

To reduce emissions of SO<sub>2</sub> and NO<sub>x</sub>, EPA established a cap and trade system. Under such a system, a cap is set on the total amount of a specific pollutant that can be emitted in a given time period. Each state covered by the restrictions is given a cap and a certain amount of emission allowances, or credits, to allocate among the sources of pollution. In Kentucky, the allocation is largely based on each source's share of the state's past pollution levels. Each credit allows the holder to emit one ton of the pollutant, and the total number of credits cannot exceed the cap. At the end of the year, each polluter must have a sufficient number of credits to cover the amount of pollution that it emitted during the year. If not, the polluter will be subject to penalties. Any holder of a credit may sell it to another entity. Separate cap and trade systems have been set up for SO<sub>2</sub> and NO<sub>x</sub>.

Given that pollution restrictions are imposed, a potential advantage to allowing businesses to trade credits is that those businesses that can reduce emissions at a lower cost than others will have an incentive to do so. Consider two businesses that must reduce their combined emissions. Both are given credits. Company A could lower emissions at a cost of \$2,000 per ton. However, it would cost company B \$3,000 per ton to reduce its emissions. Both companies would be better off if company A reduced its emissions and sold its excess credits to company B for \$2,500. In total, emissions would be reduced at a lower total cost and both companies would benefit from the trade. Proponents of credit trading argue that this type of trading allows for emissions to be reduced at the lowest cost possible.

## Study Objectives

**Objective 1.** Describe the federal requirements for allocating pollution credits.

### *Research Questions*

- 1.1 What are the federal requirements for allocating credits within a state?
- 1.2 How are the restrictions on emissions enforced in Kentucky?

**Objective 2.** Determine the effect of allocating pollution credits on Kentucky's economy.

### *Research Questions*

- 2.1 Of the credits allocated to Kentucky, how many are used by businesses located in the state?
- 2.2 What effect does a cap and trade system for pollution emissions have on the state's economy?
- 2.3 How are different industries and localities within Kentucky affected by the pollution restrictions and the trading of credits?
- 2.4 How would a different allocation of the credits affect Kentucky's economy?

### *Research Methods*

Staff will review data on emission credits to describe the extent to which credits are traded and where those credits are ultimately used. Staff will review federal statutes and regulations relating to the Clean Air Act Amendment of 1990 and the practices of other states to determine what options, if any, states have in allocating pollution emission credits. It is unlikely that the effect of allowing companies to trade pollution credits or the effect of allocating credit in some other manner can be accurately estimated. Staff will, however, describe the economic issues associated with allocating credits, the parties affected by the allocation, and economic effects created by the allocation.

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### Study Proposal

**To:** Program Review and Investigations Committee

**Date:** September 7, 2006

**Topic:** Siting of Electric Transmission Lines

---

Transmission lines bring electricity from the generating plant to a power station in the area where the electricity will be used. Distribution lines carry the electricity from the station to the end users. Transmission lines account for a relatively small percentage of the total mileage of lines, but because they are much bigger than distribution lines, there are typically more siting issues. The companies that transmit electricity do not necessarily have to be the same companies that produce electricity, but in Kentucky the generator and transmitter are usually the same entity.

SR 238, which was the basis for this study topic, listed the following factors that should be considered in the study: adequate presentation of alternate routes, economic factors, whether the process is impeding the development of new transmission lines, and if the public hearing process adequately meets the needs of affected landowners and local citizens. (The research questions below will address these factors.)

#### Permission for Proposed Lines

The regulation of the siting of transmission lines in Kentucky differs depending on whether the line is for transmitting electricity to consumers or whether the electricity is to be transmitted for sale to other power companies (wholesale power produced by merchant plants).

**Public Service Commission.** The Kentucky Public Service Commission (PSC) regulates the siting of lines that will serve consumers. As detailed in KRS 278.020, the PSC must approve any proposed electric transmission line more than 1 mile and at least 138 kilovolts. Approval of the PSC is not required under certain conditions, such as a line that is a replacement or upgrade of an existing line, or if the line is constructed for a single customer that will only pass over the customer's property.



In applying for permission to site a transmission line, the applicant must provide a verified statement that each property owner over whose property the transmission line right-of-way is proposed to cross has been given notice by mail and through notice in a local newspaper of the proposed construction. Notice includes informing property owners of their right to request a local public hearing and their right to intervene in the case (807 KAR 5:120. Section 2(3)).

Any person who wishes to become a party to a formal proceeding before the commission may request to intervene. Intervention can be limited or full. Full intervention may be granted by the commission, which entitles the intervening party to receive all documents relevant to the hearing (807 KAR 5:001. Section 3(8)).

Within 30 days of the application to the PSC for approval of the line, any interested person, which includes those who do not own property under the proposed line, may request that a local public hearing be held by sending a written request to the PSC.

**Siting Board.** The Kentucky State Board on Electric Generation and Transmission Siting must approve the siting of lines for wholesale power transmission. The Siting Board, created in 2002, is attached administratively to the PSC. There are five permanent members of the board: the three members of the PSC and the secretaries (or their designees) of the Environmental and Public Protection Cabinet and the Cabinet for Economic Development. Two temporary members are chosen from the local area affected by the proposed line and will vary by project.

The application for siting of a line must provide evidence that public notice of the application has been made and that the applicant has engaged in the required activities to involve the public.

An evidentiary hearing will be held at the request of a party to the case or at the discretion of the Siting Board. It must be requested within 30 days of the siting application. The evidentiary hearing is a formal proceeding, with participation limited to the applicants and the intervenors to the case. Any interested party may apply to the Siting Board to become an intervenor. Parties to a case before the Siting Board have the right to appeal the board's decision to the circuit court in the county in which the line is proposed to be located.

A local, informal public hearing will be held if requested by a city, county, or planning and zoning authority, or by at least three residents of the city or county in which the proposed facility would be located. The hearing will be held within the county in which the line is proposed. If this is more than one county, the hearing will be held in the most populous county.

**Federal.** If the proposed line would cross federal land, permission must also be granted by the relevant federal agency. For example, building a line that would cross part of the Daniel Boone National Forest would require a special use permit from the U.S. Forest Service.

The Energy Policy Act of 2005 granted the Federal Energy Regulatory Commission authority to designate a geographic area as a "national interest electric transmission

corridor” if it determines that the construction of transmission facilities within that area would serve the national interest by eliminating transmission capacity constraints or congestion. Under specified circumstances, the authority will be able to override state authorities and issue a permit to construct transmission facilities in these corridors, including granting eminent domain rights to acquire necessary rights of way.

## **Trends**

Based on PSC press releases, in the 13-month period from August 2005 to August 2006, the commission approved three transmission projects that proposed to add 146 miles of new line.

It is possible that recent policy and technical changes may affect transmission siting, however. The 2006 General Assembly enacted HB 626. For the PSC and the Siting Board, the legislation amends the relevant sections of KRS 278: The commission/board, “when considering an application for a certificate to construct an electric transmission line, may consider the *interstate benefits* [emphasis added] expected to be achieved by the proposed construction or modification of electric transmission facilities in the Commonwealth.”

In addition to the Energy Policy Act of 2005’s creation of national interest corridors, its provisions continued the trend toward greater national and interstate planning and regulation to increase the reliability of electricity grids. The Act provided for mandatory transmission reliability requirements for owners, operators, and users of interstate transmission lines.

In cooperation with others, the Georgia Transmission Corporation and the Electric Power Research Institute have developed a new methodology for planning the location of overhead transmission lines. The goal for the method is to quantify as many factors as feasible. In theory, this could result in siting decisions that are less costly to the transmission company in terms of time and money, and favorable for the public as well. At least two Kentucky utilities have used the new method.

## **Study Objectives**

**Objective 1.** Describe the current siting process.

### *Research Questions*

- 1.1 How does the process work? Are the PSC and Siting Board implementing the relevant laws and regulations consistently?
- 1.2 In recent years, how many requests—and for what mileage—to build new transmission lines have been considered, approved, and rejected by the PSC and the Siting Board?
- 1.3 What criteria do the PSC and Siting Board use in evaluating proposals?
- 1.4 How long does it take to get transmission lines approved?
- 1.5 How does the formal hearing process work? Who is involved?
- 1.6 How does the process for local hearings work? Who is involved?

### *Research Methods*

Analyze data from the PSC and the Siting Board. Attend formal and local hearings conducted by the PSC and Siting Board. Interview officials from the PSC, Siting Board, and utility companies.

**Objective 2.** Evaluate the current siting process.

### *Research Questions*

- 2.1 Compare the procedures, evaluation criteria, approval rates, and time to process proposals in Kentucky to those of other states.
- 2.2 What are the costs to companies proposing transmission lines? Have costs changed over time? How do costs in Kentucky compare to other states?
- 2.3 Have the criteria used to evaluate proposals changed over time? If yes, why and to what effect?
- 2.4 Has the length of time to get a line approved changed over time? If yes, why and to what effect?
- 2.5 How much public involvement is there in the formal and local hearings? Are there relevant segments of the public who are not involved?
- 2.6 Is the public adequately informed of the hearings and their rights to participate?

### *Research Methods*

Interview officials from the PSC, Siting Board, and utility companies. Analyze the minutes of formal and local hearings conducted by the PSC and Siting Board. Interview landowners and other members of the public in areas for which new transmission lines have been considered. Analyze procedures and relevant data from other states. Identify any nationally recognized practices for siting.

**Objective 3.** Estimate how the siting process might change based on recent and future developments.

### *Research Questions*

- 3.1 What are the likely effects of HB 626?
- 3.2 What would be the likely effects of an increase in the number of merchant plants?
- 3.3 What are the likely effects in Kentucky as the federal Energy Act of 2005 is implemented?
- 3.4 What is the likely impact for Kentucky, if any, of changes in the methods used to locate transmission lines?
- 3.5 How will the demand for electricity affect the number of requests for transmission lines?

### *Research Methods*

Interview officials from the PSC, Siting Board, utility companies, and Federal Energy Regulatory Commission and experts in siting technology. Analyze data from other states.

# Human Resources & Support Services

SEPTEMBER 2006

**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 \$555,944 year-to-date through August.
- **Cost containment** – KREC Medical Plan approved changes to the health benefit for participants and EKPC will institute an employee contribution in 2007 that should result in a savings of 2.3 million dollars in 2007 alone.

### 2. Ensuring the safety, well-being, and development of EKPC employees

#### Significant Results:

- SKILLSCOPE assessments for supervisors have offered clearer direction for improving managing people skills in 2007 through Learning for Leaders.
- Office employees are better informed on bloodborne pathogens.
- OSHA Lost Time Accident Rate through August 31<sup>st</sup>: 0.79

### 3. Providing appropriate corporate staffing requirements

#### Significant Results:

- **Positions Filled:**
  - Larry Helton - Landfill Generating Plant Operator - Bavarian Plant

- **Positions Open:**
  - Construction Project Manager @ Spurlock
  - Warehouseman @ Spurlock
  - Maintenance Material Specialist @ Spurlock
  - Engineer – Operations
  - Maintenance Mechanic – Entry @ Spurlock
  - Senior Engineer
  - Senior Engineer – EMS
  - Environmentalist
  - Construction Technician Crew Leader
  - Senior Engineer
  - Senior Analyst
  - Electrician @ Spurlock
  - Lab Technician @ Dale
  - Maintenance Mechanic @ Cooper
  - 2-Student Engineers (Part-time/Temporary)

#### 4. Providing effective communications

##### **Significant Results:**

- Employees had access to health related programs via e-mails, brown bags and Insider communications regarding healthy eating, weight loss, and specific topics on medical issues. The importance of this communication is to persuade employees to take action toward a healthier lifestyle and treating health conditions they currently have.
- Four 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:**

- Facilitated CEO interview process for Shelby Energy, resulting in best person for job and savings of \$ for Shelby from use of EKPC resources.
- Supported three other member systems in results-oriented training.

# Human Resources & Support Services

## Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

*PeopleSoft HRMS Version 8.8*

- ◆ Payroll – Apply Tax Update 06D in the Human Resources Production environment.
- ◆ Benefits – Started working on new interface program for insurance provider. Changed accounting codes on Benefits Billing GL interface program.

*PeopleSoft - PeopleTools*

- ◆ The PeopleTools, version 8.43.18, upgrade was put on hold until compatibility issues with a new tax update are resolved.

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.

Enhance Production Management Reporting System

- ◆ Changes were made to the reporting to allow the Appendix A reports to be printed starting with the year 2000. Originally implemented to only print information starting with the year 2004.
- ◆ Plans/Meetings are being planned with the Production Business Unit Landfill Gas plant manager to begin designing and developing changes to PMRS to allow Landfill Gas plants to track data on a daily basis instead of monthly.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

Develop Power Delivery Scoping System

- ◆ Additional functionality is currently being developed for version 1.1, which will be the “Go-Live” version of this application.
- ◆ Reporting requirements are being developed by Power Delivery users, and should be turned over to the development team the last week of September.

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.

Develop Load Research Software

- ◆ An application is being developed to help the Load Research department easily access and analyze the data that is being compiled from the MV90 metering system by the EKPC MVReports software.

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 Planning Business Unit.

## Human Resources & Support Services

### Develop Substation Forecast System

- ◆ Created a second console application to post MV90 metering data used in substation forecasting. The application runs on a scheduling server, which enables automatic output of files used for importing. This dataset is used primarily as input to NDMetrix software, as well as historical purposes.

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.

### Upgrade MV90 Metering System

- ◆ Did full conversion of production data to new version.
- ◆ Upgraded all client PCs to the new version. September billing will be done on the new version
- ◆ Currently working with Metering to resolve some printing and minor data issues
- ◆ Code changes are being implemented due to of the impact of the MV90 upgrade on existing systems including the EKPC MVReports System and the MVPBS Power Billing System.

This supports **Competitive Energy and Reliable Energy**, by providing timely and accurate metering/billing data for the Production and Finance Business Units.

### Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 58 support calls during the previous period.
- ◆ Testing new version of Symantec antivirus client 10.1.4.
- ◆ Performed security audit on PCs for Environmental group
- ◆ Evaluating new workstation backup software
- ◆ Replaced a bad fiber converter that had caused multiple network outages in Vehicle Maintenance, Central Lab, and Warehouse B.

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.

- ◆ Determined what multiplexer parts are needed to transfer programming from HQ to backup location. Wrote backup procedure.
- ◆ Installed a fiber optic patch panel at KU's Quality Street office.
- ◆ A new HVIU was installed at Somerset switchyard.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

### Provide Telecommunications to Members.

- ◆ Fleming-Mason Energy's SCADA master radios were installed and are operational at Goddard and Taylor Knob.

## Human Resources & Support Services

- ◆ Flemingsburg's EMS terminal was connected to a radio link and is now communicating with EKPC's EMS computer at Winchester.
- ◆ A remote radio for Fleming-Mason Energy's SCADA system was installed at Maysville Industrial, the 3rd site so far.
- ◆ All materials were received to install a new MOAB Master radio and antenna system at Newcastle. This will provide more reliable communications to various capacitor banks and MOABs, currently served by leased analog telephone circuits. All design drawings are complete.

This supports key measure **Member Services** by providing a value-added service to member systems.

### Provide New Two-way Radio System

- ◆ Various pieces of existing design information was passed along to Lockard & White as they begin performing predicted area coverage plots. A Needs Analysis Review Meeting has been tentatively set for October 9, which will include key operations and maintenance personnel from EKPC and representatives from member systems.

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.
- ◆ All analog racks were removed from the old telecom shop.
- ◆ All controller cards were replaced on both OC-3 microwave rings.
- ◆ The low band two-way antenna was replaced at Dix Dam microwave site.
- ◆ 28 two-way radio control channels were reprogrammed to remove temporary conference bridges to the old AVTEC console.

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 – 99.9%
- ◆ Two-Way Radio Availability
  - Member System Base Stations – 98.88%
  - EKPC Base Stations – 99.84%
- ◆ Application Availability – 99.99%
- ◆ Data Circuit Availability - 99.85%
- ◆ On-Time 555 Problem Resolution – 97%
- ◆ Customer Satisfaction Index
  - NCS Team – 100%
- ◆ PBX Availability – 100%

**E.A. Gilbert Generation Project Costs thru 4/30/2006**

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 4/30/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,986,679	\$ 400,478.84
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	3,031,181	(1,313,819)
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	149,038,624	2,312,639
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)	5,127,161	55,404
E261	Substructure	Baker	-	9,650,846	9,650,846	15,360,294	5,709,448
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,288,178	1,183,078
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	330,850,395	8,891,067
	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)	-	-
		<b>Total Contracts</b>	<b>\$ 292,196,000</b>	<b>321,959,328</b>	<b>29,763,328</b>	<b>330,850,395</b>	<b>8,891,067</b>
Other Costs	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,274,616	1,554,616
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,782,539	1,282,539
	Spare Parts	EKPC	3,000,000	3,000,000	-	138,235	(2,861,765)
	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	38,137,043	2,142,043
		<b>Total Contracts + Other</b>	<b>\$ 327,111,000</b>	<b>357,954,328</b>	<b>30,843,328</b>	<b>368,987,438</b>	<b>11,033,110</b>
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		<b>Project Total</b>	<b>\$ 367,611,000</b>	<b>398,454,328</b>	<b>30,843,328</b>	<b>397,590,456</b>	<b>(863,873)</b>

**Spurlock #4 Generation Project Costs thru 4/30/2006**

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 4/30/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
	F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000.00	\$ 500,000.00	\$ 18,562,262.96	\$ (14,332,737.04)
	F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,118,645	(88,479)
	F8	DEAERATOR	Ecodyne	200,000	303,094	103,094	280,040	(23,054)
	F11	CONDENSER	TEI	1,600,000	2,858,510	1,258,510	2,144,100	(714,410)
	F16	CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	69,420	(624,780)
	F17	CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	169,175	(154,331)
	F21	BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
	F36	DISTRIBUTED CONTROL SYSTEM		4,000,000		(4,000,000)		-
	F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	922,144	(1,796,314)
	F71	ASH HANDLING EQ ONLY		1,500,000		(1,500,000)		-
	F101	ALLOY PIPING AND ALLOY SUPPOF	BendTec	2,450,000	3,922,297	1,472,297	621,408	(3,300,889)
	F103	RADIAL STACKER/RECLAIMER		-		-		-
	F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)		(3,100,552)
	F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700		(1,354,700)
	F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	1,101,112	(2,813,534)
	F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	71,634,875	(122,865,125)
	F204	EMISSIONS MONITORING		300,000		(300,000)		-
	F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400		(12,078,400)
	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	302,510	(2,722,590)
	F251	PILING	Richard Goettle	5,650,000	6,560,145	910,145	5,868,719	(691,426)
	F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	3,192,449	(13,986,027)
	F271	STRUCTURAL STEEL		-		-		-
	F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	2,480,441	(7,905,179)
	F264	ASH SILO'S		-		-		-
	F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	1,073,332	(98,501,376)
	F281	TURBINE CRANE		-		-		-
	F281	AUXILIARY GEN & BUILDING (2000 KW) <sup>c</sup>		-		-		-
	F332	PAINTING		2,500,000		(2,500,000)		-
		Subtotal		\$ 353,770,000	404,821,306	51,051,306	110,782,329	(294,038,977)
		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				
		Subtotal		\$ 33,112,500	-	(26,225,000)	-	-
		<b>Total Contracts</b>		<b>\$ 386,882,500</b>	<b>404,821,306</b>	<b>24,826,306</b>	<b>110,782,329</b>	<b>(294,038,977)</b>
Other Costs		Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	5,938,354	(10,261,646)
		Owners Cost	EKPC	20,000,000	20,000,000	-	4,292,410	(15,707,590)
		Spare Parts	EKPC	-	-	-	-	-
		Site Prep	EKPC	-	-	-	1,367,572	1,367,572
		Environmental Costs	EKPC	-	-	-	-	-
		Total Other		\$ 36,270,000	36,200,000	(70,000)	11,598,336	(24,601,664)
		<b>Total Contracts + Other</b>		<b>\$ 423,152,500</b>	<b>441,021,306</b>	<b>24,756,306</b>	<b>122,380,665</b>	<b>(318,640,642)</b>
		Interest During Construction	IDC	46,546,775	46,546,775	-	2,887,546	(43,659,229)
		Fuel Credit during Commissioning						(1,979,134)
		<b>Project Total</b>		<b>\$ 469,699,275</b>	<b>487,568,081</b>	<b>24,756,306</b>	<b>125,268,211</b>	<b>(364,279,004)</b>

# Finance & Planning

Finance Monthly Report  
 Page 7  
 May 2006

## Accounting and Materials Management Process – Ann Wood, Manager

### General Accounting

Accounts payable wrote 1,111 checks in May 2006, totaling approximately \$35,690,000. The PSC held an informal conference relating to the six-month review of the environmental surcharge.

### East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of March 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
Oct-04	15.60	20.18	4.58	14.94	18.01	3.07
Nov-04	15.60	22.56	6.96	14.94	17.05	2.11
Dec-04	15.60	26.85	11.25	14.94	17.73	2.79
Jan-05	15.60	28.28	12.68	14.94	18.14	3.20
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
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

## Finance & Planning

Finance Monthly Report  
Page 8  
May 2006

### Materials Management

Charlie Horton is a member of the NRECA TechAdvantage Supply Chain Planning Committee, which met this month in Las Vegas to prepare the 2006 program. An agreement to purchase approximately one million feet of fiber optic cable (“OPGW”) required over the next two years has been finalized.

The Winchester Warehouse inventory decreased during April by \$379,531, with an ending balance of \$11,798,818. Stock-related material handled during the month totaled \$997,117, and included material for thirteen (13) Power Delivery Expansion projects, and credits for five (5) projects. 7,281 gallons of fuel was pumped at the facility during April. No unleaded or diesel was purchased during the month.

### Payroll

Payroll continues to add employees to the Peoplesoft Time & Labor Self Service module. Departments in the Human Resources Business Unit are currently being added. Testing of Payroll tax updates and Time and Labor bundles is underway.

### Plant Accounting

- Assets – Gannett-Fleming has completed the Depreciation study and has issued a formal report recommending extending lives of all facilities. The report is being sent to the PSC and to RUS for their approvals.
- Property Taxes – The annual property tax return has been filed with the Kentucky Department of Revenue.

### **Pricing Process – Bill Bosta, Manager**

#### EKPC/LG&E Transmission and Interconnection Agreement Dispute

The parties filed Reply Briefs on Exception on January 3, 2006, and the case is ripe for decision. While the FERC is required to rule on Judge Grossman’s decision, the Commissioners are under no time deadline to rule on the case and the rates being billed by LG&E to EKPC remain subject to refund. Based on the Commission’s rulings thus far, EKPC will experience a 15% increase (about

## Finance & Planning

Finance Monthly Report  
Page 9  
May 2006

\$300,000 annually) in costs compared to the 43% increase (about \$860,000 annually) originally proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund advocated by the FERC Trial Staff due to pancaked rates is in addition to the \$1.4 million noted above.

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 beginning December 1. To date, EKPC has received a credit of about \$69,000 for December; \$120,000 for January; \$93,000 for February; \$7,000 in March; and \$14,000 in April, for a total of about \$303,000.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

### Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On May 18, EKPC submitted its eleventh monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 8.90% to be applied to service rendered in May 2006, and billed the first week of June. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 5.84% to 7.52%.

On May 17, EKPC filed data request responses to the Commission's first set of requests in the six-month review case. On May 24, EKPC met with Staff and Intervenors at an Informal Conference to discuss the questions about the responses to the initial request and ask other questions about the filing. Additional data requests are to be submitted to EKPC on June 7. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

# Finance & Planning

# MONTHLY REPORT

Finance Monthly Report  
Page 10  
May 2006

**East Kentucky Power Cooperative, Inc.  
Estimated Monthly Environmental Surcharge Factors  
May 2006 through December 2007**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
May-06	\$49,973,952	\$4,862,133	9.22%
Jun-06	\$50,200,888	\$5,821,995	11.09%
Jul-06	\$50,481,918	\$6,193,274	11.76%
Aug-06	\$50,804,589	\$6,098,564	11.49%
Sep-06	\$50,752,254	\$5,285,714	9.90%
Oct-06	\$50,795,583	\$4,378,143	8.11%
Nov-06	\$51,340,841	\$5,431,850	10.07%
Dec-06	\$51,439,973	\$6,214,810	11.57%
Jan-07	\$51,932,300	\$7,627,769	14.18%
Feb-07	\$52,436,213	\$7,062,639	12.96%
Mar-07	\$52,936,564	\$7,061,101	12.83%
Apr-07	\$53,744,751	\$5,799,886	10.28%
May-07	\$54,540,102	\$5,424,486	9.44%
Jun-07	\$55,403,696	\$6,751,003	11.68%
Jul-07	\$55,573,404	\$7,225,161	12.49%
Aug-07	\$55,625,581	\$7,130,542	12.31%
Sep-07	\$55,691,712	\$6,493,865	11.15%
Oct-07	\$55,771,880	\$5,519,217	9.39%
Nov-07	\$55,435,952	\$6,642,690	11.47%
Dec-07	\$55,418,583	\$7,558,447	13.13%

Current SO2 price is \$585 per allowance as of June 2, 2006.

Current NOx price is \$2,100 per allowance as of June 2, 2006.

### Direct Load Control DSM Filing

On April 18, the Commission approved EKPC's request for approval of a Demand Side Management (DSM) demonstration project. The project consists of the Direct Load Control of Air Conditioners and Water Heaters. As a result of the Order, EKPC will conduct the demonstration project beginning in June 2006, through the end of September 2007. Solicitation letters were sent to Blue Grass customers shortly after the Commission's Order and the response has been very

## Finance & Planning

Finance Monthly Report  
Page 11  
May 2006

good. EKPC anticipates meeting the 400 load control switches for both Air Conditioning and Water Heaters at Blue Grass. Solicitations to Big Sandy RECC customers will be mailed in the near future. It is anticipated that an additional 300 water heater switches will be installed in residences at Big Sandy RECC. The project will help EKPC learn whether Direct Load Control is an effective tool in reducing the growth in peak demand. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

### Case 2005-00045 Consideration of 2005 Energy Policy Act

On May 10, an informal conference among all parties was held at the Commission's offices in Frankfort. The Commission Staff reviewed the data request responses submitted by each party and had follow-up questions on certain items. On May 18, Bill Bosta and Paul Dolloff submitted written testimony on behalf on EKPC and the Member Systems addressing the Smart Metering and Interconnection aspects of the 2005 Energy Policy Act. Intervenors have the opportunity to respond to the utilities' testimony by filing their testimony on June 6. The hearing is scheduled for July 18 in Frankfort. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

### **Internal Audit & Performance Measures – Graham Johns, Coordinator**

#### Internal Auditing for Member Systems

- Clark Energy Cooperative—Completed audits of purchasing and inventory control and delivered the reports to management.
- Jackson Energy Cooperative—Completed an audit of contracts and delivered the report to management.
- Inter-County Energy Cooperative—Will begin an audit of health care benefits in June.

#### EKE Federal Credit Union

The Supervisory Committee recommended and the Board of Directors approved changing auditors. Schmidt & Associates has been engaged to audit the financial statements as of June 30, 2006, and for the year then ended.



# Finance & Planning

Finance Monthly Report  
 Page 12  
 May 2006

Management Audit

Our fifth progress report on the management audit recommendations is due to the Public Service Commission by June 30, 2006. Of the 63 total recommendations, 55 have been closed, three have been closed on an agree-to-disagree basis, and five remain open.

**Credit Union Process – Brian Tyler, Process Owner**

APRIL 2006 Financial Report

Loans	13,313,144.38
Investments	3,368,616.73
Total Assets	17,565,559.13
Liabilities	2,077,863.62
Deposits	13,226,910.30
Equity	2,260,785.21
Interest on Loans	63,404.63
Investment Income	14,809.20
Total Income	79,565.72
Total Expenses	71,857.24
Retained Earnings	7,708.48
YTD Retained Earnings	35,768.70

KYCUL – June Education Conference

The Kentucky Credit Union League will be conducting their June Education conference in June in Owensboro, Ky. Brian Tyler, Credit Union Manager, will be leading planning session for all chapter leaders in Kentucky. Brian is the President of the Blue Grass Credit Union Chapter. .

dge/dd  
 c: Directors & Alternate Directors  
 Executive Staff  
 Finance Staff

## Governmental Affairs

MAY 2006

### 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.
- 
- Attended a fund-raising event in Frankfort, along with representatives from the Kentucky Association of Electric Cooperatives, for Supreme Court Justice John Roach. His opponent in the November elections is Fayette Circuit Judge Mary Noble. The ACRE-SURE PAC contributed to Justice Roach's campaign. Justice Roach was one of the two justices who agreed with the co-op position on affiliate services (*J. Randolph Lewis vs. Jackson Energy Cooperative Corp. and Jackson Service Plus, Inc.*)
  - Attended the legislature's Program Review and Investigations Committee meeting, where a list of proposed future study topics was introduced. Included on the list was "Pollution emissions trading: legal status, accountability issues, impact on economic development," and "method by which siting decisions are made for electric transmission lines." The proposed siting study is in response to Senate Resolution 238, which the legislature adopted in March, urging the PR&I committee to study the electric transmission siting process. Sen. Richie Sanders, R-Franklin, introduced the resolution due to landowner concerns with EKPC's line to serve Warren RECC. He represents Allen, Barren, Edmonson, Green, Metcalfe, and Simpson counties.
  - Monitored the 2006 primary elections, including the defeat of two legislators who had been co-op supporters: Rep. Gross Clay Lindsay, D- Henderson, and Rep. Chuck Meade, D-Allen. Rep. Lindsay is the longtime chairman of the House Judiciary Committee, and has been instrumental over the years in protecting eminent domain for public use, such as utilities. He also was the primary sponsor of Big Rivers' legislation this year to unwind its contract with LG&E/KU/E.ON US. Rep. Meade was a key legislator on the House Natural Resources Committee and was vice chair of the House Transportation Committee.

## Governmental Affairs

- Monitored the indictment of Gov. Ernie Fletcher by a Franklin County Grand Jury, and participated in co-op and internal meetings and discussions about its repercussions on the state energy policy, Fletcher's administration, air permits, proposed special session on tax reform for small businesses, and other issues of interest to electric co-ops.
- Worked with the Legal Team in discussing and developing strategy regarding the Supreme Court's May 18 denial of a Jackson Energy motion for reconsideration of its propane lawsuit. The Court's action effectively ends the case. The new law on affiliate services (HB 568) takes effect July 12.
- Worked with EKPC's Market Research and Preston-Osborne Research on the annual Governmental Affairs survey of member system managers and EKPC Leadership Team, including a review of data and final report.
- Continued participating in internal strategy sessions regarding the Spurlock #4 air permit, Smith #1 construction certificate from the Public Service Committee, and proposed Smith #1 air permit.
- Briefed Senator McConnell's new energy staffer about three hydropower issues with an emphasis on the potential financial impact on EKPC and other Southeastern cooperatives and municipals receiving power from the Southeastern Power Marketing Agency. Also, along with NRECA's Paul Griffin and SeFPC's legal team met with staff members of the Senate Energy and Natural Resources Committee to request assistance with retaining money set aside in the President's budget for repairs at Wolf Creek Dam and reinforcing the cooperatives' position on PMA agency rating, one of the five top issues at NRECA's 2006 Legislative Conference.
- Attended NRECA's 2006 Legislative Conference and KAEC's Congressional Breakfast and individual meetings with Kentucky's delegation.

# Human Resources & Support Services

MAY 2006

**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 \$389,920 year to date through April
- **Cost containment** –
  1. The spring meeting of the KREC Medical Plan was held May 23. There were several options offered to the members regarding how the plan could reduce drug and medical costs. These options will be voted on later this year.
  2. Began using the self-service payroll entry system to speed up time entry, approvals and processing for payroll.

**2. Ensuring the safety, well-being, and development of EKPC employees**

**Significant Results:**

- Through a Disease Management Program, costly employee situations may be identified to reduce costs and increase employee well being.
- Through a Simply Well Wellness pilot program, personal health coaches will be available to persons with conditions that need treatment or a lifestyle change. This program may result in reduced health care costs.
- OSHA Lost Time Incident Rate through May 31, 2006; 0.49

# Human Resources & Support Services

### 3. Providing appropriate corporate staffing requirements

#### Significant Results:

- **Positions Filled:**
  - Temporary Summer Student Legal – Daniel Zaluski
  - Temporary Summer Student Burnside – Matthew Lee
  
- **Positions open:**
  - Construction Project Manager @ Spurlock
  - Warehouseman @ Spurlock
  - Maintenance Material Specialist @ Spurlock
  - Engineer - Operations
  - Maintenance Mechanic - Entry @ Spurlock
  - Auxiliary Operator @ Dale
  - Sr. Engineer
  - Landfill Generating Plant Operator @ Bavarian
  - Sr. Engineer - EMS
  - Environmentalist
  - HR-PD Safety Training & Compliance Coordinator
  - Construction Technician Crew Leader
  - Electrician @ Cooper
  - Line Technician @ Bardstown
  - Sr. Engineer - Transmission Planning
  - Sr. Analyst - Resource Planning

### 4. Providing effective communications

**Significant Results: Supporting Corporate Communications and COO for consistency.**

### 5. Regulatory compliance

**Significant Results: No notifications**

### 6. Member Systems Support

**Significant Results: Ongoing support**

# 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 06B to HRPROD.
- ◆ HR – HR 8.8 SP1 Bundles #8 and #9 have been applied to Production. Bundle #10 in progress to HRDEV.

### *PeopleSoft Financials Version 7.5*

- ◆ General Ledger & Project Costing – Developed and implemented the new Labor Allocation Process which spreads Labor charges of HQ Staff in Power Delivery over all of Power Delivery's active project based on activity on the projects.

### *Enhance PeopleSoft Modification Reporting System*

- ◆ Continue design of new reporting system. This web-based application will replace the current windows application used to track modifications to the PeopleSoft product.

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.

### Enhance Production Management Reporting System

- ◆ Reporting requirements are being developed by managers in Production for the Landfill Gas Plants in order to use the PMRS system to track Daily, Monthly, and Yearly statistics.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

### Develop Power Delivery Scoping System

- ◆ Power Delivery is developing a more complete set of requirements needed for this system. Requirements were received on 5/30/06, and the redesign of the system will begin in June.

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 Coal Accounting System

- ◆ Components of the online, batch, and Crystal Reports were modified to allow for blending of coal at Dale Station. Coal blending has been done at Cooper, Spurlock, and Gilbert to save money by mixing lower quality coal with higher quality coal.

This supports **Competitive Energy and Reliable Energy** by providing Power Production with the flexibility required to purchase coal both on the spot market and

## Human Resources & Support Services

contract basis.

### Complete Maximo CMMS System Upgrade

- ◆ Consultant cleaned up outstanding interface issues.

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.

### Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Performed general menu maintenance on corporate sites.
- ◆ Made multiple updates relating to upcoming ARECG conference hosted by EKPC. The conference is June 25<sup>th</sup> through 28<sup>th</sup>.

This supports key measures **Competitive Energy, Reliable Energy, and Member Services** 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 62 support calls during the previous period.
- ◆ Cleaned up virus/worm problems on a computer at Bavarian landfill plant
- ◆ Worked with consultant on upgrades to Maximo CMMS system, which is used by all EKP power plants
- ◆ Took a full inventory of all printers at HQ with assistance of Print Manage, Inc. PMI will issue a management report on usage costs and recommend ways we can reduce our printing costs.
- ◆ Restored Internet service, which went down during Memorial Day weekend. Was able to switch to backup provider.

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.

- ◆ A new HVIU was installed at the Cemetery road substation.
- ◆ All RTU circuits' design and drawings were reviewed and modified to reflect actual construction both at HQ and JK Smith.
- ◆ EKPC signed a contract with consulting engineers for the Backup Control Center Telecom design. Management decided not to provide full-time backup RTU circuits to any power plant or switchyard at this time. If a disaster occurs, RTU traffic will be rerouted to the Backup Control Center manually. This design is now underway. Options for backup Stratum 1 clocking were investigated.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

## Human Resources & Support Services

Provide Telecommunications to Members.

- ◆ The master SCADA radio and antenna was installed at Joe Knob Tower in Harlan County for the Cumberland Valley SCADA project.
- ◆ The antenna was installed at Cooper Tower to add a new control base radio to communicate with South Kentucky RECC on their new two-way radio system.
- ◆ Antenna system bids were compared and all antenna materials were ordered for the Fleming-Mason SCADA project. Frequencies were coordinated for the two master stations and their remotes.
- ◆ Frequencies were coordinated, and materials received to double the capacity of the Folsom-Stanley Parker microwave radio, so Owen Electric will have 4 T1s for its use. Installation is planned for early June.

This supports key measure **Member Services** by providing a value-added service to member systems.

Provide New Two-way Radio System

- ◆ The report and coverage map was completed and received from UTCG for the Stanton drive test.
- ◆ The various consultants were evaluated and a decision made on which one to use for the design work, contingent upon management approval. An internal review is being made to evaluate the current needs of the primary radio system users.

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.
- ◆ A new emergency generator has been installed at the Dix Dam microwave site.
- ◆ Tower lights were repaired at the Liberty Junction microwave site.
- ◆ The air conditioner was replaced at the Garrard County microwave site.
- ◆ Guy wire anchors were cleaned out at Folsom and the weeds were cut at Joe Knob microwave site and weed control applied.

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.

Implement Telecommunications Strategic Plan

- ◆ All circuits have been moved to the new digital system.
- ◆ Installation is complete and the new AVTEC radio console is in service.

This new telecom system supports key measures **Competitive Energy** and **Reliable Energy** by providing better circuits and more circuits to monitor and remotely control power facilities, network our computers, link our telephone systems, and links our 2-



## Human Resources & Support Services

way radio base stations to the Control Centers.

### IT Performance Measures

- ◆ Annual O&M Budget - On Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 100.0%
- ◆ Two-Way Radio Availability
  - Member System Base Stations – 99.9%
  - EKPC Base Stations – 99.6%
- ◆ Application Availability – 100%
- ◆ Data Circuit Availability – 98.9%
- ◆ On-Time 555 Problem Resolution – 95.2%
- ◆ Customer Satisfaction Index
  - NCS Team – 100%
- ◆ PBX Availability – 100%

MAY 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. A mediation was unsuccessfully held on April 11, 2006. Additional depositions are scheduled for late June 2006 after which the summary judgment motion will be re-submitted for the court's consideration.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 10, 2005, former employee Jordan sued CBA alleging improper denial of his eligibility for disability benefits under EKPC's group disability plan administered by CBA; and breach of his privately negotiated worker's compensation settlement with EKPC, specifically as to certain future disability entitlements. EKPC filed its Answer on August 19, 2005, wherein it denied any liability. On September 27, 2005, EKPC made its initial disclosure, and had the joint meeting with plaintiff's counsel as ordered by the court. EKPC filed a motion for Summary Judgment last month and is awaiting the court's decision. The motion is based on CBA's determination that Jordan no longer qualified for long term disability benefits.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal 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 of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed its Answer denying all claims.

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. 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.

The court has previously set this matter for trial in October 2006; but this schedule could change depending upon whether the court rules favorably upon all or some of these motions. EKPC is preparing for trial.

5. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The PSC filed a notice with the Franklin Circuit Court on February 10 stating that the entire Designated Record of PSC Case No. 2004-00423 has been filed or incorporated by reference from the prior Enviropower action in Franklin Circuit Court seeking an injunction to prevent the hearing in that case. The court should now have all required records to allow it to render a decision on the Motions to Dismiss filed by the PSC and EKPC.
6. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. Appellee Briefs have been filed in this appeal by EKPC, the PSC, and the Attorney General. Enviropower will have the opportunity to file a reply brief by May 9. The Court has not yet determined if oral arguments will be held.
7. *Kevin Speaks v. EKPC, et al* – Pulaski Circuit Court. Plaintiff is seeking judicial review of an Unemployment Commission Order affirming his discharge from employment with EKPC. EKPC has moved to dismiss the Complaint, and the motion was granted and the case dismissed. (CASE CLOSED) This case should now be deleted.

#### 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, \$76,561.72 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 Proceeding) – 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 are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may 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.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected anytime.

2. 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.
3. PSC Case No. 2004-00423 – (Spurlock Unit 4 Certificate Application) – The Commission granted construction certificates for the Spurlock 4 unit in an order dated September 13. The order also includes a report on the Commission's investigation of allegations of improprieties in EKPC's 2004 RFP which were made by Enviropower LLC. The order addresses every factual allegation made by Enviropower and completely validates EKPC's position on every issue. The Commission found that Enviropower was not the lowest and best bidder in the RFP and commends EKPC for conducting a process "truly designed and carried out to determine the best and lowest-cost bid." Construction of the Spurlock 4 unit can proceed as soon as the construction permit from the Division of Air Quality is issued.
4. PSC Case No. 2005-00053 - (Smith Generation Certificates) – EKPC filed supplemental information with the Commission in this case on May 5, to address issues raised by the staff regarding site compatibility. Delays in completion of the NGPA review of the site have required EKPC to revert to the submission of a site assessment report in the case. No additional issues have been raised by the Commission since the filing of that information,

and there appear to be no outstanding issues regarding the Certificate of Public Convenience and Necessity for the facilities.

5. 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 April 14, 2005, FERC ruled for EKPC that it was entitled to the interconnection. Since EKPC and TVA were unable to work through details necessary to implement the interconnections, the task of doing so now falls to the FERC which is overseeing implementation of its Order
6. 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. After review, the Revenue Cabinet will issue a final ruling on whether it accepts all or any portion of the PROTEST.
7. USEPA Notice of Violation – On January 17, 2006, the United States Environmental Protection Agency (“USEPA”) issued a Notice of Violation (“NOV”) under Section 113 of the Clean Air Act (“CAA”) charging operation of Dale Station Units 1 and 2 with technical violation of the CAA’s 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. A conference with the USEPA was held on February 13, 2006, at the Region IV offices in Atlanta. The Company’s representatives had earlier met with state regulators on January 27, 2006. A second meeting in Washington was held on March 23, 2006, to work through the issues.
  - Kentucky followed suit by issuing its own Notice of Violation (“NOV”) for Dale Station Units 1 and 2 also alleging technical non-compliance respecting those programs over which it has jurisdiction.

EKPC is working diligently on several fronts to resolve the issues and has taken steps to bring the units into compliance with the Acid Rain Program. EKPC has met several times with representatives of the USEPA and Department of Justice with the most recent meeting on June 7, 2006, in Washington.

8. PSC Case No. 2005-00417 – Spurlock 2 Scrubber – The PSC granted a Certificate of Convenience and Necessity for the construction of the Spurlock 2 Scrubber on April 18, 2006. (CASE CLOSED).
9. PSC Case No. 2005-00495 – FAC – The PSC has approved EKPC’s application of the fuel adjustment clause for the six-month period ending October 31, 2005.
10. PSC Case No. 2006-00017 – Integrated Resource Plan – The PSC granted EKPC’s motion for a six-month extension of its 2006 IRP filing deadline, by an order dated February 17. EKPC’s IRP will now be due on October 21, 2006.

11. PSC Case No. 2006-00033 – Pendleton County LFGTE Facility – The PSC granted EKPC’s request for a declaratory order approving the Pendleton County Landfill Gas Project on March 10, 2006.
12. PSC Case No. 2006-00132 – Spurlock Unit 1 Scrubber – EKPC filed an Application with the Commission on March 27, 2006 for a Certificate of Public Convenience and Necessity to add a Flue Gas Desulfurization system to Spurlock Station Unit 1. EKPC responded to the Commission’s first data requests in this case on May 15, 2006.
13. PSC Case No. 2006-00048 – Direct Load Control. The Commission approved EKPC’s proposed direct load control pilot program on April 18.
14. PSC Case No. 2006-00236 - EKPC Depreciation Study – EKPC filed an Application with the Commission on June 2 for approval of a new depreciation study. This study was prepared as a part of EKPC’s settlement agreement in the implementation of the environmental surcharge in PSC Case No. 2004-00321.
13. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards – EKPC has coordinated the preparation of responses by the member system to data requests in this case, which is evaluating the concept of time-based metering and interconnection service. Prepared Testimony from Bill Bosta and Paul Dolloff were filed in the case on May 18, following an informal conference held on May 10. Intervenor testimony is due on June 6, and a public hearing is scheduled for July 18.

Dale W. Henley  
General Counsel

c: Dave Eames (for distribution)  
(H:\legal\MR-aprr06)

MAY 2006

**Economic Development Process**

- Attended board meetings of the Kentucky Association for Economic Development and Commerce Lexington and participated in a branding effort by the Kentucky Chamber.
- A meeting was held with the Mountain Association for Community and Economic Development (MACED) to determine their ability to assist member cooperatives in economic development efforts.
- A follow up meeting was held with the Small Business Advisory Department of the Kentucky Cabinet for Economic Development to evaluate progress on a strategic plan developed with assistance by EKPC.
- Attended the regular monthly board meeting of the Carroll County Community Development Corporation and the board's Industrial Committee.
- Chaired one of the cost containment team initiatives and finalized work on this project during the month.
- Met with Northern Kentucky University's Office for Economic Initiatives at the request of the university. Follow up meetings have been scheduled with Owen Electric and EKPC.
- Attended the Grant County Chamber of Commerce annual meeting at the invitation of Owen Electric.
- Attended the Jefferson Community & Technical College (Carrollton Campus) Advisory Board meeting.

**Non-Traditional Power Production Process**

- Awarded all equipment contracts for the Pendleton Co. LFGTE project.
- Provided backup O & M support for the Bavarian.
- Completed review of drawings & specifications, bid and evaluated bids for the Pendleton County LFGTE general construction contract.
- Implemented a remote monitoring system for Green Valley, Laurel Ridge and Bavarian LFGTE projects.

# Member Services

- Attended the southeast Green Power Partners meeting at Santee Cooper.
- Completed installation of the solar panels at four schools to help students learn about electricity and renewable energy.
- Focusing on signing up C & I customers for EnviroWatts.
- Staffed EnviroWatts booth at Licking Valley, Clark Energy, Inter-County, Grayson, Big Sandy and Jackson Energy annual meetings.

## Marketing & Natural Resources Process

- Presented Bats of Kentucky Program for North Metcalfe Elementary – Farmers RECC.
- Presented Wildflowers of Kentucky Program for Pine Knot Intermediate School for South Kentucky RECC.
- Worked a booth at the following Co-op Annual Meetings: Clark Energy, Inter-County Energy, Grayson RECC, Big Sandy RECC and Jackson Energy.
- Visited the following cooperatives to discuss PartnersPlus and cost containment: Nolin RECC, Salt River RECC, Cumberland Valley Electric, Grayson RECC and Owen EC.
- Cost Containment efforts were completed and recommendations were made. This information along with the annual Marketing update were presented to the full Board of Directors at the May Board Meeting.
- Beth Willoughby attended the national NRECA Marketing and Member Services Meeting in San Antonio, Texas.

Listed below are the Environmental activities for this month:

### School Programs:

Touchstone Cooperative	School	Date
Farmers RECC	Munfordville Elementary	5/30/2006
Shelby Energy	Louisville Christian Academy	5/24/2006
Taylor RECC	Greensburg Elementary	5/22/2006
Bluegrass Energy	Beaumont Middle School	5/19/2006
SKRECC	Pine Knot Elementary	5/17/2006
Farmers RECC	LeGrande	5/15/2006
Inter-Co Energy	Inter County Energy-Annual Mtg	5/12/2006
Grayson RECC	Carter County Career Day	5/11/2006



## Member Services

Grayson RECC	Greenup Co Field Day	5/10/2006
Clark Energy	Clark Energy Annual Meeting	5/9/2006
Grayson RECC	Greenup Co Field Day	5/9/2006
	Licking Valley RECC Annual Meeting	5/8/2006
Grayson RECC	Elliot County Middle School	5/5/2006
Bluegrass Energy	The Frankfort Christian Academy	5/4/2006
Farmers RECC	Memorial School	5/4/2006
Grayson RECC	Elliott Co Environmental Field Day	5/3/2006
Farmers RECC	North Metcalf Elementary	5/3/2006
Inter-Co Energy	Lincoln County Middle School	5/2/2006
Nolin RECC	Meadowview Elementary	5/2/2006
Inter-Co Energy	Danville Christian Academy-Gethsemane Baptist Church	5/1/2006

- Construction Projects Involving Environmental Activities for February: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Beam-Tichenor, Inez Sub and Tap, South Point Sub and Tap, Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Webb's Cross Roads
- Met with Cultural Resource Analysts concerning the archaeological and cultural surveys on the Wilson-Aberdeen, Memphis-Junction – Aberdeen, GM-Memphis Junction, and Barren County-Oakland-Magna projects.
- Met with the Kentucky Heritage Council regarding cultural resource activities associated with the Smith – West Garrard project and Bluegrass parkway Sub and Tap Project.
- Met with RUS officials concerning projects currently under environmental review.
- The Big Creek Transmission Line Environmental Assessment went out for the 30 day public comment period required under NEPA.
- The Smith – Sideview Transmission Line Project Environmental Assessment went out for the 30 day public comment period required under NEPA.

### Member and Corporate Communications Process

- Completed a PowerPoint for member systems about the reasons behind rising wholesale energy costs.
- Completed project to post explanations of EKPC unit outages on SUMVIEW, including anticipated times for units to resume operation.

## Member Services

- Developed and distributed Power Plans newsletter to update the Trapp Community on Smith Unit #1 and the activities of the Trapp Community Advisory Group, a committee of citizens working with EKPC on community relations for Smith Power Station.
- Printed and distributed internally the 2005 EKPC annual report.
- Distributed sample Simple Savings copy for members for publication in local newspapers.
- Distributed ads/materials explaining the not-for-profit status of cooperatives.
- Distributed the July InterChange articles for member Kentucky Living inserts, including manager's column, energy savings tips, safety articles and more.
- Distributed final copy of communications plan with message points to various audiences to explain the all-in-cost reduction plan of \$20-\$30 million by year-end 2007.
- Completed two additional Close the Gap newsletters, reporting on major team recommendations of Member Services Cost Containment teams.
- Presented major talking points to employees during the May 11 web cast from NRECA about rising energy costs nationwide.
- Distributed the next estimate from Pricing on the upcoming Environmental Surcharge factor.
- Distributed the April Fuel Adjustment Clause report.
- Visited Big Sandy and Jackson Energy to discuss Communications services and assess member needs.
- Worked toward finalizing automated slide show on the history of EKPC for display at the headquarters lobby.

### **Touchstone Energy Brand Management**

- Attended Touchstone Energy Summit & CONNECT Conference in San Antonio, Texas; made presentation on behalf of Jackson Energy; received Brand Champion Award.
- Attended Annual meetings at Clark Energy, Inter-County Energy, Grayson RECC, and Jackson Energy.

**Member Services**

- Attended KY NEED Luncheon in Frankfort.
- Worked with Communications to create new Co-op Connections Card Ad for July issue of KY Living.
- Met with Cornett Group regarding advertising for remainder of 2006 and review of UK network buy & possible options.
- Spoke with Host Communications regarding statistical analysis of UK network buy.
- Assisted Farmers in promotion of Motorcycle Fun Run.
- Participated in web conference on ACSI.
- Disseminated information to co-ops regarding Small BizU, will follow-up with support materials as requested.

## Power Delivery Unit

MAY 2006

### 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.

**System Peak** – EKPC's coincident peak in April 2006 was 1744 MWh, occurring at hour 0700 on the 10th. Member system requirements for the month of April 2006 were 838,650 MWh, a decrease of -1.04 % below April 2005. Heating degree-days for April were 133 fewer than normal. The average temperature for April was 59.3 degrees or 8.6% warmer than normal.

**Outage Reports for April 2006** - EKPC Power Supply outages have accounted for .04 consumer hours out year-to-date. Of these .00 were scheduled and .21 were emergency outages. None of these were due to major storms. For the month of April, we experienced nine emergency outages affecting 16 substations and four member systems. Four scheduled outages occurred and 18 line requests were also completed. Emergency outage reports for the complete system are attached.

**Average Service Unavailability Index (ASUI)** – Through April 2006, our reliability measure, ASUI is 12.2 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE  
EMERGENCY OUTAGES - THIS MONTH  
APRIL 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%	7-88%	0-0%	0-0%	1-13%	0-0%	0-0%	0-0%	0-0%	8-100%
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%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
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	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
SHELBY	0-0%	0-0%	0-0%	5-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
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	2-13%	0-0%	0-0%	13-81%	0-0%	0-0%	1-6%	0-0%	0-0%	0-0%	0-0%	16-100%

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**

**April 2006**

Page 1 of 1

	<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%	2-100%	0-0%	0-0%	2-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FARMERS	0-0%	0-0%	0-0%	7-88%	0-0%	0-0%	1-13%	0-0%	0-0%	0-0%	0-0%	8-100%
FLEMING-MASON	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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	2-67%	0-0%	0-0%	1-33%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
JACKSON	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
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%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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	3-75%	0-0%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
SHELBY	0-0%	0-0%	0-0%	5-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
SOUTH KENTUCKY	1-50%	0-0%	1-50%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
TAYLOR 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%
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	6-18%	2-6%	1-3%	19-58%	0-0%	1-3%	1-3%	0-0%	3-9%	0-0%	0-0%	33-100%

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  
APRIL 2006 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours Out			Company	Description	
04/02/06 21:11 Emergency	11 h 39 m 1,623	18,908	41,267	N81	Bedford Shelby	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. # DF-78 & DF-79 in line section between Milton - Bedford on KU Carrollton - Bedford 69 KV transmission line. EKPC could not restore service to Bedford substation due to fact, all transmission sources in this area were damaged and out of service, including KU Carrollton - KU Eminence transmission line.	
04/02/06 21:11 Emergency	3 h 4 m 914	2,803	5,077	N22	Milton Shelby	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning & high winds (possible tornados) damaged STR. # DF-78 & DF-79 in line section between Milton-Bedford on KU Carrollton-Bedford 69 KV transmission line . EKPC could not restore service to Bedford substation due to fact, all transmission sources in this area were damaged and out of service, including KU Carrollton-KU Eminence transmission line.	
04/02/06 21:19 Emergency	21 h 4 m 1,990	41,923	73,880	N25	Campbellsburg Shelby	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning & high winds (possible tornados) damaged KU transmission line in line section between KU Campbellsburg - EK Campbellsburg and KU Eminence - EK Campbellsburg on KU Carrollton - KU Eminence 69 KV transmission line. Several KU transmission structures were damaged on both sides of EK Campbellsburg tap.	
04/02/06 21:33 Emergency	5 h 29 m 1,264	6,931	15,319	W9	Jericho 4 Shelby	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) caused KU Eminence-LG&E Centerfield transmission line to lock-out. A lightning strike is thought to have damaged line switch 638-635 causing it to arc to ground during thunderstorm. This problem went undetected and the line was returned to service.	
04/05/06 14:30 Scheduled	0 h 30 m 2,591	1,296	1,775	E40	Campton Licking Valley	<b>System Improvements : System Addition</b> A scheduled outage was required in order to add a new circuit and OCR. Licking Valley personnel also reconfigured some existing distribution feeders exiting sub.	

# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

## APRIL 2006 for Entire System

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Description
	Consumers Out	Hours			Company	Type / Cause	
04/07/06 15:05 Emergency	0 h 4 m 2,981	199	275	W2 6	Beckton Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade and STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.	
04/07/06 15:05 Emergency	0 h 4 m 412	27	150	W1 8	Fox Hollow Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade and STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.	
04/07/06 15:05 Emergency	0 h 4 m 2,703	180	140	W1 0	Goodnight Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade and STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.	
04/07/06 15:05 Emergency	0 h 4 m 1,691	113	200	W7 9	Parkway #1 Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade and STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.	
04/07/06 15:05 Emergency	0 h 4 m 1	0	850	W7 9	Parkway #2 Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade and STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.	



# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

## APRIL 2006 for Entire System

Date/Time	Time Off	Consumer		KWH	Substation	Type / Cause
		Hours Out	Unserviced			
04/07/06 15:05 Emergency	1 h 36 m 3,247	5,195	6,275		W1 Temple Hill (new) 1 Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade & STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.
04/07/06 15:05 Emergency	0 h 4 m 310	21	500		W9 West Glasgow 8 Farmers	<b>Storm / Weather Related : Wind</b> Thunderstorms with heavy lightning and high winds (possible tornados) damaged STR. KH-41 & KH-42 on line section between Temple Hill-Summersshade & STR. # W-96 on line section between Patton Road Jct.-Summersshade on Summersshade - Fox Hollow 69 KV transmission line.
04/09/06 5:36 Emergency	1 h 19 m 1,264	1,664	5,317		W9 Jericho 4 Shelby	<b>Storm / Weather Related : Tornado</b> Thunderstorms with heavy lightning and high winds (possible tornados) caused KU Eminence-LG&E Centerfield transmission line to lock-out. A lightning strike is thought to have damaged line switch 638-635 causing it to arc to ground during thunderstorm. This problem went undetected and the line was returned to service.
04/15/06 10:50 Emergency	0 h 38 m 498	315	912		W9 Knob Creek 7 Salt River	<b>Transmission Line Equip. Failure : Switch</b> An outage occurred when LGEE was in process of switching circuits Knob Creek 3323 & Tip Top 3311 together. Breaker 3323 at LGEE Knob Creek opened, when normally open switch 3323-16 was closed.
04/16/06 4:07 Scheduled	1 h 21 m 812	0	0		N57 Gallatin County #2 Owen	<b>System Improvements : Maintenance</b> An outage was scheduled in order to replace metering current transformers.
04/17/06 9:36 Emergency	0 h 14 m 498	116	100		W9 Knob Creek 7 Salt River	<b>Transmission Line Equip. Failure : Connector/Jumper</b> An outage occurred when LGEE was in the process of switching circuits Knob Creek 3323 & Tip Top 3311 together. Breaker 3323 at LGEE Knob Creek opened when normally open switch 3323-16 was closed. LG&E trouble dispatcher reports a jumper burned into on A phase of switch 3311-20 arced to ground.

# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

## APRIL 2006 for Entire System

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
04/18/06 7:49 Scheduled	4 h 31 m 498	0	0	W9 Knob Creek 7 Salt River	<b>Transmission Line Equip. Failure : Connector/Jumper</b> A scheduled outage was required in order to replace a broken insulator at LG&E Knob Creek substation. This support insulator was located between LG&E Knob Creek-EK Knob Creek substation. Broken insulator was reported by EKPC field personnel.
04/20/06 9:00 Emergency	1 h 15 m 2,689	3,361	5,750	S17 Shelby City Inter-County	<b>Storm / Weather Related : Lightning</b> Heavy lightning during a thunderstorm is thought to have caused a fault near substation, operating OCR-680 and circuit switcher S17-708. No problems found with OCR controls.
04/20/06 15:48 Emergency	1 h 9 m 3,247	3,734	5,419	W1 Temple Hill (new) 1 Farmers	<b>Personnel Error : Other</b> Static wire pulled out from a quick-sleeve and made contact with transmission conductor below at STR. #W-96 in line section between Summershade-Temple Hill of Summershade-Fox Hollow transmission line. Wrong size quick sleeve was used to repair static. This static wire was repaired during a storm and wind related outage on 4-7-06.
04/22/06 6:26 Scheduled	7 h 42 m 1,107	0	0	N62 Downing Owen	<b>System Improvements : System Addition</b> A scheduled outage was required in order to connect transmission tap for Downing #2 substation.
<b>TOTAL</b>	30,340	86,786	163,206	<b>Average Hours Outage Per</b>	0.17
<b>YEAR TO DATE</b>	63,017	104,324	283,706	<b>YTD Avg Hrs Outage Per</b>	0.21
<b>TOTAL CONSUMERS SERVED = 499,309</b>					

**EAST KENTUCKY POWER COOPERATIVE  
POWER SUPPLIER OUTAGE REPORT  
April 2006**

**Average Hours Outage Per Consumer**

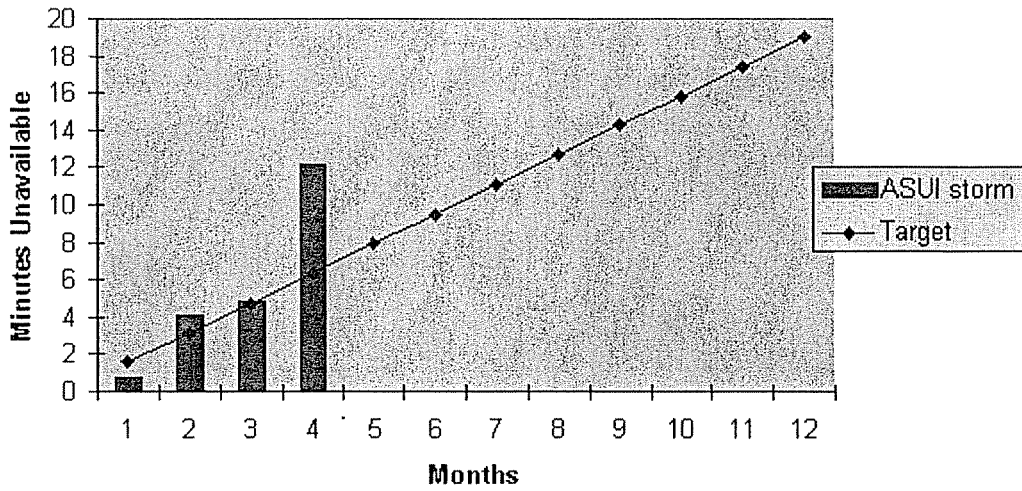
	<b>THIS MONTH</b>			<b>YEAR-TO-DATE</b>		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.00	0.00	0.00	0.00	0.00	0.00
CLARK	0.00	0.00	0.00	0.01	0.00	0.01
CUMBERLAND VALLEY	0.00	0.00	0.00	0.06	0.00	0.06
FARMERS	0.41	0.00	0.41	0.41	0.00	0.41
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	0.13	0.00	0.13	0.17	0.00	0.17
JACKSON	0.00	0.00	0.00	0.05	0.00	0.05
LICKING VALLEY	0.00	0.08	0.08	0.01	0.08	0.09
NOLIN	0.00	0.00	0.00	0.14	0.00	0.14
OWEN	0.00	0.00	0.00	0.00	0.00	0.00
SALT RIVER	0.01	0.00	0.01	0.09	0.00	0.09
SHELBY	5.69	0.00	5.69	5.69	0.00	5.69
SOUTH KENTUCKY	0.00	0.00	0.00	0.04	0.00	0.04
TAYLOR COUNTY	0.00	0.00	0.00	0.07	0.00	0.07
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.17	0.00	0.17	0.21	0.00	0.21

EKPC POWER SUPPLIER OUTAGES have accounted for .21 consumer hours out year to date. Of these .00 were scheduled, .00 were due to major storms, and .21 were other emergency outages.

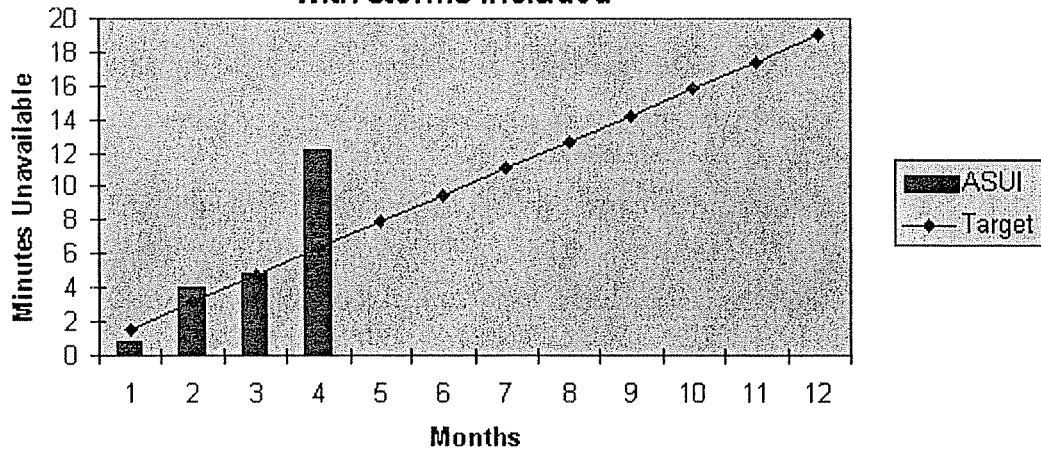
## Average Service Unavailability Index Report (ASUI)

<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	0.0000	0.0000	10.42	7.92	5.42
6	2006	0.0000	0.0000	12.50	9.50	6.50
7	2006	0.0000	0.0000	14.58	11.08	7.58
8	2006	0.0000	0.0000	16.67	12.67	8.67
9	2006	0.0000	0.0000	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	25.00	19.00	13.00

Average Service Unavailability Index  
with storms excluded



Average Service Unavailability Index  
with storms included



# MONTHLY REPORT

## **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.

<b>Mission</b>	<b>Key Measures</b>	<b><sup>1</sup>Year-To-Date Results</b>	<b><sup>1</sup>Year-To-Date Goal</b>	<b>Yearly Goal</b>
<b>Safety</b>				
Accidents	Lost Time Accident Rate	0.00	1.1	3.3
Inspections	Avg. Inspection Rating	100%	98%	98%
<b>Electric Service</b>				
Duration	ASUI (without major storms)	12.18	6.33	19 min.
<b>Cost Effective</b>				
Cost	Operating Cost	\$1,939,463	\$2,901,078	\$8,619,073
	Capital Project Cost	\$352,692	\$1,740,473	\$3,498,836
<b>Member’s Expectations</b>				
Member System Satisfaction	Member System Survey	N/A	88%	88%

**Notes:**

1. Year to date results and goals through April 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:May06rpt.doc)



**Power Delivery Expansion**  
**MAY PROJECT SUMMARY**  
 2006

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)
<b>SUBS &amp; TAPS</b>												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●			❖	❖				12/31/07		
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	●				○				12/31/07		
Barren County - Magna 24 mi.	L	●	❖	❖	□	□				12/31/07		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville #2, 69-12.5 kV, 11.2/14 MVA	S	●								05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●								12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖		○	❖				12/01/06		
Tap, 10 mi.	L	●	○	○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●		●	□	❖				11/30/06		
Tap 0.04 mi.	L	●		□						11/30/06		
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●		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		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		❖	□	□				12/31/06		
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	●								05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	□	❖		12/15/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖	□	○				03/07/07		
Conway Tap 0.2 mi.	L	●		❖						03/07/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	○	□	●	●				05/01/07		
Cynthiana Dist Sub Rebuild										05/01/08		
Cynthiana Normally Open 69 kV Tap and Switch	L	●		❖						05/01/06		
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	
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●		N/A	❖	○				12/31/07		
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		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●								05/01/07		
Tap, 0.5 mi	L	●		❖						05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	□				12/01/06		
Tap	L	●		○	□	●				12/01/06		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

S Substation Team  
 L Line Team



**Power Delivery Expansion  
MAY PROJECT SUMMARY  
2006**

<u>Projects</u>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	□	N/A			12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●		❖						12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖						05/01/07		
<i>Tap, 3.5 mi</i>	L	●		❖						05/01/07		
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		
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	05/24/06	
<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	●		❖						12/01/06		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	❖	□	□	●	❖	❖		06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●								06/01/07		
J. K. Smith CT Substation 345 kV	S	●	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		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	❖	❖	○	○				06/01/06		
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		
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		
<i>Tap, 6 mi.</i>	L	●	●	●	●	●	●	□	□	12/01/05		
Memphis Jct. 161 kV Trans Sub ( 2 Breakers)	S	●	❖	N/A	●	□				12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	○	□	□	□				12/31/07		
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		
<i>Pine Grove #2 Tap 69 kV, 0.1 mi.</i>	L	●								11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	❖		06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	❖	□	□	●	□	❖		06/01/06		

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- S Substation Team
- L Line Team





**Power Delivery Expansion  
MAY PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●								12/31/07		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	○	●	●	○				06/01/07		
Tap .20 mi	L	●		□	□	□				05/01/06		
South Point 69-12.47kV, 11.2 Sub	S	●	◆	◆	◆	◆				06/01/06		
Tap	L	●		◆						06/01/06		
Spurlock #4	S	●	◆	N/A	N/A	□	N/A			02/15/08		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	□		05/02/06		
Tap	L	●	●	●	●	●	●	□	□	05/02/06		
W. Bardstown Jct. 69 kV BKR Station	S	●			◆	◆				12/01/06		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●								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	●		□		◆				11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		◆	◆					11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●		◆	○	○				12/31/07		
Woodstock 11.2/14 MVA Substation	S	●								12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●		◆						12/01/07		
<b>STATION UPGRADES</b>												
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	●								05/01/06		
<b>CAPACITOR BANKS</b>												
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		
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A			05/01/06		

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**Power Delivery Expansion  
MAY PROJECT SUMMARY  
2006**

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<b>CAPACITOR BANKS CONT'D</b>												
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		
Maytown 10.2 MVAR Cap Bank	S									12/01/06		
Nelson Valley (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		
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	N/A	●	N/A	●	●	12/01/05	07/16/05	
Tyner Increase to 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	❖				12/01/06		
W. R. Smoot (Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	○	05/01/06		
<b>RECONDUCTORS</b>												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	○	○	06/01/06		
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	●								05/02/07		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/07		
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	●								12/01/07		
LGE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London Rebuild 954 MCM 69kV, 16.71 mi	L	●								05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/07		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			12/15/06		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●	05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●								12/01/06		

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- S Substation Team
- L Line Team

# Power Production

MAY 2006

## Engineering

Engineering is supporting the Smith Unit No. 1 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

Supplemental information has been supplied to the Division for Air Quality to support the issuance of the Spurlock Power Station Unit No. 4 air permit. The Division expects to issue the permit within the next two weeks. There appears to be no major issues remaining.

Application was made for the construction approvals for the Spurlock Units No. 1 and No. 2 scrubbers with the Division for Air Quality. These additions have been determined to be a “minor” modification, which do not require public notice.

Representatives of KU and E-ON, International toured Unit No. 3 at Spurlock Power Station. E-ON is constructing a CFB in Scotland.

A review is underway of stack monitoring requirements. It would appear that within the next four years that the number of stack monitors will double. This will represent a major investment in both equipment and manpower.

The Kentucky Utility Information Exchange met in Frankfort to review the proposed air quality regulations designed to implement the provision of the Federal CAIR Regulations. These regulations are supposed to be adopted by the State by September.

The State has requested information on mercury emissions from the power plants in Kentucky. This information will be used to develop their regulations on mercury control required by the Federal CAMR Program.

Discussion continues on the development of the Smith Power Station air permit. The final issues on air quality modeling have been answered by EPA, and the modeling can be completed. Upon completion, the application will be filed.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

# Power Production

## Production Monthly Report

Page 2

May 2006

### Fuel

EKPC's coal inventory at the end of May 2006 will be approximately 42 days. The inventory is projected to be decreased through the summer months of June, July, and August.

Proposals received in response to EKPC's coal supply contract solicitation for Dale and Cooper Power Stations were opened with Director, Mr. Gilbert in attendance. The proposals have been evaluated and contract price re-opener discussions initiated with the Vice President from National Coal.

Proposals received in response to EKPC's limestone supply contract solicitation for Spurlock Power Station Unit No. 4 and Spurlock Power Station Unit No. 2 scrubber were opened with Director, Mr. Gilbert, in attendance. The proposals are currently being evaluated.

Fuel personnel have procured, currently less expensive, alternate coal basin fuel from Indiana for testing on Spurlock Power Station Unit No. 2. Fuel personnel will procure alternate coal basin fuel for test burns to be conducted in the upcoming months on Spurlock Power Station Unit No. 1. Varied coals will be purchased in the upcoming months to be evaluated for the Gilbert Unit No. 3 NOx optimization.

Fuel personnel continue to provide assistance to Production personnel in regards to future fuel sources for Gilbert Unit 3, Spurlock Unit No. 4, Smith Unit No. 1, and future combustion turbines.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station and 15,000 gallons for Cooper Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

# Power Production

## Production Monthly Report

Page 3

May 2006

### Production

#### Dale Power Station

Dale Power Station has generated a total of 369,086 net MWh through April 30, 2006. Unit No. 1 was on-line and fully available until May 22<sup>nd</sup>. The unit was scheduled off-line to work on No. 1 GSU transformer. The unit was back on-line May 23<sup>rd</sup> and fully available the remainder of the month. Units No. 2 and No. 3 were on-line and fully available for the entire month. Unit No. 4 was off-line for the scheduled outage for the turbine/generator overhaul.

General Electric is on-site for Unit No. 4 turbine/generator overhaul.

Performance Contracting was on-site to remove/replace insulation on Unit No.4 main steam line, boiler hot spots, and remove asbestos that was necessary from miscellaneous lines. RTW Industrial was on-site to install refractory in Unit No. 4 boiler. B&W boiler inspector was on-site to inspect Unit No. 4 boiler. They also had personnel doing non-destructive testing and assessment on the boiler and main steam line. Precision Service was on-site making repairs to Unit No. 4 DA and evaporator safety valves on the Unit 4 boiler.

Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

Patty Epperson, Plant Safety Coordinator, has retired after 33 years of service.

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 16,740 net MWh through April 30, 2006. Units No. 2, 3, 4, 5, 6, and 7 were available for the entire month. Major overhaul for Unit No. 1 started on April 10<sup>th</sup>. The outage is expected to last approximately six weeks. EKPC and Alstom are doing this work.

Preparation and planning is ongoing for Smith Unit No. 1 CFB and combustion turbines eight through twelve.

# Power Production

## Production Monthly Report

Page 4

May 2006

### J.K. Smith Power Station (Continues)

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 699,982 net MWh through April 30, 2006. Unit No. 1 was on-line and fully available for the month. Unit No. 2 went off-line April 29<sup>th</sup> due to the scheduled spring maintenance outage and was back on-line May 10<sup>th</sup>. The unit was back on-line 1-1/2 days earlier than scheduled and was fully available the remainder of the month.

Cooper Power Station's maintenance personnel were involved in the scheduled spring maintenance outage on Unit No. 2. Some of the tasks that were completed were cleaning oil coolers on various pieces of equipment; opened and inspected the drum, evaporator, burners, coal feeders, steam coils, precipitators, and economizer hopper valves. These, as well as other projects, were completed during this time.

JBM, Inc., repaired Unit No. 2 seal air ductwork and also did precipitator maintenance work. B&W Construction inspected Unit No. 2 boiler and did high-energy piping inspection.

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.

# Power Production

## MONTHLY REPORT

### Production Monthly Report

Page 5

May 2006

#### Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 2,524,747 MWh through April 30, 2006. Unit No. 1 was on-line and fully available until May 1<sup>st</sup> at 6:00 a.m. when the unit derated to overhaul ID pulverizer. The derate limited it to 290 MW and lasted until May 2<sup>nd</sup>. During that derate the unit was further derated to 250 MW for two hours and 45 minutes on May 2<sup>nd</sup> due to a flame scanner taking out 1C pulverizer. The unit was back on-line and fully available the same day. The unit was derated on May 11<sup>th</sup> when it had to be derated due to high steam temperature. It was operating with No. 6 and No. 7 feedwater heaters out-of-service to repair a tube leak in the No. 6 heater, and the steam temperature was going too high so it had to be derated to 295 MW. The derate continued through May 13<sup>th</sup> when it was further derated to 145 MW status. It continued at 295 MW on the 13<sup>th</sup> when the load was further reduced to 45 MW so the drain could be closed and the crack repaired by welding. The 45 MW derate remained in effect until May 14<sup>th</sup> when it was returned to 295 MW. This derate remained in effect through May 30<sup>th</sup>. Unit No. 2 was on-line and fully available until May 25<sup>th</sup> when transformer T-9 tripped, and the unit was forced off-line. The unit was back on-line the same day and fully available the remainder of the month. Unit No. 3 was on a scheduled outage the entire month.

Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

**JULY 2006**



# Coordinated Planning

JUNE 2006

## Transmission Planning

### Summary of Future Transmission Projects Identified as of July 2006

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2006 through 2015):

- 300 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
- 16 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
- 137 miles of re-conductor or rebuild of existing transmission line
- 29 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 29 new 69 kV capacitor banks totaling 428 Mvars
- 180 miles of transmission line requiring high-temperature upgrades
- 29 new distribution substations
- 3 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

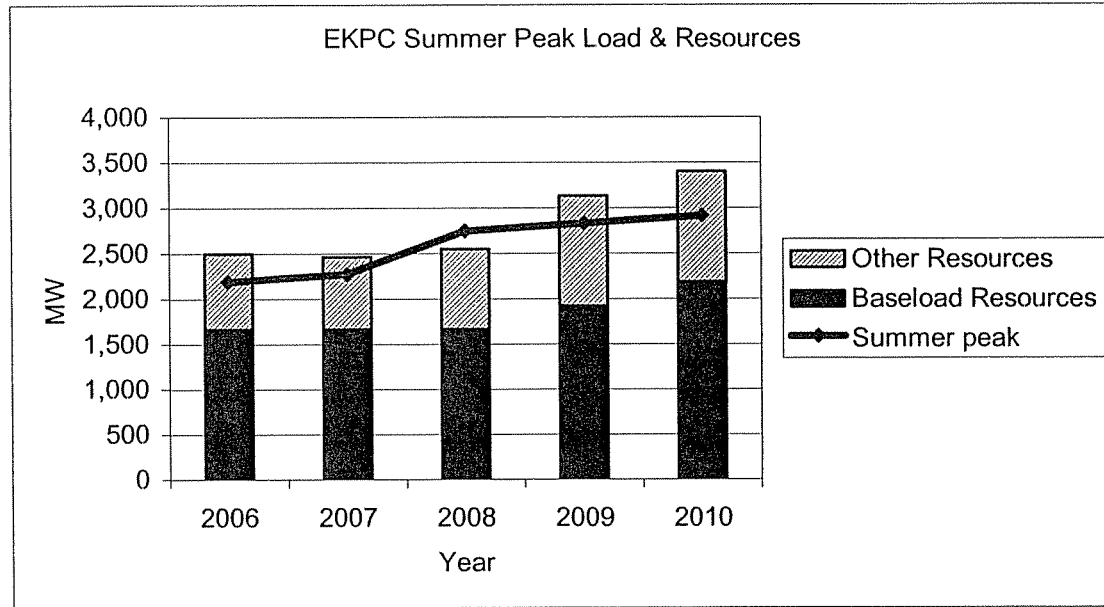
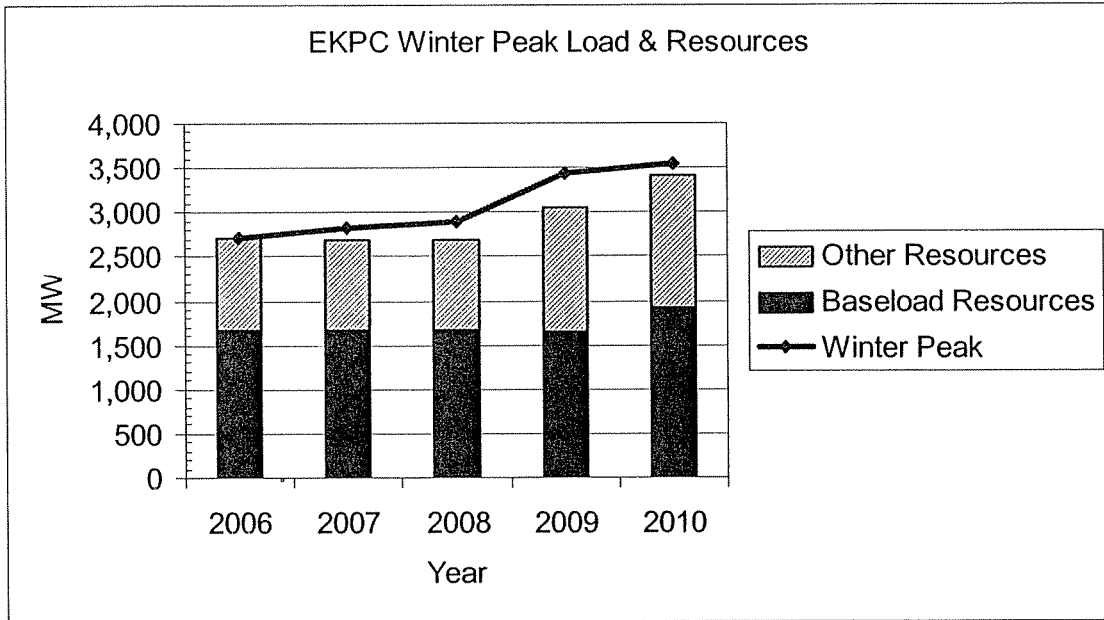
All of the above numbers include the new 161 kV lines and substations required for Warren RECC's membership in EKPC.

The primary changes from the report provided in June 2006 is the addition of a purchase of a new 161-138 kV, 200 MVA autotransformer for the Marion County substation to replace the existing transformer, followed by re-winding the transformer that will be removed from Marion County.

## 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 the impact of delays in adding new capacity, especially in 2009. EKPC will need to make seasonal purchases of transmission and/or power to cover the peak load and reserves. Summer seasonal purchases should not be necessary except in 2008, although it may be economical to purchase transmission to bring in economy power. Getting PSC approval for the proposed Smith capacity is critical for power supply in the 2008 to 2010 timeframe and beyond.

# Coordinated Planning



**NOTES:**

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Includes Greenup Hydro generation purchase through Dec 2006.

Pendleton Co. LFGTE assumed to be on-line January 2007.

Smith CTs 8-12:

1 units assumed to be on-line by Summer 2008.

3 units assumed to be on-line by Winter 2008-09.

1 unit assumed to be on-line by Summer 2009.

Warren RECC load data included April 2008.

Spurlock 4 unit assumed to be on-line in Spring 2009.

Smith CFB 1 assumed to be on-line by Summer 2010.

## Coordinated Planning

### Mid-Term Planning

Mid-Term Planning functions to optimize the use of EKPC's assets to provide the low cost power supply for our Members focusing on the next 5 years. 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.
- Natural gas costs are being hedged by purchasing financial futures of 30% of our historical needs through Constellation Energy. The futures are sold to offset against the current month's gas purchases.
- 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 investigating opportunities to obtain contracts to supply those needs.

We plan to provide more specifics for the activities listed above in future monthly reports.

# Coordinated Planning

## MONTHLY REPORT

### Forecasting & Market Analysis

#### EKPC Facts and Figures

	1990	2005	2005 Without Gallatin
Residential Sales	70%	58%	64%
Non-Residential Sales	30%	42%	36%
<b>Annual Load Factor</b>			
	2005		
Annual Load Factor for Gallatin	71%		
Annual Load Factor for EKPC including Gallatin	53%		
Annual Load Factor for EKPC excluding Gallatin	50%		
<b>Demographics and Appliances Based on 2005 End-Use Survey</b>			
Number of Homes Served	366,000		
Total Number of Kentuckians Served by EKPC	860,100		
Number of Homes with Electric Water Heaters	318,420		
Number of Homes with Electric Heat	198,738		
<b>10-Year Growth Rate</b>			
	1995 - 2005	2005-2025	
10-Year Growth Rate	4.9%		
2006 Load Forecast		3.2%	
2004 Load Forecast		4.5%	

JUNE 2006

**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 June 30, EKPC had \$72,944,500 of temporary, short-term investments in general funds. Interest rates on investments ranged from 4.81% to 5.08%. \$22,394,868 (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.

- Construction Funds

No advances were requested nor received in June.

The interest rates on our floating/fixed rate pollution bonds through June 30 were:

Cooper – 6 Month fixed rate – 3.42%

Smith – 6 Month fixed rate – 3.68%

Spurlock – weekly floating rate ranged from 3.38% to 4.10%

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 June 30, 6 of the 71 loans remain outstanding with balances totaling \$71,975.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of June 30, 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 June 30 was \$3,555,768.

As of June 30, \$660,296 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through

Finance Monthly Report

Page 2

June 2006

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 June, the CFC interest rate for lines of credit was 6.75% and the CFC variable, long-term rate was 6.90%. FFB interest rates on June 30 were 5.11% and 5.21% for two-year loans and thirty-year loans, respectively. The prime commercial rate increased .25% to 8.25%. The interest rate on June 30 for the CFC thirty-year long-term fixed rate loan was 7.70%. As of June 30, the interest rates on EKPC's Revolving Credit Facility ranged from 6.16% to 6.41%. 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 May 2006 for all departments and business units.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2006 projected margin.

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.

Continued to provide information to management for their use in cost containment efforts.

Continued annual preparation of reports and files for 2007-2009 budget cycle. Budget files for data entry were made available to all departments on June 19. These actions support EKPC's mission to provide competitive energy to member systems.

## Finance Monthly Report

Page 3

June 2006

- Financial Planning

Provided information for the data request from the Public Service Commission related to the Environmental Surcharge Case No. 2006-00131.

Participated in the decision team's study of emissions compliance options for Cooper Station. Preliminary economic analysis continued on these various options. This action supports 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 –

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Excess Liability Program, Marine and Crime Insurance – Personnel have begun work on renewal applications for excess liability including employment practices coverage, excess workers' compensation, marine and crime placement/renewal.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

Summer Unit Outage Insurance – Insurance was purchased for all units at Cooper and Spurlock for the period of July 19 thru September 19, 2006, from XL Specialty Insurance Company.

- Member Systems Claims for Transmission System Disturbance – Claims are under review and investigation for Jackson Energy and Grayson RECC.
- Personnel coordinated visits with EKPC's new FM Global Representative, David Hezs, and plant personnel at Spurlock and Smith.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents are being reviewed and upon appropriate approvals will be completed by September 29, 2006. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

Finance Monthly Report

Page 4

June 2006

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.



<b>East Kentucky Power 2005-2006 Business Insurance</b>					
<b>as of June 30, 2006</b>	<b>Type</b>	<b>Carrier</b>	<b>Coverage Limit</b>	<b>Self-Insured Retention</b>	<b>Annual Premium*</b>
	Property	FM Global	\$2,869,666,209	\$50,000 Headquarters \$1,000,000 -All other	\$2,136,752
	Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866
	Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178
	Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$6,784
	Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$8,374
	Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928
	Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010
	Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900
	Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year</i>	FM Global	\$250,000,000	\$500,000	\$235,631
	<b>ENVISION, LLC</b>				
	Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,382

\*Premium includes state surcharge and all taxes unless otherwise noted.

**E.A. Gilbert Generation Project Costs thru 5/31/2006**

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr.Award/Amend Over/(Under) Design Costs	(thru 5/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,986,679	\$ 400,479
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	3,067,496	(1,277,504)
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	149,038,624	2,312,639
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	15,360,294	5,709,448
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,288,178	1,183,078
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	330,831,306	8,871,978
	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)	-	-
		<b>Total Contracts</b>	<b>\$ 292,196,000</b>	<b>321,959,328</b>	<b>29,763,328</b>	<b>330,831,306</b>	<b>8,871,978</b>
Other Costs	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,273,098	1,553,098
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,006,888	506,888
	Spare Parts	EKPC	3,000,000	3,000,000	-	925,285	(2,074,715)
	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	38,146,923	2,151,923
		<b>Total Contracts + Other</b>	<b>\$ 327,111,000</b>	<b>357,954,328</b>	<b>30,843,328</b>	<b>368,978,229</b>	<b>11,023,900</b>
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		<b>Project Total</b>	<b>\$ 367,611,000</b>	<b>398,454,328</b>	<b>30,843,328</b>	<b>397,581,246</b>	<b>(873,082)</b>

Spurlock #4 Generation Project Costs thru 5/31/2006

Contract #	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 5/31/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1	TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000.00	\$ 500,000.00	\$ 18,562,262.96	\$ (14,332,737.04)
F6	FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,118,645	(88,479)
F8	DEAERATOR	Ecodyne	200,000	303,094	103,094	280,040	(23,054)
F11	CONDENSER	TEI	1,600,000	2,858,510	1,258,510	2,144,100	(714,410)
F16	CIRCULATING WATER PUMPS	ITT Industries	630,000	694,200	64,200	69,420	(624,780)
F17	CONDENSATE PUMPS	Flowsolve	245,000	323,505	78,505	169,175	(154,331)
F21	BOILER FEED PUMPS	Flowsolve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36	DISTRIBUTED CONTROL SYSTEM		4,000,000		(4,000,000)		-
F46	FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	922,144	(1,796,314)
F71	ASH HANDLING EQ ONLY		1,500,000		(1,500,000)		-
F101	ALLOY PIPING AND ALLOY SUPPOF	BendTec	2,450,000	3,922,297	1,472,297	1,445,979	(2,476,318)
F103	RADIAL STACKER/RECLAIMER		-		-		-
F131A	TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	310,055	(2,790,497)
F131B	TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700		(1,354,700)
F146	SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	1,101,112	(2,813,534)
F201	BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	77,239,776	(117,260,224)
F204	EMISSIONS MONITORING		300,000		(300,000)		-
F211	COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400		(12,078,400)
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	1,782,413	(1,242,687)
F251	PILING	Richard Goettle	5,650,000	6,560,145	910,145	6,012,469	(547,676)
F261	SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	3,384,887	(13,793,589)
F271	STRUCTURAL STEEL		-		-		-
F263	CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	2,490,441	(7,895,179)
F264	ASH SILO'S		-		-		-
F281	BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	2,275,020	(97,299,688)
F281	TURBINE CRANE		-		-		-
F281	AUXILIARY GEN & BUILDING (2000 KW) <sup>c</sup>		-		-		-
F332	PAINTING		2,500,000		(2,500,000)		-
		Subtotal	\$ 353,770,000	404,821,306	51,051,306	120,549,635	(284,271,671)
	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				
		Subtotal	\$ 33,112,500	-	(26,225,000)	-	-
		<b>Total Contracts</b>	<b>\$ 386,882,500</b>	<b>404,821,306</b>	<b>24,826,306</b>	<b>120,549,635</b>	<b>(284,271,671)</b>
	Other Costs						
	Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	6,276,683	(9,923,317)
	Owners Cost	EKPC	20,000,000	20,000,000	-	5,021,754	(14,978,246)
	Spare Parts	EKPC	-	-	-	-	-
	Site Prep	EKPC	-	-	-	1,383,202	1,383,202
	Environmental Costs	EKPC	-	-	-	-	-
		Total Other	\$ 36,270,000	36,200,000	(70,000)	12,681,638	(23,518,362)
		<b>Total Contracts + Other</b>	<b>\$ 423,152,500</b>	<b>441,021,306</b>	<b>24,756,306</b>	<b>133,231,274</b>	<b>(307,790,033)</b>
	Interest During Construction	IDC	46,546,775	46,546,775	-	3,429,220	(43,117,555)
	Fuel Credit during Commissioning						(1,979,134)
		<b>Project Total</b>	<b>\$ 469,699,275</b>	<b>487,568,081</b>	<b>24,756,306</b>	<b>136,660,494</b>	<b>(352,886,722)</b>

# Finance & Planning

Finance Monthly Report  
 Page 8  
 June 2006

## Accounting and Materials Management Process – Ann Wood, Manager

### General Accounting

Accounts payable wrote 1,276 checks in June 2006 totaling approximately \$38,240,000.

### East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of May 31, 2006

Expense Month	EKPC	EKPC	Debit/ Credit	KU	KU	Debit/ Credit
	Base Rate	Actual Fuel Rate		Base Rate	Actual Fuel Rate	
	\$/mwh	\$/mwh	\$/mwh	\$/mwh	\$/mwh	\$/mwh
Dec-04	15.60	26.85	11.25	14.94	17.73	2.79
Jan-05	15.60	28.28	12.68	14.94	18.14	3.20
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
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

## Finance & Planning

Finance Monthly Report  
Page 9  
June 2006

### Materials Management

In response to EKPC's cost containment efforts, purchase order processing is down approximately 1/4 with only 199 orders issued for June, and a year-to-date total of 1,651 orders. Approximately 2,000 orders had been processed year-to-date at the end of June 2005. One Purchasing team member and Power Delivery engineering personnel made a site visit to the Mitsubishi breaker plant in Pittsburgh. A two-year contract for insulators was finalized with a \$17,000 savings over the original evaluated bid price. Two Purchasing team members attended a local one-day Communications seminar, and one team member attended a "Purchasing and the Law" seminar in Washington as a requirement of continuing education.

The Winchester Warehouse inventory increased during May by \$226,811, with an ending balance of \$12,025,629. Stock-related material handled during the month totaled \$795,541, and included material for sixteen (16) Power Delivery Expansion projects, and credits for eight (8) projects. 8,628 gallons of fuel was pumped at the facility during May. 7,916 gallons of unleaded fuel was purchased for \$2.65/gallon, and 7,746 gallons of diesel was purchased for 2.69/gallon. The temporary employee working at the Warehouse is making field/outpost deliveries an average of 3-4 days per week; this is proving to be a lower-cost alternative to EKPC employees traveling to Winchester for materials.

### Payroll

Payroll continues to add employees to the Peoplesoft Time & Labor Self Service module. Testing of Payroll tax updates and Time and Labor bundles is ongoing.

### Plant Accounting

We are in the process of wrapping up the General Plant Asset Inventory that has been ongoing for the past several months; this should be completed by the end of August.

### **Pricing Process – Bill Bosta, Manager**

#### EKPC/LG&E Transmission and Interconnection Agreement Dispute

The parties filed Reply Briefs on Exception on January 3, 2006, and the case is ripe for decision. While the FERC is required to rule on Judge Grossman's

## Finance & Planning

Finance Monthly Report  
Page 10  
June 2006

decision, the Commissioners are under no time deadline to rule on the case and the rates being billed by LG&E to EKPC remain subject to refund. Based on the Commission's rulings thus far, EKPC will experience a 15% increase (about \$300,000 annually) in costs compared to the 43% increase (about \$860,000 annually) originally proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund advocated by EKPC and the FERC Trial Staff due to pancaked rates is in addition to the \$1.4 million noted above.

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 beginning December 1. To date, EKPC has received a credit of about \$69,000 for December, \$120,000 for January, \$93,000 for February, \$7,000 in March, \$14,000 in April, and \$3,000 in May; for a total of about \$306,000. EKPC and LG&E are in the process of negotiating new Interconnection and Transmission Agreements.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

### Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On June 20, EKPC submitted its twelfth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 9.69% to be applied to service rendered in June 2006 and billed the first week of July. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 6.43% to 8.25%.

On June 7, EKPC filed data request responses to the Commission's second set of requests in the six-month review case. At this point in the case, the Commission has not yet set a date for hearing. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

# Finance & Planning

Finance Monthly Report  
 Page 11  
 June 2006

**East Kentucky Power Cooperative, Inc.  
 Estimated Monthly Environmental Surcharge Factors  
 June 2006 through December 2007**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Jun-06	\$50,136,708	\$6,000,791	11.46%
Jul-06	\$50,417,737	\$6,780,251	12.94%
Aug-06	\$50,740,409	\$6,707,635	12.71%
Sep-06	\$50,688,074	\$5,785,244	10.90%
Oct-06	\$50,731,402	\$4,342,383	8.05%
Nov-06	\$51,276,661	\$4,570,584	8.40%
Dec-06	\$51,375,793	\$5,464,946	10.13%
Jan-07	\$51,868,120	\$6,670,391	12.35%
Feb-07	\$52,372,033	\$6,785,262	12.45%
Mar-07	\$52,872,383	\$6,757,332	12.27%
Apr-07	\$53,680,571	\$5,552,650	9.83%
May-07	\$54,540,102	\$6,158,483	10.78%
Jun-07	\$55,403,696	\$7,456,903	12.95%
Jul-07	\$55,573,404	\$7,927,182	13.75%
Aug-07	\$55,625,581	\$7,562,156	13.08%
Sep-07	\$55,691,712	\$6,804,824	11.71%
Oct-07	\$55,771,880	\$5,791,955	9.88%
Nov-07	\$55,435,952	\$5,896,305	10.13%
Dec-07	\$55,418,583	\$6,838,213	11.83%

Current SO2 price is \$618 per allowance as of June 30, 2006.

Current NOx price is \$2,100 per allowance as of June 30, 2006.

Direct Load Control DSM Filing

On April 18, the Commission approved EKPC's request for approval of a Demand Side Management (DSM) demonstration project. The project consists of the Direct Load Control of Air Conditioners and Water Heaters. As a result of the

## Finance & Planning

Finance Monthly Report  
Page 12  
June 2006

Order, EKPC will conduct the demonstration project beginning in July 2006 through the end of September 2007. Switches have been installed on a number of air conditioning units with the total number of Blue Grass Energy participants approaching 500. Solicitation letters will be sent to Big Sandy RECC customers in the near future for installation of switches on water heaters. It is anticipated that 300 Water Heater switches will be installed in residences at Big Sandy RECC. The project will help EKPC learn whether Direct Load Control is an effective tool in reducing the growth in peak demand. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

### Case 2005-00045 Consideration of 2005 Energy Policy Act

On May 10, an informal conference among all parties was held at the Commission's offices in Frankfort. The Commission Staff reviewed the data request responses submitted by each party and had follow-up questions on certain items. On May 18, Bill Bosta and Paul Dolloff submitted written testimony on behalf on EKPC and the Member Systems addressing the Smart Metering and Interconnection aspects of the 2005 Energy Policy Act. Intervenors from the Louisville Metro Human Needs Association and Hunt Technologies filed testimony in the case in June. Both of these parties agreed that the Commission should not mandate implementation of time-of-day metering for all customers. The hearing is scheduled for July 18 in Frankfort. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

### Touchstone Energy Home (DSM) Annual Filing

On June 30, EKPC filed its Annual Report with the Public Service Commission on the status of the Touchstone Energy Home Demand Side Management project. In 2005, an additional 131 Touchstone Energy Homes were established throughout the EKPC system, bringing the total to 175 homes since the start of the program in 2004. The report also included the number and amount of rebates provided to retail customers along with the costs of administering the program. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.



## Finance & Planning

Finance Monthly Report  
Page 13  
June 2006

### Internal Audit & Performance Measures – Graham Johns, Coordinator

#### Internal Auditing for Member Systems

- Inter-County Energy Cooperative—Completed an audit of health care benefits and delivered the report to management.
- Clark Energy Cooperative—Started an internal audit of consumer bill adjustments.

#### Management Audit—

Our fifth progress report on the management audit recommendations was due to the Public Service Commission by June 30, 2006. Of the 63 total recommendations, 55 have been closed, three have been closed on an agree-to-disagree basis, and five remain open.

#### Miscellaneous

- Spoke at the Kentucky Electric Cooperatives Accountants Association summer meeting on “Enthusiasm Makes the Difference.”
- Co-facilitated a strategic plan update for West Kentucky RECC with Ann Maggard.

# Finance & Planning

Finance Monthly Report  
Page 14  
June 2006

## Credit Union Process – Brian Tyler, Process Owner

### May 2006 Financial Report

Loans	13,428,880.06
Investments	3,121,270.85
Total Assets	17,399,596.35
Liabilities	1,894,808.50
Deposits	13,234,941.17
Equity	2,269,846.68
Interest on Loans	65,614.34
Investment Income	13,612.56
Total Income	80,159.94
Total Expenses	71,098.47
Retained Earnings	9,061.47
YTD Retained Earnings	44,830.17

### Credit Union Survey

The Credit Union has sent out a survey to all members over the age of 18, asking questions about checking accounts and related services. Once tabulated, the Credit Union Board will use the information to make decisions about future products that the Credit Union might offer.

dge/dd

c: Directors & Alternate Directors  
Executive Staff  
Finance Staff

## Governmental Affairs

JUNE 2006

### 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 Extraordinary Session of the Kentucky General Assembly. The small business tax relief bill contained two cooperative exemptions that were retained in the final bill that became law on June 28, 2006. It can be read in its entirety at: [www.lrc.state.ky.us](http://www.lrc.state.ky.us)
  - Continued to work with legislative staff and a state legislator to determine the status of clean coal tax credits regulations to be promulgated by the Environmental and Public Protection Cabinet. EKPC could benefit this year by receiving a property tax credit of at least \$44,000.
  - Attended Special Subcommittee on Energy where presentations by The Kentucky Rural Energy Consortium (KREC) and the Kentucky Geological Survey were given. For information about the KREC, the website is: [www.kppc.org](http://www.kppc.org) , then highlight the KREC in the left-hand column. There also was limited discussion about Kentucky's bid for the Future Gen project. Following a general question about burning of waste tires in power plants, EKPC able to meet with Senator Katie Stine, President Pro Tempore of the Senate and brief her about EKPC's test burns and interest in burning tires in the Gilbert Unit.
  - Participated in conference call with Rep. Hal Rogers' staff to update activity on the Senate side regarding Power Marketing Authority issues which could negatively impact EKPC and the other Southeastern Federal Power customers. Senator Bunning's office was crucial in assisting on the agency rating issue by initiating a letter and gathering other Senators to join in supporting the PMAs' position. The Senate Energy and Water Development Appropriations Subcommittee staff included protective language. Additionally, Senator Mitch McConnell's staff worked with the subcommittee staff to include language to prohibit the Corps Nashville District Office from forcing water contracts at the Wolf Creek Dam. Once more, this allows

additional time to seek a permanent fix to prevent the Corps from charging EKPC \$6 million for water storage at the Wolf Creek Dam.

- Along with Roy Palk, met with Clark County Judge/Executive John Myers, State Senator R.J. Palmer and State Representative Don Pasley to update them on the Smith project and discuss Highway 89 issues.
- Participated in a Production cost containment team meeting.
- Participated in meetings regarding possible EPA settlement and related issues.
- Participated in Warren RECC/TVA update.

# Human Resources & Support Services

JUNE 2006

**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 \$387,174 year-to-date through May.
- **Cost containment** –
  1. The spring meeting of the KREC Medical Plan was held May 23. There were several options offered to the members regarding how the plan could reduce drug and medical costs. These options will be voted on later this year.
  2. Began using the self-service payroll entry system to speed up time entry, approvals and processing for payroll.

### 2. Ensuring the safety, well-being, and development of EKPC employees

#### Significant Results:

- OSHA Lost Time Incident Rate through May 31: 0.49
- Through relevant health topic brown bags, EK employees have opportunities to improve lifestyles and work/life balance.
- Through the educational assistance program and development opportunities, EK employees are learning new workplace skills and knowledge.
- In the first quarter, the Disease Management Program has identified 72 employees/dependents with one or more of the seven chronic diseases covered by the program. Of those 72 employees/dependents, 35 were contacted. Seven have joined the Disease Management program. Four have declined the program.

# Human Resources & Support Services

### 3. Providing appropriate corporate staffing requirements

**Significant Results:**

- **Positions Filled:**
  - None
  
- **Positions open:**
  - Construction Project Consultant @ Spurlock – will not replace
  - Warehouseman @ Spurlock - will not replace
  - Maintenance Material Specialist @ Spurlock - will not replace
  - Engineer - Operations (Power Delivery)
  - Maintenance Mechanic - Entry @ Spurlock
  - Auxiliary Operators @ Dale Station
  - Sr. Engineer (Power Production)
  - Landfill Generating Plant Operator
  - Sr. Engineer - EMS
  - Environmentalist
  - HR/PD Safety Training & Compliance Coordinator
  - Construction Technician Crew Leader
  - Electrician @ Cooper
  - Line Technician @ Bardstown
  - Sr. Engineer (Coordinated Planning)
  - Sr. Analyst - Resource Planning

### 4. Providing effective communications

**Significant Results:**

- For those eligible (645 employees) EK has a 95% participation rate. Communicated to all employees the importance of their 401k account and the PIRC retirement planning available through NRECA.

### 5. Regulatory compliance

**Significant Results:**

- No regulatory HR issues.

### 6. Member Systems Support

**Significant Results:**

- A variety of member's needs were met – from customer service training to strategic planning, to safety training.

# Human Resources & Support Services

## Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

### *PeopleSoft HRMS Version 8.8*

- ◆ Payroll – Tax Update 06C to HRDEV and HRTEST.
- ◆ Time and Labor – Bundle #7 now in production.
- ◆ HR – Bundle #10 to HRTEST.
- ◆ Benefits – Continue working on re-design of Personalized Employee Benefits Statements.

### *PeopleSoft Financials Version 7.5*

- ◆ Accounts Payable – Implement ACH payment option to allow for Electronic Funds Transfer to vendors from the PeopleSoft Accounts Payables system.

MV90 Metering System Upgrade

- ◆ First full version upgraded in over 10 years
- ◆ Started work with consultant on startup of new server and data conversion
- ◆ Provided support for end user training

Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Performed general menu maintenance on corporate sites.
- ◆ Removed generations projects that are complete.
- ◆ Working on new sections of extranet – Button Up and Touchstone Energy Home.

Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 62 support calls during the previous period.
- ◆ Performed follow-up audit of printers at HQ with Print Manage Inc. This will allow them to estimate usage and costs for a comparison report.
- ◆ Installed a new Crystal Reports Enterprise report server for B.A. Team. This provides more license seats for various applications that generate reports, such as PMRS system.
- ◆ Provided PCs and support for EKPC Annual Meeting
- ◆ Provided PCs, software, and network equipment to Grayson RECC for their annual meeting.

Provide Telecommunications Services to Members

- ◆ Field tests were done at Chad, Oven Fork, Bledsole and Pine Mountain substations in Cumberland Valley's system.
- ◆ The antenna was installed at Cooper Tower to add a new control base radio to communicate with South Kentucky RECC on their new two-way radio

## Human Resources & Support Services

system.

- ◆ Most antenna materials for the Fleming-Mason SCADA project have arrived. MDS SCADA radios have been ordered. Some RFL mux equipment has been ordered, but not all. We plan to install the master radios in July, and remotes will be installed beginning in late July or early August.
- ◆ The capacity of the Folsom-Stanley Parker microwave radio was doubled to provide capacity for Owen Electric's use.
- ◆ We installed an RTU circuit to Lock 7, through a telco, through a KU fiber optic link, and through EKPC's system. Testing and troubleshooting is ongoing.

### Provide Telecommunications to Substations

- ◆ All RTU circuit design and drawings were reviewed and modified to reflect actual construction both at HQ and JK Smith.
- ◆ The Stratum 1 clock has been ordered. The SM multiplexer for the North Ring has been assembled and should be installed by early July. The consulting engineers and EKPC teleconferenced and have begun design work.
- ◆ We explored alternatives to a planned telecom outage at JK Smith complex and procedures are being put in place to minimize telecom disruption.

### Provide New Two-way Radio System.

- ◆ Discussions are ongoing about the timing of a new two-way radio system.

### Maintain the Telecommunications System.

- ◆ Drawings for the new digital system are being delivered to the remote sites.
- ◆ Routine maintenance was performed at ten microwave sites.
- ◆ A spread spectrum microwave radio was replaced at the Inland Container substation site.
- ◆ A complete inspection has been completed at the Folsom microwave site. All hardware has been checked and the paint meets FAA requirements.

### Implement Telecommunications Strategic Plan

- ◆ All circuits have been moved to the new digital system.
- ◆ Installation is complete and the new AVTEC radio console is in service.

### 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 – 98.33%
  - EKPC Base Stations – 99.92%



- ◆ Application Availability –100%
- ◆ Data Circuit Availability- 99.93%
- ◆ On-Time 555 Problem Resolution – 95.2%
- ◆ Customer Satisfaction Index
  - NCS Team – 100%
- ◆ PBX Availability – 100%

JUNE 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. A mediation was unsuccessfully held on April 11, 2006. Additional depositions are scheduled for late June 2006 after which the summary judgment motion will be re-submitted for the court's consideration.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 10, 2005, former employee Jordan sued CBA alleging improper denial of his eligibility for disability benefits under EKPC's group disability plan administered by CBA; and breach of his privately negotiated worker's compensation settlement with EKPC, specifically as to certain future disability entitlements. EKPC filed its Answer on August 19, 2005, wherein it denied any liability. On September 27, 2005, EKPC made its initial disclosure, and had the joint meeting with plaintiff's counsel as ordered by the court. EKPC filed a motion for Summary Judgment last month and is awaiting the court's decision. The motion is based on CBA's determination that Jordan no longer qualified for long term disability benefits.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal 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 of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed its Answer denying all claims.

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. 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.

The court has previously set this matter for trial in October 2006; but this schedule could change depending upon whether the court rules favorably upon all or some of these motions. EKPC is preparing for trial.

5. *Enviropower LLC v. EKPC (Spurlock 4 Certificate Order)* – Franklin Circuit Court. The PSC filed a notice with the Franklin Circuit Court on February 10 stating that the entire Designated Record of PSC Case No. 2004-00423 has been filed or incorporated by reference from the prior Enviropower action in Franklin Circuit Court seeking an injunction to prevent the hearing in that case. The court should now have all required records to allow it to render a decision on the Motions to Dismiss filed by the PSC and EKPC.
6. *Enviropower v. PSC (Spurlock 4 – Denial of Intervention)* – Court of Appeals. All Briefs have been filed in this appeal, and the Franklin Circuit Court has supplemented the record on appeal to include EKPC's Motion to Dismiss, which had previously been omitted. The Court has made no determination about oral arguments, which all parties except Enviropower have stated are unnecessary.
7. *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. Since this litigation has recently been filed, no discovery has taken place.

#### 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, \$77,271.72 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 Proceeding)* – 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 are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may 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.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected anytime.

2. *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.
3. *PSC Case No. 2004-00423* – (Spurlock Unit 4 Certificate Application) – EKPC received its construction permit from the Kentucky Division of Air Quality on June 13, and construction of Spurlock Unit 4 is underway. (CASE CLOSED)
4. *PSC Case No. 2005-00053*– (Smith Generation Certificates) – EKPC has filed a request with the Commission, asking for an expedited resolution of any remaining issues in this case. The lengthy review process has begun to threaten deadlines for major contracts. EKPC is hoping to schedule an informal conference to answer any remaining questions of the Commission staff or the other parties to the case.

5. 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 April 14, 2005, FERC ruled for EKPC that it was entitled to the interconnection. Since EKPC and TVA were unable to work through details necessary to implement the interconnections, the task of doing so now falls to the FERC which is overseeing implementation of its Order
6. 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. After review, the Revenue Cabinet will issue a final ruling on whether it accepts all or any portion of the PROTEST.
7. USEPA Notice of Violation – On January 17, 2006, the United States Environmental Protection Agency (“USEPA”) issued a Notice of Violation (“NOV”) under Section 113 of the Clean Air Act (“CAA”) charging operation of Dale Station Units 1 and 2 with technical violation of the CAA’s 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. A conference with the USEPA was held on February 13, 2006, at the Region IV offices in Atlanta. The Company’s representatives had earlier met with state regulators on January 27, 2006. A second meeting in Washington was held on March 23, 2006, to work through the issues.
  - Kentucky followed suit by issuing its own Notice of Violation (“NOV”) for Dale Station Units 1 and 2 also alleging technical non-compliance respecting those programs over which it has jurisdiction.

EKPC is working diligently on several fronts to resolve the issues and has taken steps to bring the units into compliance with the Acid Rain Program. EKPC has met several times with representatives of the USEPA and Department of Justice with the most recent meeting on June 7, 2006, in Washington.

8. PSC Case No. 2006-00017 – Integrated Resource Plan – The PSC granted EKPC’s motion for a six-month extension of its 2006 IRP filing deadline, by an order dated February 17. EKPC’s IRP will now be due on October 21, 2006.
9. PSC Case No. 2006-00132 – Spurlock Unit 1 Scrubber – EKPC filed an Application with the Commission on March 27, 2006 for a Certificate of Public Convenience and Necessity to add a Flue Gas Desulfurization system to Spurlock Station Unit 1. EKPC responded to the Commission’s first data requests in this case on May 15, 2006.
10. PSC Case No. 2006-00236 - EKPC Depreciation Study – EKPC filed an Application with the Commission on June 2 for approval of a new depreciation study. This study was prepared as a part of EKPC’s settlement agreement in the implementation of the environmental surcharge in PSC Case No. 2004-00321.

11. PSC Admin. Case No. 2006-00045 – Consideration of Federal Energy Policy Act Standards  
– The hearing in this case is scheduled for July 18 at 9 a.m. at the Commission offices in Frankfort.

Dale W. Henley  
General Counsel

c: Dave Eames (for distribution)  
(H:\legal\MR-june-06)

JUNE 2006

## Economic Development Process

- Coordinated aerial photography projects for two member systems.
- Co-sponsored and attended, with several member systems – KAED Site Selection Training Seminars in Danville and Erlanger.
- Attended Pendleton County Industrial Authority Board Meeting.
- Assisted member cooperative in commercial account rate issue.
- Attended Carroll County Industrial Committee meeting.
- Attended Henry County Industrial Authority meeting.
- Continued to maintain, update, and refine economic development web sites.
- Met with Commissioner Randy Fiveash of the Kentucky Tourism Department regarding recruitment of retirees to Kentucky.
- Met with John Nicholson, President of the Kentucky Horse Park regarding opportunities for member systems to benefit in the Altech World Equestrian Games in 2010.
- Established contacts with Eastern Kentucky University regarding economic development initiatives at the university and ways in which EKPC can collaborate to benefit our service areas.
- Co-sponsored and attended with several member systems in a Tourism Workshop held in Paintsville.
- Participated as co-chair of the Kentucky Chamber of Commerce's Economic Development Committee to identify and begin development of a policy agenda for 2006 and subsequent legislative agenda for 2007.
- Attended meetings as Board member of the Kentucky Association for Economic Development and Commerce Lexington.
- Conducted a follow-up strategic planning session for the Small Business Services unit of the Kentucky Cabinet for Economic Development.

## Member Services

### Non-Traditional Power Production Process

- Attended ground breaking ceremonies at the Pendleton County Landfill Gas Plant.
- Attended a meeting with Whayne Supply & Ziegler to discuss options for operating the LFG engines to reduce long term maintenance costs.
- Performed several days of O & M at the Bavarian plant.
- Met with Waste Management to discuss how to increase landfill gas delivery volumes at Laurel Ridge.
- Allied Waste made significant repairs to the Green Valley Gas Collection System, increasing gas flows to the plant.
- Over 200 people signed up for EnviroWatts at annual meeting booths.
- Attended a Webcast by Wal-Mart regarding their future needs for renewable energy.
- Developing a brokerage agreement with Element Markets to sell a portion of our surplus green tags.

### Marketing & Natural Resources Process

- Attended and manned a booth at following annual meetings: Cumberland Valley RECC, Salt River RECC, South Kentucky RECC, Nolin RECC, Blue Grass Energy, and Shelby Energy. Staff also attended and worked the Touchstone and Environmental Education Booths at Warren RECC and Owen Electric.
- Presented an overview of the Touchstone Energy Environmental Program for the Kentucky NEED Project. About 10-12 teachers were in attendance at EKPC HQ for that presentation.
- Visited the following cooperatives to discuss PartnersPlus and cost containment: Big Sandy RECC, Farmers RECC, Nolin RECC, South Kentucky, Grayson, and Salt River.
- Cost Containment efforts were completed and recommendations were sent to Gary Crawford. This information along with the annual Marketing update will be presented at the MSAC meeting to be held at EKPC on July 18<sup>th</sup>.

Listed below are the Environmental activities for this month:



## Member Services

- School Programs: Camp Nabe, Grayson RECC
- Construction Projects Involving Environmental Activities for June: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Beam-Tichenor, Inez Sub and Tap, South Point Sub and Tap, Alex Creek Substation and Tap Bullitt-Beam-Tichenor Transmission Line. Smith-West Garrard, Webb's Cross Roads, Bluegrass Parkway Sub and Tap
- Met with Cultural Resource Analysts concerning the archaeological and cultural surveys on the Wilson-Aberdeen and Memphis-Junction – Aberdeen pProjects.
- Met with the Kentucky Heritage Council regarding cultural resource activities associated with the Smith – West Garrard project and Bluegrass Parkway Sub and Tap project.
- Met with RUS officials concerning projects currently under environmental review.
- Met with Daniel Boone National Forest Service officials regarding the proposed Big Creek – Goose Rock and Smith – Tyner Transmission line projects.
- The Big Creek Transmission Line Environmental Assessment 30-day public comment period expired on June 23.
- The Smith – Sideview Transmission Line Project Environmental Assessment 30 day public comment period expired on June 28.
- The GM – Memphis Junction Transmission Line Environmental Assessment went out for the 30-day public comment period on June 20.

### Member and Corporate Communications Process

- Developed Cost Containment Summary Report to track progress toward \$20-\$30 million reduction by year-end 2007 using budget vs. actual dollars spent.
- Coordinated the 2006 EKPC Annual Meeting.
- Completed press release for member systems to promote the 2006 Touchstone Energy Motorcycle Poker Run.
- Issued EKPC press releases about construction of Spurlock Unit #4 and the EKPC

## Member Services

annual meeting.

- Posted various Fact Sheets, including one on the favorable FERC decision upholding decision requiring EKPC/TVA interconnections.
- Answered request of EKPC member systems to obtain legal permission and complete project to convert Edison Electric Volton safety video to DVD format.
- Briefed local media about Smith-North Clark Transmission Project and the process of securing final easements.
- Completed rough draft of Energy Law explainer brochure for members to assist them in explaining new tax credits available for installation of energy efficient windows, doors, and insulation.
- Completed Macro-Corridor Report on the Smith-East Garrard Transmission Project on behalf of Power Delivery.
- Completed communications plan for Smith-East Garrard project, including visits to fiscal courts in Clark, Madison, and Garrard counties, along with media visits.
- Maintained SUMVIEW Unit Outage Information Page, detailing explanations of unit outages and expected time to return on-line.
- Distributed Power Point for member systems detailing the reasons behind rising wholesale energy costs.
- Distributed the August InterChange articles for member Kentucky Living inserts, including manager column about not for profit status of cooperatives, an article warning about copper theft safety dangers, energy savings tips and more.
- Distributed the next estimate from Pricing on the upcoming Environmental Surcharge factor.
- Distributed the May Fuel Adjustment Clause report.
- Assisted with Touchstone Energy booth and took photographs at various member system annual meetings, including Nolin, South Kentucky, Warren, and Cumberland Valley, Owen Blue Grass, and Shelby.
- Worked with Farmers RECC and NRECA International on posting Touchstone Energy Safety Power Points on cooperative.com.
- Worked with member systems to post EnviroWatts material, the Safety Station, GO Team material, and Environmental Education on member web sites.

### Touchstone Energy Brand Management

- Attended Touchstone Energy Regional Partner's meeting.
- Attended TSE Strategic Communications Committee meeting.
- Attended Blue Grass Energy and Shelby Energy Annual meetings.
- Met with representatives from Buckeye Power, Hoosier Energy, and Big Rivers to explore joint advertising opportunities.
- Met with Host Communications regarding UK network.
- Worked with Lineman's Rodeo committee on rodeo program and other preparations for the Rodeo.

## Power Delivery Unit

### JUNE 2006 REPORT

#### 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.

**System Peak** – EKPC's coincident peak in May 2006 was 1999 MWh, occurring at hour 1600 on the 30th. Member system requirements for the month of May 2006 were 903,522 MWh, an increase of 5.74 % above May 2005. The average temperature for May was 61.8 degrees or 1.6% cooler than normal.

**Outage Reports for May 2006** - EKPC Power Supply outages have accounted for .27 consumer hours out year-to-date. Of these, none were scheduled and .27 were emergency outages with none due to major storms. For the month of May, we experienced nine emergency outages affecting 24 substations and nine member systems. Four scheduled outages occurred and 22 line requests were also completed. Emergency outage reports for the complete system are attached.

**Average Service Unavailability Index (ASUI)** – Through May 2006, our reliability measure, ASUI is 14.7 minutes with no major storms occurring.

**EAST KENTUCKY POWER COOPERATIVE  
EMERGENCY OUTAGES - THIS MONTH**

**May 2006**

Page 1 of 1

	<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%	4-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
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%	1-50%	0-0%	0-0%	1-50%	0-0%	2-100%
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%	1-100%	0-0%	1-100%
JACKSON	0-0%	0-0%	0-0%	4-80%	0-0%	0-0%	0-0%	0-0%	0-0%	1-20%	0-0%	5-100%
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%	1-100%	0-0%	1-100%
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	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%	6-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	6-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	3-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	3-100%
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%	18-78%	0-0%	0-0%	1-4%	0-0%	0-0%	4-17%	0-0%	23-100%

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**

**May 2006**

Page 1 of 1

	<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%	4-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
CLARK	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	2-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
FARMERS	0-0%	0-0%	0-0%	7-70%	0-0%	0-0%	2-20%	0-0%	0-0%	1-10%	0-0%	10-100%
FLEMING-MASON	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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	2-50%	0-0%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
JACKSON	0-0%	0-0%	0-0%	4-67%	0-0%	1-17%	0-0%	0-0%	0-0%	1-17%	0-0%	6-100%
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%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
OWEN	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%	0-0%	1-100%
SALT RIVER	3-60%	0-0%	0-0%	2-40%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
SHELBY	0-0%	0-0%	0-0%	5-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	5-100%
SOUTH KENTUCKY	1-13%	0-0%	1-13%	6-75%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	8-100%
TAYLOR COUNTY	0-0%	0-0%	0-0%	4-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	4-100%
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	6-11%	2-4%	1-2%	37-66%	0-0%	1-2%	2-4%	0-0%	3-5%	4-7%	0-0%	56-100%

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  
MAY 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
05/02/06 14:44 Scheduled	28 h 12 m 2,729	0	0	W0 East Bardstown 4 Salt River	<b>System Improvements : Facility Upgrade</b> A scheduled outage was required in order to upgrade East Bardstown switching station.
05/10/06 4:37 Emergency	1 h 25 m 2,334	3,307	1,110	S23 Peyton's Store Inter-County	<b>Wildlife : Wildlife</b> A raccoon made contact with a potential transformer in metering bay. Two jumpers were damaged.
05/12/06 13:43 Emergency	0 h 41 m 4	3	748	W9 Chaplin 9 Blue Grass	<b>Storm / Weather Related : Wind</b> High winds caused an off right of way tree to fall onto line section between Sinai - Chaplin at STR# GT-80 of No. Springfield-KU Bonds Mill transmission line.
05/12/06 13:43 Emergency	0 h 7 m 1,507	176	200	W9 Clay Lick 6 Blue Grass	<b>Storm / Weather Related : Wind</b> High winds caused an off right of way tree to fall onto line section between Sinai - Chaplin at STR# GT-80 of No. Springfield-KU Bonds Mill transmission line.
05/12/06 13:43 Emergency	0 h 7 m 2,860	334	300	W1 Sinai 4 Blue Grass	<b>Storm / Weather Related : Wind</b> High winds caused an off right of way tree to fall onto line section between Sinai - Chaplin at STR# GT-80 of No. Springfield-KU Bonds Mill transmission line.
05/12/06 13:43 Emergency	0 h 7 m 2,516	294	325	W1 Van Arsdell 5 Blue Grass	<b>Storm / Weather Related : Wind</b> High winds caused an off right of way tree to fall onto line section between Sinai - Chaplin at STR# GT-80 of No. Springfield-KU Bonds Mill transmission line.
05/12/06 13:43 Emergency	0 h 28 m 1,808	844	921	W2 Bloomfield 2 Salt River	<b>Storm / Weather Related : Wind</b> High winds caused an off right of way tree to fall onto line section between Sinai - Chaplin at STR# GT-80 of No. Springfield-KU Bonds Mill transmission line.

# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT

## MAY 2006 for Entire System

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
	Consumers Out	Hours Out				
05/14/06 7:24 Emergency	0 h 8 m 1,854	247	2,250	N52 W.R. Smoot #2 Owen	<b>Wildlife : Wildlife</b> A bird made contact with metering bay, initiating an arc to ground. One primary fuse (center phase) operated. Low voltage lockout scheme prevented station from single phasing. One primary fuse operated.	
05/15/06 12:04 Scheduled	0 h 16 m 1,620	5	0	N05 Cynthia Blue Grass	<b>System Improvements : Maintenance</b> An outage was required in order to replace a damaged neutral jumper on center phase transformer.	
05/17/06 8:07 Scheduled	0 h 28 m 767	0	0	E90 Trapp Clark	<b>System Improvements : Maintenance</b> A scheduled outage was required in order to replace substation primary lightning arresters.	
05/18/06 6:02 Emergency	0 h 18 m 2,824	847	1,280	S20 Camp Ground Jackson	<b>Wildlife : Wildlife</b> A squirrel made contact with regulator jumper causing circuit interrupter S20-708 to open.	
05/18/06 9:04 Scheduled	1 h 59 m 1,301	0	0	E88 Laurel Co. Industrial Park Jackson	<b>System Improvements : System Addition</b> A scheduled outage was required in order to connect Laurel Co. Ind. Park #2 substation.	
05/18/06 16:56 Emergency	0 h 5 m 2,284	190	175	E16 Fall Rock Jackson	<b>Storm / Weather Related : Wind</b> Thunder storms with high winds damaged an off right of way tree which fell onto line section between, Manchester - Goose Rock at STR. # CE-9, of Tyner -Goose Rock transmission line.	
05/18/06 16:56 Emergency	4 h 6 m 3,082	12,636	16,882	E18 Goose Rock Jackson	<b>Storm / Weather Related : Wind</b> Thunder storms with high winds damaged an off right of way tree which fell onto line section between Manchester - Goose Rock at STR. # CE-9, of Tyner -Goose Rock transmission line.	



**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
MAY 2006 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours Out			Company	Description	
05/18/06 16:56 Emergency	0 h 5 m 1,442	120	398	E76 Greenbriar Jackson	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between, Manchester - Goose Rock at STR. # CE-9, of Tyner -Goose Rock transmission line.		
05/18/06 16:56 Emergency	0 h 5 m 1,158	97	75	E67 Oneida Jackson	<b>Storm / Weather Related :</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between, Manchester - Goose Rock at STR. # CE-9, of Tyner -Goose Rock transmission line.		
05/18/06 16:57 Emergency	0 h 17 m 41	12	925	S60 Asahi Motor Wheel South Kentucky	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between Pulaski County - Norwood at STR. # TH-32, of Pulaski County - Somerset - Walnut Grove transmission line.		
05/18/06 16:57 Emergency	0 h 23 m 1,483	568	1,441	S74 Cabin Hollow South Kentucky	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between Pulaski County - Norwood at STR. # TH-32, of Pulaski County - Somerset - Walnut Grove transmission line.		
05/18/06 16:57 Emergency	0 h 48 m 1,986	1,589	2,850	S46 East Somerset South Kentucky	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between Pulaski County - Norwood at STR. # TH-32, of Pulaski County - Somerset - Walnut Grove transmission line.		
05/18/06 16:57 Emergency	0 h 48 m 1,073	858	1,375	S94 Nelson Valley South Kentucky	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between Pulaski County - Norwood at STR. # TH-32, of Pulaski County - Somerset - Walnut Grove transmission line.		
05/18/06 16:57 Emergency	0 h 48 m 1,670	1,336	4,200	S32 Norwood South Kentucky	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between Pulaski County - Norwood at STR. # TH-32, of Pulaski County - Somerset - Walnut Grove transmission line.		

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
MAY 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation		Description
				Company	Type / Cause	
05/18/06 16:57 Emergency	0 h 17 m 2,019	572	900	S18	Shopville South Kentucky	<b>Storm / Weather Related : Wind</b> Thunderstorms with high winds damaged an off right of way tree, which fell onto line section between Pulaski County - Norwood at STR. # TH-32. of Pulaski County - Somerset - Walnut Grove transmission line.
05/23/06 6:42 Emergency	0 h 4 m 4,328	289	182	W0 9	Munfordville Farmers	<b>Personnel Error : Improper Switching</b> Barren Co. W59-614 opened at 6:42 and failed to reclose. Reclosed by supervisory at 6:46. Recloser cut-off switch was found in "off" position by field personnel. Switch was not fully in "On" position, so recloser would not reclose breaker after breaker opened.
05/25/06 22:54 Emergency	0 h 37 m 1,428	881	2,934	W2 9	Campbellville Taylor County	<b>Storm / Weather Related : Lightning</b> Thunderstorms with high winds damaged a static wire, which fell onto line section between Green Co.- KU Greensburg of Green Co. - Taylor Co. 69 kV transmission line.
05/25/06 22:54 Emergency	0 h 37 m 1,044	644	1,414	W8 6	Green River Plaza Taylor County	<b>Storm / Weather Related : Lightning</b> Thunderstorms with high winds damaged a static wire, which fell onto line section between Green Co.- KU Greensburg of the Green Co. - Taylor Co. 69 kV transmission line.
05/25/06 22:54 Emergency	0 h 37 m 2,582	1,592	2,031	W2 7	Mile Lane Taylor County	<b>Storm / Weather Related : Lightning</b> Thunderstorms with high winds damaged a static wire, which fell onto line section between Green Co.- KU Greensburg of the Green Co. - Taylor Co. 69 kV transmission line.
05/31/06 20:45 Emergency	3 h 46 m 700	2,637	5,418	W0 8	Bonnieville Farmers	<b>Wildlife : Wildlife</b> A snake made contact with secondary bus, damaging bus support and switch insulators above OCR-#974. Two primary fuses operated.
<b>TOTAL</b>	48,444	30,076	48,334	<b>Average Hours Outage Per</b>		0.06
<b>YEAR TO DATE</b>	111,461	134,399	332,040	<b>YTD Avg Hrs Outage Per</b>		0.27
<b>TOTAL CONSUMERS SERVED = 499,309</b>						

**EAST KENTUCKY POWER COOPERATIVE  
POWER SUPPLIER OUTAGE REPORT**

**May 2006**

Page 1 of 1

**Average Hours Outage Per Consumer**

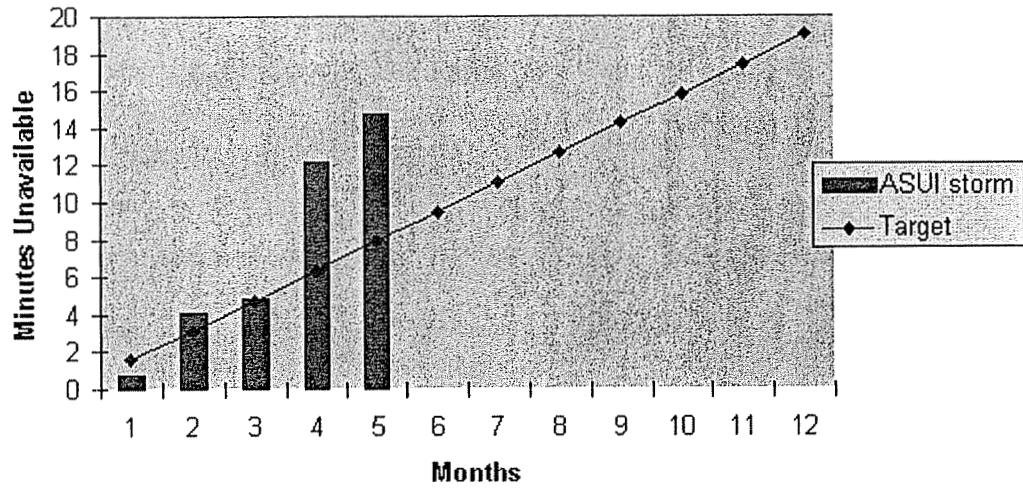
	<b>THIS MONTH</b>			<b>YEAR-TO-DATE</b>		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.02	0.00	0.02	0.02	0.00	0.02
CLARK	0.00	0.00	0.00	0.01	0.00	0.01
CUMBERLAND VALLEY	0.00	0.00	0.00	0.06	0.00	0.06
FARMERS	0.13	0.00	0.13	0.53	0.00	0.53
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	0.13	0.00	0.13	0.30	0.00	0.30
JACKSON	0.27	0.00	0.27	0.33	0.00	0.33
LICKING VALLEY	0.00	0.00	0.00	0.01	0.08	0.09
NOLIN	0.00	0.00	0.00	0.14	0.00	0.14
OWEN	0.00	0.00	0.00	0.00	0.00	0.00
SALT RIVER	0.02	0.00	0.02	0.11	0.00	0.11
SHELBY	0.00	0.00	0.00	5.69	0.00	5.69
SOUTH KENTUCKY	0.08	0.00	0.08	0.11	0.00	0.11
TAYLOR COUNTY	0.13	0.00	0.13	0.20	0.00	0.20
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.06	0.00	0.06	0.27	0.00	0.27

EKPC POWER SUPPLIER OUTAGES have accounted for .27 consumer hours out year to date. Of these none were scheduled, none were due to major storms and .27 were other emergency outages.

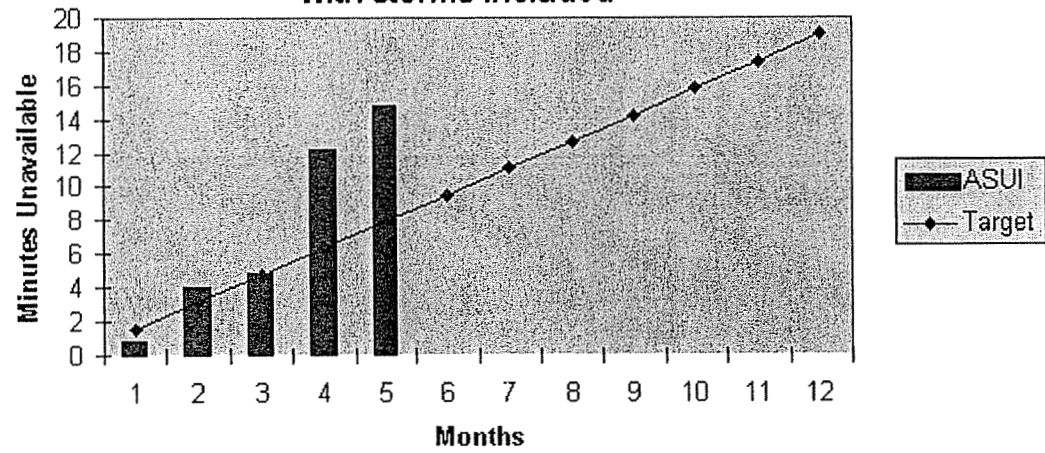
**Average System Unavailability**  
**Index Report**  
**(ASUI)**

<b><u>Month</u></b>	<b><u>Year</u></b>	<b><u>Without Major Storms (Min.)</u></b>	<b><u>With Major Storms (Min.)</u></b>	<b><u>Threshold</u></b>	<b><u>Target</u></b>	<b><u>Stretch</u></b>
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	0.0000	0.0000	12.50	9.50	6.50
7	2006	0.0000	0.0000	14.58	11.08	7.58
8	2006	0.0000	0.0000	16.67	12.67	8.67
9	2006	0.0000	0.0000	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	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.

<b>Mission</b>	<b>Key Measures</b>	<b><sup>1</sup>Year-To-Date Results</b>	<b><sup>1</sup>Year-To-Date Goal</b>	<b>Yearly Goal</b>
<b>Safety</b>				
Accidents	Lost Time Accident Rate	0.00	1.4	3.3
Inspections	Avg. Inspection Rating	100%	98%	98%
<b>Electric Service</b>				
Duration	ASUI (without major storms)	14.74	7.92	19 min.
<b>Cost Effective</b>				
Cost	Operating Cost	\$2,505,104	\$3,593,461	\$8,619,073
	Capital Project Cost	\$402,834	\$1,947,743	\$3,498,836
<b>Member’s Expectations</b>				
Member System Satisfaction	Member System Survey	N/A	88%	88%

**Notes:**

1. Year to date results and goals through May 31, 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:June06rpt.doc)



**Power Delivery Expansion  
JUNE PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS</b>												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●			●	❖				12/31/07		
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			12/31/07		
Barren County - Magna 24 mi.	L	●	❖	○	□	□				12/31/07		
Joe Tichenor W.Bardstown 69 kV Fiber	L	●	❖							06/01/07		
Beattyville #2, 69-12.5 kV, 11.2/14 MVA	S	●		❖						05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●	❖			❖				12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖	❖	○	❖				12/01/06		
Tap, 10 mi.	L	●	○	○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●	□	●	●	□				11/30/06		
Tap 0.04 mi.	L	●		□						11/30/06		
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●		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		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		○	□	□				12/31/06		
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					05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●	●	●	●	●	□	○		12/15/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖	□	○				03/07/07		
Conway Tap 0.2 mi.	L	●		❖						03/07/07		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	○	□	●	●				05/01/07		
Cynthiana Dist Sub Rebuild				❖						05/01/08		
Cynthiana Normally Open 69 kV Tap and Switch	L	●		❖	❖	❖				05/01/06		
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	
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●		N/A	●	○				12/31/07		
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		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●		❖						05/01/07		
Tap, 0.5 mi	L	●		❖						05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	●	●	●	□				12/01/06		
Tap	L	●		○	□	●				12/01/06		

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- S Substation Team
- L Line Team



**Power Delivery Expansion  
JUNE PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Garrard Co. Breaker Addition	S	●	N/A	N/A	N/A	□	N/A			12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●		❖	□	❖				12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●		❖						05/01/07		
<i>Tap, 3.5 mi</i>	L	●		❖						05/01/07		
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		
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	●		❖						12/01/06		
J.K. Smith-N.Clark 345kV Trans line 19 mi	L	●	❖	□	□	●	❖	❖		06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●								06/01/07		
J. K. Smith CT Substation 345 kV	S	●	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		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	❖	❖	○	○				06/01/06		
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		
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	●	□				12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	○	□	□					12/31/07		
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		
<i>Pine Grove # 2 Tap 69 kV, 0.1 mi.</i>	L	●								11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	□		06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	❖	□	□	●	□	❖		06/01/06		

- ❖ - Project Started
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- S Substation Team
- L Line Team





**Power Delivery Expansion  
JUNE PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●		N/A	●					12/31/07		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●	○	●	●	○				06/01/07		
Tap .20 mi	L	●		□	□	□				05/01/06		
South Point 69-12.47kV, 11.2 Sub	S	●	❖	❖	❖	❖				06/01/06		
Tap	L	●		❖						06/01/06		
Spurlock #4	S	●	❖	N/A	N/A	□	N/A			02/15/08		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	●		05/02/06		
Tap	L	●	●	●	●	●	●	□	□	05/02/06		
W. Bardstown Jct. 69 kV BKR Station	S	●		●	□	○				12/01/06		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●	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	●	❖	□	□	○				11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		❖	❖					11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●		❖		○				12/31/07		
Woodstock 11.2/14 MVA Substation	S	●								12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●		❖						12/01/07		
<b>STATION UPGRADES</b>												
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	●								05/01/06		
<b>CAPACITOR BANKS</b>												
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		
Griffin 9.18 MVAR Cap Bank	S	●	N/A	N/A	N/A	●	N/A			05/01/06		

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**Power Delivery Expansion  
JUNE PROJECT SUMMARY  
2006**

<b>Projects</b>	<b>PDE Team in Charge of Project</b>	<b>Project Justification\WP Amendment</b>	<b>Permits\Environmental\Soil Testing</b>	<b>Siting\IR\W Acquisition</b>	<b>Survey</b>	<b>Design\Drafting</b>	<b>Initial R/W Clearing</b>	<b>Construction</b>	<b>Inspection\Checkout</b>	<b>Target Energization Date</b>	<b>Ready for Energization (Actual)</b>	<b>Energization (Actual)</b>
<b>CAPACITOR BANKS CONT'D</b>												
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		
Maytown 10.2 MVAR Cap Bank	S			N/A	N/A	○				12/01/06		
Pulaski Co.-Nelson Valley 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	●	●	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 Increase to 16.33 MVAR Capacitor	S&L	●	N/A	N/A	●	❖				12/01/06		
W. R. Smoot(Boone) 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●	○	05/01/06		06/08/06
<b>RECONDUCTORS</b>												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A	○	○	06/01/06		
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	●								05/02/07		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/07		
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	●								12/01/07		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Tyner-North London ReblD.954MCM 69kV,16.71mi	L	●								05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/07		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			12/15/06		
W. Berea - Three Links Reconductor .09 miles	L	●	●	●	●	●	●	●	●	05/01/06	05/01/06	05/01/06
Davis Jct.-Fayette 3.5 Miles	L	●								12/01/06		

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- S Substation Team
- L Line Team

# Power Production

JUNE 2006

## Engineering

Engineering is supporting the Smith Unit No. 1 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

Air modeling efforts are continuing on the Smith Station CTs and CFB air permitting. EPA has finally given approval for the modeling protocol. As soon as modeling is complete, the application to construct will be filed at the Division for Air Quality.

The air quality construction permit was received from the Division for Air Quality on June 13<sup>th</sup>, and construction has begun on Spurlock Power Station Unit No. 4. There are a number of permit conditions that are of concern to EKPC when the plant becomes operational. Efforts are continuing to insure that all limits will be met when the plant becomes operational.

Discussions are continuing with EPA on the NSR case and questions concerning Dale Power Station Units No. 1 and No. 2 size. EPA has forwarded a proposed settlement of the NSR issues that is being evaluated. EPA is also requesting a great deal of information concerning Dale Power Station Units No. 1 and No. 2 prior to developing an enforcement position.

The Draft Air Permit Renewal for Cooper Power Station has been received and is being reviewed. Comments are due by July 6<sup>th</sup>.

A site visit was made, along with other utilities, to the TCA Paradise Plant to see the FGD system being installed on Unit No.3. It is scheduled to become operational in October 2006.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

## Production Monthly Report

Page 2

June 2006

### Fuel

EKPC's coal inventory at the end of June 2006 will be approximately 42 days. The inventory is projected to decrease through the summer months of July and August.

A recommendation for a contract amendment to the National Coal Contract in response to market price re-opener negotiations will be presented at the July 2006 Board and Committee Meetings.

Proposals received in response to EKPC's limestone supply contract solicitation for Spurlock Power Station Unit No. 4 and Spurlock Power Station Unit No. 2 scrubber are currently being evaluated, and negotiations are being conducted with suppliers concerning proposals.

Coal supply contract recommendations for the Gilbert unit to replace the cancelled Charolais coal contract will be presented at the July 2006 Board and Committee Meetings.

Negotiations have been initiated in regards to a coal supply contract market price re-opener with Gatliff Coal Company.

Approximately 22,500 gallons of No. 2 fuel oil were purchased for Dale Power Station, 7,500 gallons for Cooper Power Station, and 105,000 gallons for Spurlock Power Station.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

# Power Production

## Production Monthly Report

Page 3

June 2006

### Production

#### Dale Power Station

Dale Power Station has generated a total of 434,810 net MWh through May 31, 2006. Unit No. 1 was on-line and fully available until June 6<sup>th</sup> for a forced outage due to a communication error between the Mark V and Bailey Systems. 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 the entire month. Unit No. 3 was on-line and fully available until June 21<sup>st</sup> for a forced outage due to a primary superheat tube leak. The unit was back on-line June 23<sup>rd</sup> and fully available the remainder of the month. Unit No. 4 was off-line for a scheduled turbine/generator overhaul until June 5<sup>th</sup>. The unit was taken off-line for over speed testing on June 6<sup>th</sup>. The unit was back on-line June 7<sup>th</sup> and fully available until June 8<sup>th</sup>. The unit was forced off-line due to feedwater regulator valve problems. The unit was back on-line June 11<sup>th</sup> and was fully available until June 26<sup>th</sup>. The unit was forced off-line to repair an economizer tube leak. The unit was back on-line June 28<sup>th</sup> and fully available the remainder of the month.

General Electric was on-site to complete Unit No. 4 turbine/generator overhaul. Performance Contracting was on-site and completed the insulation work on Unit No. 4. Brown Sprinkler was on-site and completed installing the fire protection on Unit No. 4 turbine/generator.

Safety meetings were held on personal protection equipment during the month of June.

Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

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 17,149 net MWh through May 31, 2006.

Preparation and planning is ongoing for Smith Unit No. 1 CFB and combustion turbines eight through twelve.

# Power Production

## Production Monthly Report

Page 4

June 2006

### J.K. Smith Power Station (Continues)

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 848,659 net MWh through May 31, 2006. Unit No. 1 was on-line and fully available until June 15<sup>th</sup> when it was forced off-line to repair a boiler tube leak. During this time the unit also derated on June 11<sup>th</sup> to 73 MW to repair a broken primary air pilot tube on 1C pulverizer. The unit was back on-line June 15<sup>th</sup> and fully available the remainder of the month. Unit No. 2 was on-line and fully available until June 24<sup>th</sup> when the unit was forced off-line to repair a boiler tube leak. The unit was back on-line on June 26<sup>th</sup> and fully available the remainder of the month.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month of June. Some of the tasks that were completed were collecting monthly oil samples, checked condition of batteries in the battery room, serviced all conveyor main bearings, inspected and serviced sample building equipment, checked Unit No. 1 and Unit No. 2 coal feeders, and also checked Unit No. 1 and Unit No. 2 submerged chains. These, as well as other projects, were completed during this time.

Mann Painting Contractor continued to work on 2-A and 3-A conveyors.

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.

# Power Production

## MONTHLY REPORT

### Production Monthly Report

Page 5

June 2006

#### Spurlock Power Station

Spurlock Power Station has generated a net equivalent of 3,087,803 MWh through May 31, 2006. Units No. 1 and No. 2 were on-line and fully available for the month of June. Unit No. 3 was off-line for repairs until June 4<sup>th</sup>. The unit was forced off-line on June 4<sup>th</sup> to load bed ash into the boiler. The unit was back on-line June 5<sup>th</sup>. The unit was taken off-line to do the post overhaul overspeed test and was back on-line the same day. On June 9<sup>th</sup> the air heater stopped and tripped the unit. The unit was returned to service the same day and remained on-line until June 14<sup>th</sup>. At this time the unit derated to 250 MW due to restriction in the furnace floor nozzles. The derate continued through June 27<sup>th</sup>.

Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

**AUGUST 2006**



# Coordinated Planning

JULY 2006

## Transmission Planning

### Summary of Future Transmission Projects Identified as of July 2006

Transmission planning has presently identified the following transmission expansion requirements for the ten-year planning horizon (2006 through 2015):

- 300 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
- 16 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
- 137 miles of re-conductor or rebuild of existing transmission line
- 29 new breaker additions at existing transmission substations
- Replacement of two existing transmission transformers
- Re-winding of one existing transmission transformer
- 29 new 69 kV capacitor banks totaling 428 Mvars
- 180 miles of transmission line requiring high-temperature upgrades
- 29 new distribution substations
- 3 upgrades of existing distribution transformers
- 1 spare generating-step up (GSU) transformer purchase for the E.A. Gilbert Unit

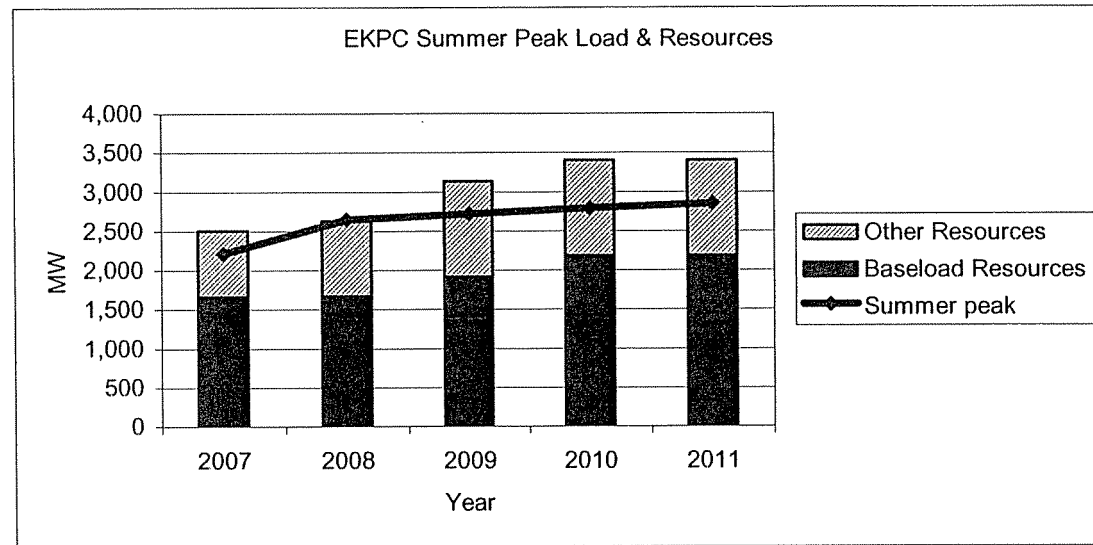
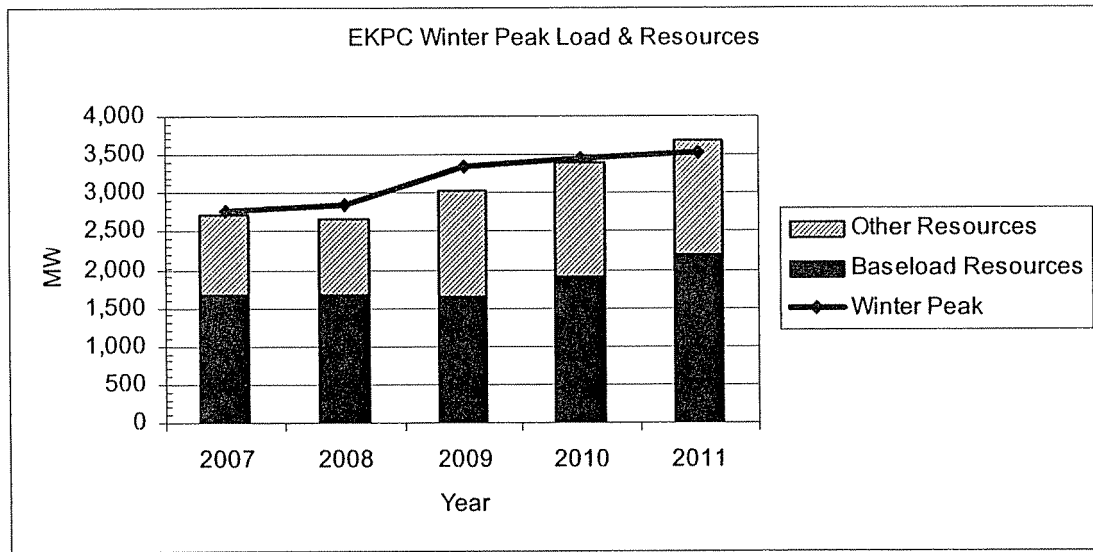
All of the above numbers include the new 161 kV lines and substations required for Warren RECC's membership in EKPC.

No changes have been made to these plans since the report provided in July 2006.

## Resource Planning

The following graphs show the projected winter peak load and capacity resources broken down to 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 the impact of delays in adding new capacity, especially in 2009. EKPC will need to make seasonal purchases of transmission and/or power to cover the peak load and reserves. Summer seasonal purchases should not be necessary except in 2008, although it may be economical to purchase transmission to bring in economy power. Getting PSC approval for the proposed Smith capacity is critical for power supply in the 2008 to 2010 timeframe and beyond. These updated graphs include the new 2006 Load Forecast.

# Coordinated Planning



**NOTES:**

Gallatin Steel interruptible load is excluded, along with small interruptible loads.

Includes Greenup Hydro generation purchase through Dec 2006.

Pendleton Co. LFGTE assumed to be on-line January 2007.

Smith CTs 8-12:

    First 2 units assumed to be on-line for Summer 2008 peak.

    Next 2 units assumed to be on-line for Winter 2008-09 peak.

    All 5 units assumed to be on-line by Summer 2009 peak.

Warren RECC load data included April 2008.

Spurlock 4 unit assumed to be on-line in Spring 2009.

Smith CFB 1 assumed to be on-line in Spring 2010.

## Coordinated Planning

### Mid-Term Planning

Mid-Term Planning functions to optimize the use of EKPC's assets to provide the low cost power supply for our Members focusing on the next 5 years. 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. We plan to provide more specifics for the activities listed above in future monthly reports.

- 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.
- Natural gas costs are being hedged by purchasing financial futures of 30% of our historical needs through Constellation Energy. The futures are sold to offset against the current month's gas purchases.
- 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 investigating opportunities to obtain contracts to supply those needs.

### Generation Dispatch

**System Peak** – EKPC's coincident peak in June 2006 was 2114 MWh, occurring at hour 1700 on the 22nd. Member system requirements for the month of June 2006 were 978,769\_MWh, a decrease of -3.51% below June 2005. During June, there were 45 fewer cooling degree days than normal, temperature was 1.7% cooler than normal

JULY 2006

**Corporate Strategy and Technology Applications Process -- Shiela Medina,  
Manager**KY PSC Hearing

The Power Delivery Technologies Team of the Corporate Strategy and Technology Applications Process testified in a hearing held at the Commission in response to the KY PSC Case 2006-00045. Also in attendance representing EKPC and the Member Systems were Bill Bosta, Charlie Lile, and Dan Brewer of Bluegrass Energy.

The Commission requested responses to two data requests, held an informal hearing, solicited testimony, and held a formal hearing for which three witnesses were requested to appear – two from LG&E and Paul Dolloff of EKPC. This entire effort was developed as a result of the Federal Energy Bill and included:

- Requirements of the Federal Energy Policy Act of 2005
- Time-Based Metering
- Demand Response
- Interconnection Service

All of EKPC's efforts and responses were on behalf of EKPC and the Member Systems. This effort is in line with EKPC's Mission to provide member services.

Governor's Scholars

Once again this year, EKPC hosted a day at EKPC for the Governor's Scholars. The students, 57 in all, took a tour of Dale Station, had lunch with a Q&A session with Mr. Palk, enjoyed an environmental program, and finished the day with tours of the central lab and the 24-hour dispatch center. The Power Delivery Technologies Team of the Corporate Strategy and Technology Applications Process wishes to thank all of the EKPC employees for contributing to this very successful day at EKPC. This effort supports EKPC's Mission to provide member services.

JULY 2006

**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 July 31, EKPC had \$61,799,500 of temporary, short-term investments in general funds. Interest rates on investments ranged from 5.02% to 5.20%. \$22,489,605 (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.

- Construction Funds

No advances were requested nor received in July.

The interest rates on our floating/fixed rate pollution bonds through July 31 were:

Cooper – 6 Month fixed rate – 3.42%

Smith – 6 Month fixed rate – 3.68%

Spurlock – weekly floating rate ranged from 3.50% 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 July 31, 6 of the 71 loans remain outstanding with balances totaling \$69,260.

To intensify marketplace opportunities in the area of propane, EKPC has entered into Revolving Line of Credit Agreements with four member systems. As of July 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 four subsidiary corporations for the purchase of Thermogas' 50% interest in the retail propane joint ventures. The outstanding balance as of July 31 was \$3,530,850.

As of July 31, \$660,296 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 Monthly Report  
Page 2  
July 2006

- Finance

The Finance Process continues to monitor and maintain current financial information. In July, the CFC interest rate for lines of credit was 7.00% and the CFC variable, long-term rate was 7.15%. FFB interest rates on July 31 were 4.92% and 5.08% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 8.25%. The interest rate on July 31 for the CFC thirty-year long-term fixed rate loan was 7.50%. As of July 31, the interest rates on EKPC's Revolving Credit Facility ranged from 6.22% to 6.34%. 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 June 2006 for all departments and business units.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2006 projected margin.

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.

Continued to provide information to management for their use in cost containment efforts.

Continued annual preparation of reports and files for 2007-2009 budget cycle. Assisted management with preparation and entry of their department budgets. These actions support EKPC's mission to provide competitive energy to member systems.

- Financial Planning

Began work on updating the Twenty-Year Financial Forecast with changes in fuel prices, operating, maintenance, and costs related to capital additions.

Finance Monthly Report  
Page 3  
July 2006

Assisted Resource Planning on various analyses and provided information for use in the 2006 Integrated Resource Plan to be filed in August 2006. This action supports 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

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Excess Liability Program, Marine and Crime Insurance – Personnel continues work on renewal applications for excess liability including employment practices coverage, excess workers' compensation, D&O, marine and crime placement/renewal.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

- Member Systems Claims for Transmission System Disturbance – A claim for Grayson RECC was paid.
- Energy Risk Management

Energy Risk Management Policy – The Energy Risk Management policy and related documents are being reviewed and upon appropriate approvals will be completed by September 29, 2006. 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 2005-2006 Business Insurance					
as of July 31, 2006					
Type	Carrier	Coverage Limit	Self-Insured Retention	Annual Premium*	
Property	FM Global	\$2,869,666,209	\$50,000 Headquarters \$1,000,000 -All other	\$2,136,752	
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866	
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178	
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$6,784	
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$8,374	
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010	
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900	
Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year</i>	FM Global	\$250,000,000	\$500,000	\$235,631	
<b>ENVISION, LLC</b>					
Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,382	

\*Premium includes state surcharge and all taxes unless otherwise noted.



**E.A. Gilbert Generation Project Costs thru 6/30/2006**

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(thru 6/30/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
E1	Turbine/Generator	GE	\$ 32,223,000	\$ 32,586,200.00	\$ 363,200.00	\$ 32,986,679	\$ 400,479
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	3,094,604	(1,250,396)
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	149,038,624	2,312,639
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	15,360,294	5,709,448
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,288,178	1,183,078
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	330,858,414	8,899,085
	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)	-	-
		<b>Total Contracts</b>	<b>\$ 292,196,000</b>	<b>321,959,328</b>	<b>29,763,328</b>	<b>330,858,414</b>	<b>8,899,085</b>
Other Costs							
	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,278,222	1,558,222
	Owners Cost	EKPC	19,500,000	19,500,000	-	19,999,619	499,619
	Spare Parts	EKPC	3,000,000	3,000,000	-	925,285	(2,074,715)
	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	38,144,778	2,149,778
		<b>Total Contracts + Other</b>	<b>\$ 327,111,000</b>	<b>357,954,328</b>	<b>30,843,328</b>	<b>369,003,192</b>	<b>11,048,863</b>
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		<b>Project Total</b>	<b>\$ 367,611,000</b>	<b>398,454,328</b>	<b>30,843,328</b>	<b>397,606,209</b>	<b>(848,119)</b>

**Spurlock #4 Generation Project Costs thru 6/30/2006**

Contract #	Contract Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr Award/Amend Over/(Under) Design Costs	(thru 6/30/06) Actual Recorded Expenditures	Actual Over/(Under) Contr. Amended Costs
F1		TURBINE GENERATOR	GE	\$ 32,395,000	\$ 32,895,000	\$ 500,000	\$ 18,562,263	\$ (14,332,737)
F6		FEEDWATER HEATERS	Yuba	756,000	1,207,124	451,124	1,118,645	(88,479)
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	69,420	(624,780)
F17		CONDENSATE PUMPS	Flowserve	245,000	323,505	78,505	169,175	(154,331)
F21		BOILER FEED PUMPS	Flowserve	1,774,000	2,375,772	601,772	1,163,698	(1,212,075)
F36		DISTRIBUTED CONTROL SYSTEM		4,000,000		(4,000,000)		-
F46		FANS & MOTORS	Howden	2,668,000	2,718,458	50,458	922,144	(1,796,314)
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	2,144,606	(1,777,690)
F103		RADIAL STACKER/RECLAIMER		-		-		-
F131A		TRANSFORMERS - Large	Pauwels	4,625,000	3,100,552	(1,524,448)	310,055	(2,790,497)
F131B		TRANSFORMERS - Medium	Waukesha	-	1,354,700	1,354,700		(1,354,700)
F146		SWITCHGEAR	Pederson Power	4,273,000	3,914,646	(358,354)	1,101,112	(2,813,534)
F201		BOILER ISLAND	Alstom Power	180,500,000	194,500,000	14,000,000	83,143,817	(111,356,183)
F204		EMISSIONS MONITORING		300,000		(300,000)		-
F211		COAL/LIMESTONE HANDLING	Dearborn Mid-West	8,650,000	12,078,400	3,428,400		(12,078,400)
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	1,782,413	(1,242,687)
F251		PILING	Richard Goettle	5,650,000	6,560,145	910,145	6,156,219	(403,926)
F261		SUBSTRUCTURE	Baker Concrete	12,900,000	17,178,476	4,278,476	3,419,337	(13,759,139)
F271		STRUCTURAL STEEL		-		-		-
F263		CIRCULATING WATER PIPE	Reynolds	6,000,000	10,385,620	4,385,620	2,490,441	(7,895,179)
F264		ASH SILO'S		-		-		-
F281		BALANCE OF PLANT	Cherne	72,000,000	99,574,708	27,574,708	3,254,317	(96,320,391)
F281		TURBINE CRANE		-		-		-
F281		AUXILIARY GEN & BUILDING (2000 KW)		-		-		-
F332		PAINTING		2,500,000		(2,500,000)		-
		Subtotal		\$ 353,770,000	404,321,306	50,551,306	128,309,801	(276,011,506)
		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				
		Subtotal		\$ 33,112,500	-	(26,225,000)	-	-
		<b>Total Contracts</b>		<b>\$ 386,882,500</b>	<b>404,321,306</b>	<b>24,326,306</b>	<b>128,309,801</b>	<b>(276,011,506)</b>
		Other Costs						
		Engineering Design	Stanley	\$ 16,270,000	16,200,000	(70,000)	6,382,200	(9,817,800)
		Owners Cost	EKPC	20,000,000	20,000,000	-	5,259,287	(14,740,713)
		Spare Parts	EKPC	-	-	-	-	-
		Site Prep	EKPC	-	-	-	1,396,864	1,396,864
		Environmental Costs	EKPC	-	-	-	-	-
		Total Other		\$ 36,270,000	36,200,000	(70,000)	13,038,351	(23,161,649)
		<b>Total Contracts + Other</b>		<b>\$ 423,152,500</b>	<b>440,521,306</b>	<b>24,256,306</b>	<b>141,348,151</b>	<b>(299,173,155)</b>
		Interest During Construction	IDC	46,546,775	46,546,775	-	4,048,558	(42,498,217)
		Fuel Credit during Commissioning						(1,979,134)
		<b>Project Total</b>		<b>\$ 469,699,275</b>	<b>487,068,081</b>	<b>24,256,306</b>	<b>145,396,709</b>	<b>(343,650,506)</b>

# Finance & Planning

Finance Monthly Report  
 Page 7  
 July 2006

## Accounting and Materials Management Process – Ann Wood, Manager

### General Accounting

Accounts payable wrote 946 checks in July 2006 totaling approximately \$36,123,000.

EKPC filed an information request with the PSC relating to the six-month fuel adjustment clause review (for the period November 2005-April 2006.)

**East Kentucky Power Cooperative  
 Fuel Adjustment Comparison with Kentucky Utilities  
 As of June 30, 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
Jan-05	15.60	28.28	12.68	14.94	18.14	3.20
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
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

## Finance & Planning

Finance Monthly Report

Page 8

July 2006

### Materials Management

Work continues on several contracts for conductor, transmission maintenance hardware, static wire, line switches, and other items. Two Purchasing Team members attended a local one-day negotiations seminar.

The Winchester Warehouse inventory increased during June by \$84,789, with an ending balance of \$12,110,419. Stock-related material handled during the month totaled \$1,065,813, and included material for eleven (11) Power Delivery Expansion projects, and credits for five (5) projects. 8,641 gallons of fuel was pumped at the facility during June. 7,998 gallons of unleaded fuel was purchased for \$2.58/gallon. The Warehouse team implemented a new procedure and performance measure for better tracking of materials from credits.

### Payroll

Second quarter taxes were balanced and filed with the appropriate agencies. Payroll has started labor budget preparation for 2007 and 2008, and has supplied information upon request to other departments as needed for budget preparation.

### Plant Accounting

Plant accounting is in the process of wrapping up the General Plant Asset Inventory that has been ongoing for the past several months; this should be completed by the end of August.

EKPC received the first data request from the PSC relating to the approval of the depreciation study. Responses are due to the PSC mid-August.

### **Pricing Process – Bill Bosta, Manager**

#### EKPC/LG&E Transmission and Interconnection Agreement Dispute

The parties filed Reply Briefs on Exception on January 3, 2006, and the case is ripe for decision. While the FERC is required to rule on Judge Grossman's decision, the Commissioners are under no time deadline to rule on the case and the rates being billed by LG&E to EKPC remain subject to refund. Based on the Commission's rulings thus far, EKPC will experience a 15% increase (about \$300,000 annually) in costs compared to the 43% increase (about \$860,000

Finance Monthly Report

Page 9

July 2006

annually) originally proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund, advocated by EKPC and the FERC Trial Staff due to pancaked rates, is in addition to the \$1.4 million noted above.

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 beginning December 1. To date, EKPC has received a credit of about \$306,000. EKPC and LG&E are in the process of negotiating a new Interconnection Agreement. At this point, the new Agreement is scheduled to become effective on September 1, the likely date that LG&E will be allowed to leave the MISO.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

Environmental Surcharge Implementation/Emission Allowance Strategy & Six-Month Review Case No. 2006-00131

On July 20, EKPC submitted its thirteenth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 10.28% to be applied to service rendered in July 2006 and billed the first week of August. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems, ranging from 6.84% to 8.74%.

On July 24, the Commission issued an Order requesting the parties to file a statement as to whether the case may be adjudicated without a hearing, based on the record already established in the case. 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 similar response. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

# Finance & Planning

# MONTHLY REPORT

Finance Monthly Report  
 Page 10  
 July 2006

**East Kentucky Power Cooperative, Inc.  
 Estimated Monthly Environmental Surcharge Factors  
 July 2006 through December 2007**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Jul-06	\$50,521,997	\$6,877,742	13.10%
Aug-06	\$50,844,668	\$6,592,584	12.46%
Sep-06	\$50,792,334	\$5,704,147	10.72%
Oct-06	\$50,835,662	\$4,393,740	8.13%
Nov-06	\$51,380,920	\$4,625,923	8.49%
Dec-06	\$51,480,052	\$5,536,421	10.24%
Jan-07	\$51,972,379	\$6,533,812	12.06%
Feb-07	\$52,476,292	\$6,644,965	12.15%
Mar-07	\$52,976,643	\$6,617,718	11.98%
Apr-07	\$53,784,830	\$5,447,327	9.62%
May-07	\$54,644,362	\$6,012,761	10.49%
Jun-07	\$55,403,696	\$7,266,122	12.60%
Jul-07	\$55,573,404	\$7,719,307	13.38%
Aug-07	\$55,625,581	\$7,390,531	12.78%
Sep-07	\$55,691,712	\$6,660,802	11.45%
Oct-07	\$55,771,880	\$5,702,555	9.71%
Nov-07	\$55,435,952	\$5,803,843	9.96%
Dec-07	\$55,418,583	\$6,718,340	11.61%

Current SO2 price is \$680 per allowance as of July 28, 2006.

Current NOx price is \$2,100 per allowance as of July 28, 2006.

## Finance & Planning

Finance Monthly Report

Page 11

July 2006

### Case 2005-00045 Consideration of 2005 Energy Policy Act

On July 18, a hearing was held in Frankfort to address a limited number of issues in this proceeding. Only two witnesses were called: Paul Dolloff, on behalf of EKPC and the Member Systems; and Kent Blake, Rates Manager from LG&E Energy. Paul Dolloff answered several questions about the proposed Interconnection standards while Mr. Blake discussed LG&E's real-time pricing experiment that is now underway. A representative of the Sierra Club also made a statement at the public hearing. Based on the record to-date and the results of the hearing, it does not appear that the Commission will mandate implementation of time-of-day metering for all customers. Briefs in the case are to be filed by August 30 and a decision rendered by the Commission is expected by this fall. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

### **Internal Audit & Performance Measures -- Graham Johns, Coordinator**

#### Internal Auditing for Member Systems

- Clark Energy Cooperative—Completed the internal audit of consumer bill adjustments and delivered the report to management for review and comments.
- Inter-County Energy Cooperative—Will start an audit of transportation and vehicles in August.

#### Cost Containment

A team has been assembled to look at the following areas: Executive (including Corporate Strategy & Technology Applications), Legal, Finance, Governmental Affairs, and Coordinated Planning. Work will continue through mid-August.

#### ECAR Audit

Served as the in-charge accountant for the final audit of the East Central Area Reliability council in Canton, Ohio July 24-28. ECAR was dissolved as of June 30, 2006.

# Finance & Planning

Finance Monthly Report  
 Page 12  
 July 2006

Training, Education & Development

Co-facilitated a supervisory training session on Motivating Employees on July 18.

**Credit Union Process – Brian Tyler, Process Owner**

June 2006 Financial Report

Loans	14,069,496.25
Investments	3,065,680.47
Total Assets	17,322,018.11
Liabilities	1,811,337.55
Deposits	13,250,266.11
Equity	2,260,414.45
Interest on Loans	65,448.24
Investment Income	7,092.29
Total Income	73,659.67
Total Expenses	83,091.90
Retained Earnings	(9,432.23)
YTD Retained Earnings	35,397.94

Credit Union Survey

All the survey responses have been sent back in and Stephanie Cornett is compiling the information to report to the Credit Union Board of Directors. She will present this info during the August Board meeting.

dge/dd  
 c: Directors & Alternate Directors  
 Executive Staff  
 Finance Staff



3. PSC Case No. 2004-00423 – (Spurlock Unit 4 Certificate Application) – The Commission granted construction certificates for the Spurlock 4 unit in an order dated September 13. The order also includes a report on the Commission’s investigation of allegations of improprieties in EKPC’s 2004 RFP which were made by Enviropower LLC. The order addresses every factual allegation made by Enviropower and completely validates EKPC’s position on every issue. The Commission found that Enviropower was not the lowest and best bidder in the RFP and commends EKPC for conducting a process “truly designed and carried out to determine the best and lowest-cost bid.” Construction of the Spurlock 4 unit can proceed as soon as the construction permit from the Division of Air Quality is issued.
4. PSC Case No. 2005-00053– (Smith Generation Certificates) – The Commission has issued a supplemental data request in this case. Responses are due on February 6.
5. 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 April 14, 2005, FERC ruled for EKPC that it was entitled to the interconnection. Since EKPC and TVA were unable to work through details necessary to implement the interconnections, the task of doing so now falls to the FERC.
6. 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. After review, the Revenue Cabinet will issue a final ruling on whether it accepts all or any portion of the PROTEST.
5. USEPA Notice of Violation (new) – On January 17, 2006, the USEPA issued a Notice of Violation (“NOV”) charging violation of the acid rain program (Title IV of the CAA) in Kentucky State Implementation Plan (NOx Requirements for Large Utility and Industrial Boilers) at Dale Station Units 1 and 2. On Friday, January 27, 2006, EKPC representatives met with state regulators, and are scheduled to meet with USEPA regulators in Atlanta on Monday, February 13, 2006. EKPC has enlisted the assistance of Hunton & Williams, as outside attorneys with expertise in these matters.
6. PSC Case No. 2005-00417 – Spurlock 2 Scrubber – This case was filed in October 2005. EKPC has responded to the Commission staff’s first data request. No hearing has been scheduled in the case, as of this report.
7. PSC Case No. 2006-00033 – Pendleton County Landfill Gas Project – An Application for a Declaratory Order on this facility was filed on January 23.

5. PSC Case No. 2005-00495 – FAC – EKPC’s semi-annual FAC hearing is scheduled for March 16, 2006, at 9 a.m. at the PSC offices in Frankfort. EKPC responded to the Staff Data Request on January 17.
6. PSC Case No. 2006-00017 – Integrated Resource Plan – EKPC filed a motion on January 12, requesting a six-month extension of the deadline for filing its 2006 Integrated Resource Plan.

Dale W. Henley  
General Counsel

c: Dave Eames (for distribution)  
(H:\legal\MR-jan06)

JANUARY 2006

Economic Development Process

- Staff visited Inter County Energy, Blue Grass Energy, Grayson RECC, Fleming-Mason Energy, Cumberland Valley RECC, Licking Valley RECC, and Big Sandy RECC to share economic development issues and seek input toward the development of an economic development strategic plan.
- The annual Legislative Summit for the Kentucky Clean Fuels Coalition was attended. The main emphasis of the Coalition is to promote the use and expansion of renewable fuels such as biodiesel and ethanol as an economic development enhancement for Kentucky farmers.
- A regional meeting of Bluegrass employers was attended regarding workforce training and development. This initiative is structured to identify and resolve issues facing employers regarding training of existing and future employees.
- Darrell Ishmael worked with the Kentucky Cabinet for Economic Development in planning and conducting a strategic planning session for the newly appointed Commission on Small Business Advocacy. The session produced a blueprint for the Commission's staff and Commissioners to follow as this important function is initiated.
- Staff participated in Board meetings of the Kentucky Chamber of Commerce and Commerce Lexington.
- Staff participated in the Kentucky Association of Economic Development Northern Kentucky regional planning meeting, and the Northern Kentucky Project 2015 meeting on January 6<sup>th</sup>.
- A complete inventory of available industrial sites and buildings in all of the distribution service areas has been developed.
- Development of the Internet website continues with an additional effort underway to make the site interactive. Maps will visually display available sites and buildings and provide an easy and fast gateway for locating sites and gathering information. Site selection consultants commonly use the Internet for determining potential site candidates and our goal is to develop a site that will effectively market the member distribution areas.

## Member Services

### Non-Traditional Power Production Process

- Plant start-up and testing initiated at the 2.4 MW Hardin County Landfill Gas to Electric Generating Plant.
- Top end overhauls were completed during the month for Bavarian Units #1, #2, #3, #4, and Green Valley Units #1 and #2.
- Gas Purchase and Site Lease executed with Rumpke for the 3.2 MW Pendleton County Landfill Gas to Electric Generating Plant. A package was delivered to the Kentucky Public Service Commission for approval and an Air Permit for the plant is expected to be issued in the next few days. Tentative commercial operation for the plant is mid-January 2007. This brings the total to 19 landfill gas electric generating engines in our program, or approximately 15 MW.
- Jim Adams, project Manager for AWS TrueWind made a presentation to EKPC staff on the wind study results for Black Mountain. Based upon one year's worth of data, AWS estimates a net capacity factor of 29.5% for the site. This is much better than originally anticipated.
- Staff attended the CRN Renewable Energy and Distributed Generation advisory group meeting in Phoenix, AZ on January 17 and 18.

### Marketing & Natural Resources Process

- Meet with the staff of Roundstone Seed and Bob Wade (Nolin RECC) to discuss donations to the Kentucky Nature Conservancy.
- Attended a meeting on wind power and potential sites in Kentucky.
- Met with Kerry Howard at Licking Valley RECC concerning the PartnersPlus program
- Met with the staff of South Kentucky RECC concerning Touchstone Energy Living programs.
- Performed a bat survey in Wind Cave in Pulaski County for the Ky Department of Fish and Wildlife.
- Did an Environmental Education program for Grayson RECC. Met with the staff of Grayson RECC.
- Hosted the 2006 Energy Management Conference at the Galt House in Louisville, Ky. We had 570 registered attendees and the conference seemed to be well received

## Member Services

by our members and their guests.

- Attended ETS training, hosted by SKRECC and conducted by Steffes, Inc.
- Conducted a wildflower program for the Lexington Garden Club.
- Provided an environmental booth for the Kentucky General Assembly and the KAEC.

Listed below are the Environmental activities for this month:

Touchstone Energy Cooperative	School	Date
Nolin RECC	Creekside Elementary	1/9/2006
Farmers RECC	South Green Elementary	1/10/2006
Nolin RECC	Morningside Elementary	1/10/2006
Nolin RECC	Woodland Elementary	1/11/2006
Farmers RECC	Glasgow Christian Academy	1/11/2006
Farmers RECC	Wisdom Faith Christian Academy	1/12/2006
SKRECC	Whitley City Elementary	1/17/2006
Grayson RECC	Prichard Elementary	1/17/2006
Nolin RECC	Lakewood Elementary	1/19/2006
SKRECC	Whitley City Elementary	1/23/2006
SKRECC	Turner Intermediate	1/24/2006
SKRECC	Pine Knot Intermediate	1/25/2006
Taylor County RECC	John Adair Intermediate	1/25/2006
South KY RECC	Pine Knot Intermediate	1/26/2006
Taylor County RECC	John Adair Intermediate	1/26/2006
Blue Grass Energy	Grant County Middle School	1/26/2006
Blue Grass Energy	Mars Hill	1/20/2006

- Construction Projects Involving Environmental Activities for January: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV Transmission Line, Gap of the Ridge Sub and Tap, Headquarters Sub and Tap, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Beam-Tichenor, Inez Sub and Tap, Conway Sub and Tap, Snow Hill Sub and Tap
- Powell-Taylor Sub and Tap received environmental approval from RUS.
- Met with Cultural Resource Analysts concerning the archaeological and cultural resources that may be impacted on the Wilson-Aberdeen and Memphis-Junction to Aberdeen projects.

## Member Services

- Worked with Forest Service personnel on the Big Creek Project. The document has been reformatted to DBNF specifications and we are nearing the release of that document for public comment.
- Staff worked on fulfilling mitigation requirements for Indiana bats on the Little Mount Substation and Tap Project. Bat houses were erected in the transmission line, and a site visit to the maternity tree discovered on the project was completed. Further mitigation will continue in coordination with the US Fish and Wildlife Service
- Met with Bowling Green's Greenways Coordinator. Helen Siewers had requested a meeting to discuss the possibility of using our rights-of-way as walking paths/greenbelt connectors. We determined that we would not discuss this possibility until the lines were constructed and in service. We will be provided environmental posters for the city's existing trail system for displays.
- Met with Clark County 4-H coordinator. We will be helping the local 4-H group prepare for their regional testing competition.
- Hosted the Section 106 consulting parties meetings on January 10<sup>th</sup> for the Memphis Junction – Aberdeen and Wilson – Aberdeen Projects.

### Market Research Process

- Work continues on the direct load control demonstration project. Market Research, Big Sandy, Blue Grass Energy, Pricing, and Information Technology personnel are all working diligently to have switches ready to control by this summer. This is an intensive project that covers regulatory and operational aspects.
- Work continues on a 2006 long-term load forecast. Market Research is collecting data for its forecast models. EKPC and member systems work jointly on the forecast – member systems are supplying much data and information about their system.
- Continuing to track wholesale price market conditions, for use in better understanding the wholesale market.
- Small commercial customer satisfaction surveys have been completed for 2005 and have been shared with participating member systems.
- Supplying data and information to South Kentucky, as they prepare a cost of service study.

## Member Services

- Owen Electric is beginning a long-range work plan – Market Research will take the projections that come out of that study, and incorporate the information into its planning process.
- Member system appliance saturation surveys have been accounted for and reports are being prepared.
- Continuing to provide benchmark information to Production, as they respond to increasingly volatile fuel markets.

### Member and Corporate Communications Process

- Co-coordinated and executed the 2006 Energy Management Conference in conjunction with EKPC member systems.
- Worked closely with Power Delivery in coordinating an upcoming stakeholder conference. During the meeting, utilities across Kentucky, environmental groups and others will provide input about development of a rating system for Kentucky to be used in the EPRI model for developing preferred transmission line centerlines.
- Completed design draft of all services available to member systems through Corporate Communications.
- Began working with Southface on a project to provide members electronic links to the Southface library of Fact Sheets on a variety of energy efficiency literature.
- Implemented new electronic business card system enabling EKPC staff to input information for business cards in order to automate the system.
- Completed draft text on a new newsletter for Economic Development efforts on behalf of member systems.
- Worked toward finalizing a new website on Economic Development designed for members to make available on their individual web sites.
- Completed additional information for member systems to answer questions about the environmental surcharge and fuel adjustment increases (for optional use in Kentucky Living or other areas).
- Finalized draft text on the 2005 EKPC annual report.
- Began making copies for members of new PowerPoint presentation on the history of the rural electric program, which can be customized by each member system to explain the history of their co-op.

## Member Services

- Photographed all the winners of the Touchstone Energy All “A” Classic student scholarships in Richmond.
- Completed the next in a series of electric industry backgrounders. These are about all the activities showing the environmental stewardship of the co-ops, and there is another on the importance of coal in Kentucky.
- Sent out two additional Be Prepared Fact Sheets on emergency preparedness and on surge protection for member system lobbies.
- Continued photographing every employee at EKPC for use by Human Resources.
- Distributed the December Fuel Adjustment Clause report about the major factors influencing the November fuel clause.
- Printed bill inserts and forms for several member systems.
- Wrote and distributed a press release to media about the re-filing of EKPC’s application for the Cranston transmission project in Rowan County, with additional support that the route was the best of six alternatives studied.
- Revised new web site on Economic Development to be housed on member system web sites. Industrial development sites are being added along with maps.
- Designed monthly magazine inserts for Clark and Blue Grass Energy.
- Posted the March InterChange of stories, photos and graphics for member system Kentucky Living inserts on esource, a member only web site hosted by EKPC.
- Completed text of the next Connections newsletter for co-op member services personnel.
- Fielded all questions and media calls about environmental surcharge and fuel adjustment clause.

### Touchstone Energy Brand Management

- Attended Touchstone Energy ALL “A” Board Meeting.
- Participated in TSE ALL “A” Scholarship Interviews.
- Renewed contract with KHSAA for signage at Sweet Sixteen Tournament.



**Member Services**

- Renewed Louisville Bats sponsorship in partnership with Clark REMC (Indiana).
- Produced radio & TV commercials for ALL “A” broadcasts.
- Attended TSE Regional Partners’ meeting in Phoenix, AZ.
- Attended Energy Management Conference in Louisville.
- Continued work on revised advertising plan.
- Met with Lexington Legends on renewing sponsorship for 2006.
- Nominated Jim Jacobus for TSE Board of Directors.

# Power Delivery Unit

JANUARY 2006

## **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.

**System Peak** – EKPC's coincident peak in December 2005 was 2599 MWh, occurring at hour 0800 on the 20th. Member system requirements for the month of December 2005 were 1,331,888 MWh, an increase of 8.8 % above December 2004. Heating degree-days for December were 126 more heating degree-days than normal. The average temperature was 32.6 degrees or 10.2% cooler than normal.

**Outage Reports for December 2005** - EKPC Power Supply outages have accounted for .39 consumer hours out year-to-date. Of these, .01 were scheduled and .38 were emergency outages. None were due to major storms. For December, we experienced three emergency outages affecting four substations and three member systems. Three scheduled outages occurred and 15 line requests were also completed. Emergency outage reports for the complete system are attached.

**Average Service Unavailability Index (ASUI)** – Through December 2005, our reliability measure, ASUI is 18.8 minutes with no major storms.

**EAST KENTUCKY POWER COOPERATIVE  
EMERGENCY OUTAGES - THIS MONTH  
December 2005**

	<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%	2-100%	0-0%	0-0%	2-100%
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%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
SALT RIVER	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	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	1-25%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	0-0%	2-50%	0-0%	0-0%	4-100%

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  
December 2005**

	<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	3-38%	0-0%	1-13%	1-13%	0-0%	0-0%	0-0%	1-13%	0-0%	2-25%	0-0%	8-100%
CLARK	2-25%	0-0%	0-0%	4-50%	0-0%	1-13%	0-0%	0-0%	0-0%	0-0%	1-13%	8-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	3-75%	0-0%	0-0%	1-25%	0-0%	0-0%	0-0%	0-0%	4-100%
FARMERS	0-0%	0-0%	2-29%	2-29%	0-0%	2-29%	0-0%	0-0%	0-0%	1-14%	0-0%	7-100%
FLEMING-MASON	0-0%	4-44%	0-0%	0-0%	0-0%	2-22%	0-0%	0-0%	2-22%	1-11%	0-0%	9-100%
GRAYSON	0-0%	10-67%	0-0%	5-33%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	15-100%
INTER-COUNTY	0-0%	0-0%	2-67%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	0-0%	3-100%
JACKSON	0-0%	0-0%	1-4%	4-15%	2-7%	10-37%	0-0%	9-33%	1-4%	0-0%	0-0%	27-100%
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%	1-33%	1-33%	0-0%	0-0%	0-0%	0-0%	0-0%	1-33%	0-0%	3-100%
OWEN	0-0%	0-0%	1-20%	3-60%	0-0%	0-0%	1-20%	0-0%	0-0%	0-0%	0-0%	5-100%
SALT RIVER	4-17%	0-0%	1-4%	5-22%	0-0%	1-4%	6-26%	5-22%	0-0%	1-4%	0-0%	23-100%
SHELBY	1-6%	10-56%	1-6%	1-6%	0-0%	2-11%	0-0%	1-6%	2-11%	0-0%	0-0%	18-100%
SOUTH KENTUCKY	3-33%	1-11%	0-0%	3-33%	0-0%	1-11%	1-11%	0-0%	0-0%	0-0%	0-0%	9-100%
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	13-9%	25-18%	10-7%	32-23%	2-1%	19-14%	9-6%	16-12%	5-4%	7-5%	1-1%	139-100%

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  
DECEMBER 2005 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause
	Consumers Out	Hours Out			Company	Description	
12/02/05 5:29 Emergency	0 h 1 m 4,549	76	250	E06 Charters Fleming-Mason		<b>Vandalism : Vandalism</b> Vandals shot transmission conductor in line section between Goddard-Charters @ STR. BW-5, causing it to fail and lockout Goddard-Plumville transmission line. The conductor was also damaged at seven other locations in this same span.	
12/02/05 5:29 Emergency	0 h 1 m 2,744	46	250	N41 Rectorville Fleming-Mason		<b>Vandalism : Vandalism</b> Vandals shot transmission conductor in line section between Goddard-Charters @ STR. BW-5, causing it to fail and lockout Goddard-Plumville transmission line. The conductor was also damaged at seven other locations in this same span.	
12/04/05 4:07 Emergency	2 h 37 m 1,866	4,883	12,330	N52 W.R. Smoot #1 Owen		<b>Distribution Sub. Equip. Failure : Transformer</b> A primary bushing failed on transformer #1065 at W.R. Smoot #1 Substation.	
12/07/05 23:37	3 h 29 m	0	0	N56 Inland Container #1 Fleming-Mason		<b>System Improvements : Maintenance</b> Routine inspection and trip testing of motor operated switches N56-803, N56-813, and circuit interrupter N56-828, during a customer scheduled plant outage.	
Scheduled	1	0	0	N56 Inland Container #2 Fleming-Mason		<b>System Improvements : Maintenance</b> Routine inspection and trip testing of motor operated switches N56-803, N56-813, and circuit interrupter N56-828, during a customer scheduled plant outage.	
12/07/05 23:37	3 h 29 m	0	0	N58 Richardson #1 Owen		<b>System Improvements : Maintenance</b> A scheduled outage was required in order to adjust primary fuse connection on bottom side of fuse holder.	
Scheduled	1	0	0				
12/08/05 12:27 Scheduled	0 h 29 m 2,222	0	0				

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
DECEMBER 2005 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
12/27/05 12:16 Emergency	1 h 12 m 498	598	1,393	W9 Knob Creek 7 Salt River	<b>Transmission Line Equip. Failure : Conductor</b> LGEE Knob Creek circuit 3323 operated to lockout. Lightning damage to conductor from a previous storm is thought to have caused (A) phase to break and fall across Dixie Highway.
<b>TOTAL</b>	11,881	5,602	14,223		<b>Average Hours Outage Per</b> 0.01
<b>YEAR TO DATE</b>	297,678	190,071	437,459		<b>YTD Avg Hrs Outage Per</b> 0.39
<b>TOTAL CONSUMERS SERVED = 489,213</b>					

**EAST KENTUCKY POWER COOPERATIVE  
POWER SUPPLIER OUTAGE REPORT**

**December 2005**

Page 1 of 1

**Average Hours Outage Per Consumer**

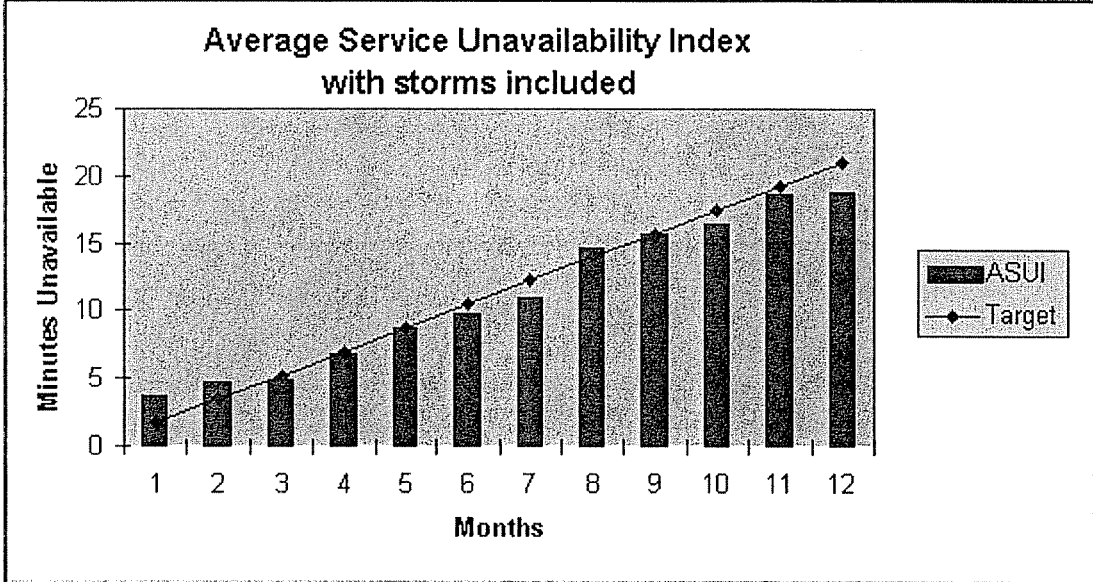
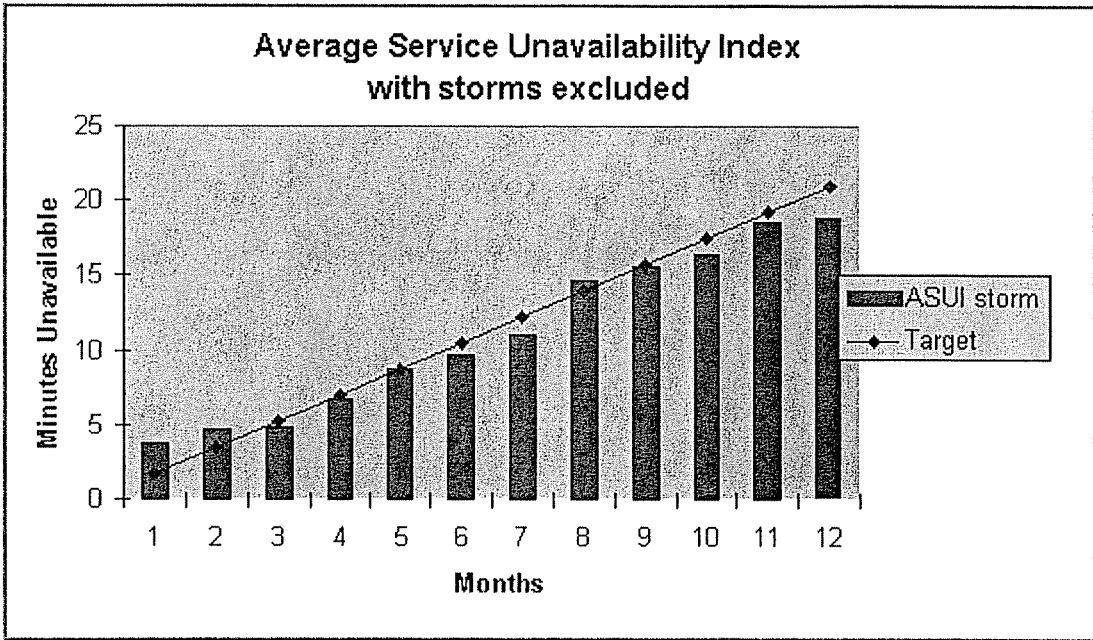
	THIS MONTH			YEAR-TO-DATE		
	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>	<u>EMERGENCY</u>	<u>SCHEDULE</u>	<u>TOTAL</u>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.00	0.00	0.00	0.46	0.00	0.46
CLARK	0.00	0.00	0.00	0.28	0.00	0.28
CUMBERLAND VALLEY	0.00	0.00	0.00	0.17	0.02	0.19
FARMERS	0.00	0.00	0.00	1.07	0.00	1.07
FLEMING-MASON	0.01	0.00	0.01	0.18	0.13	0.31
GRAYSON	0.00	0.00	0.00	0.69	0.00	0.69
INTER-COUNTY	0.00	0.00	0.00	0.33	0.09	0.42
JACKSON	0.00	0.00	0.00	0.88	0.00	0.88
LICKING VALLEY	0.00	0.00	0.00	0.00	0.48	0.48
NOLIN	0.00	0.00	0.00	0.15	0.00	0.15
OWEN	0.09	0.00	0.09	0.11	0.00	0.11
SALT RIVER	0.01	0.00	0.01	0.45	0.00	0.45
SHELBY	0.00	0.00	0.00	0.75	0.03	0.78
SOUTH KENTUCKY	0.00	0.00	0.00	0.15	0.01	0.16
TAYLOR COUNTY	0.00	0.00	0.00	0.00	0.04	0.04
EKPC	0.00	0.00	0.00	0.32	0.00	0.32
SYSTEM AVERAGE	0.01	0.00	0.01	0.36	0.03	0.39

EKPC POWER SUPPLIER OUTAGES have accounted for .39 consumer hours out year to date. Of these .01 were scheduled, .00 were due to major storms, and .38 were other emergency outages.

**AVERAGE SERVICE  
UNAVAILABILITY INDEX**  
**ASUI Report**

<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	2005	3.7650	3.7650	2.33	1.75	1.17
2	2005	4.7055	4.7055	4.67	3.50	2.33
3	2005	4.8633	4.8633	7.00	5.25	3.50
4	2005	6.7675	6.7675	9.33	7.00	4.67
5	2005	8.7305	8.7305	11.67	8.75	5.83
6	2005	9.7345	9.7345	14.00	10.50	7.00
7	2005	10.9883	10.9883	16.33	12.25	8.17
8	2005	14.7035	14.7035	18.67	14.00	9.33
9	2005	15.6243	15.6243	21.00	15.75	10.50
10	2005	16.4322	16.4322	23.33	17.50	11.67
11	2005	18.5874	18.5874	25.67	19.25	12.83
12	2005	18.7856	18.7856	28.00	21.00	14.00





## **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.

<b>Mission</b>	<b>Key Measures</b>	<b>Year-To-Date Results</b>	<b>Year-To-Date Goal</b>	<b>Yearly Goal</b>
<b>Safety</b>				
Accidents	Lost Time Accident Rate	5.22 <sup>1</sup>	4.00 <sup>1</sup>	4
Inspections	Avg. Inspection Rating	99.85% <sup>1</sup>	98% <sup>1</sup>	98%
<b>Electric Service</b>				
Frequency	MAIFI	.97 <sup>1</sup>	1.75 <sup>1</sup>	1.75
Duration	ASUI (without major storms)	18.8 <sup>1</sup>	21.0 <sup>1</sup>	21 min.
<b>Cost Effective</b>				
Cost	Operating Cost	\$6,708,465 <sup>2</sup>	\$6,860,510 <sup>2</sup>	\$7,600,189
	Capital Project Cost	\$1,431,116 <sup>2</sup>	\$6,989,571 <sup>2</sup>	\$7,765,792
<b>Member’s Expectations</b>				
Member System Satisfaction	Member System Survey	N/A <sup>3</sup>	88%	88%

### **Notes:**

1. 1. Year to date results and goals through December 31, 2005
2. 2. Year to date results and goals through November 30, 2005.
3. 3. These performance measures are not available for 2005.

## **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:January06rpt.doc)



**Power Delivery Expansion  
JANUARY PROJECT SUMMARY  
2006**

<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)
<b>SUBS &amp; TAPS</b>												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●				❖				12/31/07		
Barren Co. 161 kV Trans Sub (2 Breakers)	S	●								12/31/07		
Barren County - Magna 24 mi.	L	●	❖	❖	○	○				12/31/07		
Berlin #2 69-12.5 kV, 11.2 mVA Distr. Sub (Bracken)	S	●	●	●	●	●	N/A	●	●	09/15/04	12/15/04	04/05/05
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖		○	❖				12/01/06		
<i>Tap, 9 mi.</i>	L	●		○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●		❖						05/01/06		
<i>Tap 0.04 mi.</i>	L	●								05/01/06		
Bristow # 2 Sub.	S	●		N/A	●	●	N/A	●		05/01/06		
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	□	N/A			05/05/06		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		❖	□	○				06/01/06		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●		○		❖				05/01/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖						05/05/06		
Conway Tap 0.2 mi.	L	●								05/01/06		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	○	□	●	●	N/A	○		01/02/07		
Downing # 2 Sub	S	●	N/A		N/A	●	N/A	❖		05/01/06		
East Bernstadt Breaker Station (North London)	S	●	●	●	●	●	●	●	●	06/17/05		08/01/05
<i>Tap</i>	L	●	N/A	●	●	●	●	●	●	06/17/05		08/01/05
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●		N/A		○				12/31/07		
Edmonton Ind'l Park 69-12.5 kV, 1.2 MVA	S	●	○	□	●	●				06/01/06		
<i>Tap 4.0 mile</i>	L	●	○	❖	□	●	❖			06/01/06		
Flemingsburg 138-25 kV 12/16/20 MVA Conversion	S	●	●	N/A	●	●	●	●	●	11/01/04		01/11/05
<i>Tap</i>	L	●	●	●	●	●	●	●	●	11/01/04		01/11/05
Gap of the Ridge Sub	S	●	●	●	●	□				12/01/06		
<i>Tap</i>	L	●		○	○	○				12/01/06		
Garrard Co. Breaker Addition	S	●	N/A			○				12/01/06		
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		
Goddard 138 kV Sub Upgrade/Addition	S	●	●	●	●	●	●	●	●	04/15/05		05/13/05
<i>Tap</i>	L	●	N/A	●	●	●	N/A	●	●	04/08/05		05/09/05
Goddard - Charters Static Replacement	L	●	N/A	N/A	●	●	N/A	●	●	07/15/05		06/08/05

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion  
JANUARY PROJECT SUMMARY  
2006**

<u>Projects</u>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●	●	12/01/05	10/10/05	
<i>Tap, 69 kV, 3 mi.</i>	L	●	●	●	●	●	●	○	○	12/01/05		
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	❖		05/05/06		
Hinkston 69-25 kV, 11.2 mVA Distr. Sub	S	●	●	●	●	●	N/A	●	●	06/01/04	10/01/04	02/06/05
<i>Tap</i>	L	●	●	●	●	●	N/A	●	●	06/01/04		02/06/05
Inez Sub (Site Acquisition Only)	S	●								12/01/06		
<i>Tap 69 kV - 6.0 mi.</i>	L	●		❖						12/01/06		
J. K. Smith CT#8	S	●	N/A	N/A	N/A	○	N/A			03/31/07		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●		●		❖	N/A			05/01/06		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	❖	❖	❖					06/01/06		
KU Bedford Tap	L	●	N/A	●	●	●	●	●	●	06/15/05	06/24/05	
Lancaster EKPC-KU 69 kV, 0.23 mi.	L	●								On Hold		
Laurel Co. Ind'l Park #2 Sub	S	●	○	N/A		○				05/05/06		
Little Mount 161-12.5 kV Distr. Substation	S	●	●	●	●	●	●	●		12/01/05	10/31/05	
<i>Tap, 6 mi.</i>	L	●	●	□	●	●	●	❖	❖	12/01/05		
Memphis Jct. 161 kV Trans Sub ( 2 Breakers)	S	●		N/A		○				12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	❖	○	□	□				12/31/07		
Miller Hunt 69-25 kV, 11.2 mVA Distr. Sub	S	●	●	●	●	●	●	●	●	01/15/05	01/28/05	04/25/05
<i>Tap</i>	L	●	●	●	●	●	●	●	●	01/15/05	01/28/05	04/25/05
Mt. Washington #2 Sub	S	●	N/A	●	●	●	N/A	●	●	06/01/05	07/14/05	07/14/05
<i>Tap</i>	L	●	N/A	●	●	●	N/A	●	●	06/01/05	07/14/05	07/14/05
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	●	●	●	●	●	□		05/05/06		
Oak Ridge Tap	L	●	●	●	□	□				05/01/06		
Oxford Substation	S	●	●	●	●	●	●	●	●	06/01/05	07/13/05	07/13/05
<i>Tap</i>	L	●	●	●	●	●	●	●	●	06/01/05	07/13/05	07/13/05
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●		●	●	❖				06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	○	□	□	●	❖			06/01/06		
Richardson #2 69-12.67kV, 11.2 MVA Sub	S	●	●	N/A	●	●	●	●	●	06/01/05		06/23/05
<i>Tap</i>	L	●	N/A	N/A	●	●	N/A	●	●	06/01/05		06/23/05

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**Power Delivery Expansion  
JANUARY PROJECT SUMMARY  
2006**

<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)
<b>SUBS &amp; TAPS CONT'D</b>												
Rineyville 69-12.47 kV, 11.2 MVA Substation	S	●	●	●	●	●	●	●	●	12/01/04	02/21/05	07/14/05
Tap, 6 mi.	L	●	●	●	●	●	●	●	●	06/15/05		07/13/05
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●								05/01/06		
Tap .20 mi	L	●								05/01/06		
South Point 69-12.47kV, 11.2 Sub	S	●		❖						06/01/06		
Tap	L	●		❖						06/01/06		
Spurlock-Flemingsburg 138 kV Line, 18 mi.	L	●	●	●	●	●	●	●	●	12/10/04		01/10/05
Spurlock #4	S	●		N/A		❖				02/15/07		
Upchurch Sub	S	●	●	●	●	●	●	●		05/02/06		
Tap	L	●	❖	□	●	●	❖			05/02/06		
W. Bardstown Jct. 69 kV BKR Station	S	●		❖		❖				05/01/06		
Web's Cross Roads 69-125 11.2/14 MVA Sub	S	●		○						11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		❖	❖					11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●		❖	○	○				12/31/07		
<b>STATION UPGRADES</b>												
Boone Dist Sub Upgrade 15/20/25 MVA	S	●	●	N/A	●	○	N/A	❖		05/01/06		
Cooper Dist Sub Rebuild	S	●	N/A	N/A	●	●	●	○		12/01/05		
Grant's Lick #2 Sub Upgrade	S	●	N/A	N/A		●	N/A	●		06/01/05		06/09/05
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05	Complete	Complete
Southville Station Rebuild & Tap	S	●	●	N/A	●	●	●	●	●	12/01/05		05/23/05
W. Berea Upgrade 69-12.47 kV, 15 MVA	S	●	N/A	N/A	N/A					Deferred		
<b>CAPACITOR BANKS</b>												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●		○	●	●	N/A	●		06/01/05	09/11/05	12/01/05
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●				●				05/01/06		
E. Pine Knot 13.78 MVAR Cap Bank & Tap	S&L	●								Deferred		
Elliotville 12.25 MVAR Cap Bank & Tap	S&L	●								05/01/06		
Lees Lick 10.715 MVAR Cap Bank	S	●	N/A	●	N/A	●	N/A	●	●	01/31/02	06/21/02	06/30/05
Loretto 13.78 MVAR Cap Bank & Tap	S&L	●		N/A		●		●		12/01/04	07/31/04	09/02/05
Maggard 12.25 MVAR Cap Bank	S	●								Deferred		

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**Power Delivery Expansion  
JANUARY PROJECT SUMMARY  
2006**

<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)
<b>CAPACITOR BANKS CONT'D</b>												
Mt. Olive Cap Bank to 10.2 MVAR & Tap	S&L	●		N/A						On Hold		
Norwood 25.51 MVAR Cap Bank & Tap	S&L	●								12/01/06		
Shelby County 25.51 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	●	N/A	●		12/01/03	12/01/03	08/15/05
Sideview 7.14 MVAR Cap Bank & Tap	S&L	●	●	N/A	●	□	N/A			05/01/06		
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●				●	N/A	●		12/01/05	07/16/05	11/08/05
Tommy Gooch Cap Bank 12.25 MVAR	S					❖				12/31/05		
Tyner 16.33 MVAR Cap Bank & Tap	S&L	●				❖				12/01/05		
W. R. Smoot 28.06 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	●		05/01/06		
<b>RECONDUCTORS</b>												
Boonesboro-Avon Recond 8.2 mi	L	●	●	N/A	●	●	N/A	●	●	12/01/05		11/21/05
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A			05/01/06		
Bowen-Zachariah, 10.45 mi.	L	●	N/A	N/A	●	●	N/A	●	●	12/01/04		05/03/05
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L									12/01/07		
Colemansville-Four Oaks Jct., 69kV, 7.92 mi.	L	●	N/A	N/A	●	●	N/A	●	●	12/01/04		01/14/05
Colemansville-Renaker, 69kV, 6.18 mi.	L	●	N/A	N/A	●	●	N/A	●	●	07/01/05		06/30/05
Dale - Three Forks Jct. 138 kV Rebuild 4.75 mi					❖					11/30/07		
Flemingsburg Distr.-Goddard Rebuild, 138 kV, 9.2 mi.	L	●	N/A	●	●	●	N/A	●	●	05/19/05		05/09/05
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L									05/01/07		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A			05/01/06		
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L									12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L									12/01/07		
JK Smith - Dale 138 kV Rebuild 9.5 mi	L									11/30/07		
JK Smith - Fawkes 138 kV Rebuild 14.29 mi	L									11/30/07		
JK Smith - Union City 138 kV Rebuild 10.26 mi	L									11/30/07		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L									04/01/07		
Nancy-Windsor, 69kV, 9.27 mi.	L	●	N/A	N/A	●	●	N/A	●	●	12/01/04		03/01/05
Renaker - Lees Lick 69kV Recond, 556.6, 7.2 mi	L									Deferred		
Three Forks Jct.-Fawkes 138kV Line Rebuild 2.58mi	L									11/30/07		
Tyner-East Bernstadt ReBLD.954MCM 69kV,16.71mi	L									05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L									05/01/07		
Union City - Lake Reba Tap 138 kV Rebuild 1.3 mi	L									11/30/07		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/06		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team

# Power Production

JANUARY 2006

## Engineering

Engineering is supporting the Smith Unit No. 1 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 air permit application for Spurlock Power Station Unit No. 4 has been “re-packaged” and resubmitted to the Division for Air Quality. The Division asked that all correspondences be summarized and resubmitted. Additionally, EPA asked for some additional modeling, which has been completed and submitted.

All year-end reports for air quality and water discharges were submitted to the Division for Air Quality and Division of Water. No problems were reported on any of the reported parameters required by the permits.

The Relative Accuracy Tests for the emission monitors are being performed on the CTs and the Gilbert Unit. These tests are required to certify the emission monitors. Tests and recertification is also being done on Spurlock Power Station Unit No. 1. This recertification is aimed at the operation of the flow monitor, which is used to measure heat inputs to the boiler.

A Notice of Violation was received from EPA for the operation of Dale Power Station Units No. 1 and No. 2. EPA’s claim is that the nameplate of the units is 27 MW. The actual nameplate is 24 MW. A meeting is being scheduled with EPA.

Applications are being prepared for the construction of the FGD System on Spurlock Power Station Units No. 1 and No. 2. A construction permit is required by the Division for Air Quality prior to construction. PSC approval is pending for Unit No. 2 with application for Unit No. 1 being prepared and will be submitted shortly.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.

# Power Production

## Production Monthly Report

Page 2

January 2006

### Fuel

EKPC's coal inventory at the end of January 2006 will be approximately 55 days. The inventory level is projected to be at approximately this same level at the end of February.

Fuel personnel have continued their increased contact with EKPC coal suppliers to ensure that deliveries remain as current as possible. Deliveries to Gilbert, where possible, have been delayed due to the high inventory.

Fuel personnel continue to provide assistance to Production personnel in regards to future fuel sources for Gilbert Unit 3, Spurlock Unit No. 4, Smith Unit No. 1, and future combustion turbines.

Proposals for a contract market price re-opener for the Gilbert Unit at Spurlock Power Station were opened on January 27, 2006, with Director, Mr. Gilbert in attendance. The proposals are currently being evaluated.

Approximately 15,000 gallons of No. 2 fuel oil were purchased for Dale Power Station; 7,500 gallons for Cooper Power Station; and 75,000 gallons for Spurlock Power Station.

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 1,232,800 net MWh through December 31, 2005. Units No. 2, No. 3, and No. 4 were on-line and fully available for the entire month. Unit No. 1 was on-line and fully available until January 9<sup>th</sup>. The unit was forced off-line due to a water wall tube leak. The leak was repaired, and the unit was back on-line January 11<sup>th</sup> and fully available the remainder of the month.

Work is ongoing for Operations and Maintenance Training Programs at Dale Power Station.



# Power Production

## Production Monthly Report

Page 3

January 2006

### Dale Power Station (Continues)

Routine safety meeting was held at Dale Power Station. The meeting focused on both Dale Power Station and Corporate EKPC lost-time incident rate for 2005. Dale Power Station had only one lost time accident in 2005 with a 1.60 incident rate, compared to three lost time accidents in 2004 with a 4.53 incident rate. Annual hardhat inspection and new hardhat stickers followed the meeting.

Dale's employees rebuilt 3A traveling water screen, removed 3B boiler feed pump, and sent to Lebanon Power for repair. OPS and EKPC's substation crew were on-site to replace 804 and 814 OCB breakers.

Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

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 432,291 net MWh through December 31, 2005. All units were available for the entire month.

Preparation and planning is ongoing for Smith Unit No. 1 CFB.

Work is ongoing for the Technician Training Program at J.K. Smith Power Station.

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 2006

### Cooper Power Station

Cooper Power Station has generated 2,004,931 net MWh through December 31, 2005. Units No. 1 and No. 2 operated for the entire month. Once again, Cooper Power Station generated over two million net MWh. In 2005 this was the 4<sup>th</sup> largest generating year in Cooper's history and the 4<sup>th</sup> year since 2000 that Cooper generated over two million net MWh.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month. Some of the tasks that were completed were serviced coal conveyor drive units on 1A, 2A, and 3A conveyors; serviced all conveyor main bearings; collected monthly oil samples; serviced and inspected coal sample building equipment; changed filters on fluidizing compressors; greased bearings on classifier gear drives; and changed filters on various different pieces of air handling equipment.

Hall Contractors completed the foundation work for the entrance road retaining wall.

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 7,373,506 MWh through December 31, 2005. Unit No. 1 was on-line and fully available until January 17<sup>th</sup> when it was de-rated to 290 MW to overhaul 1G pulverizer. The unit was back on-line on the 18<sup>th</sup> 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 January 16<sup>th</sup>. The unit was forced off-line to repair an axial seal on the air heater. The unit was back on-line January 18<sup>th</sup>. After a short period of time the unit tripped off-line due to an exciter regulator problem. The unit was back on-line on the 20<sup>th</sup> and remained on-line and fully available the remainder of the month.

Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.

**MARCH 2006**

FEBRUARY 2006

**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 February 28, EKPC had \$30,930,000 of temporary, short-term investments in general funds. Interest rates on investments ranged from 4.25% to 4.51%. \$21,485,855 (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.

- Construction Funds

No advances were requested nor received for February.

The interest rates on our floating/fixed rate pollution bonds through February 28 were:

Cooper – 6 Month fixed rate – 3.42%

Smith – 6 Month fixed rate – 2.95%

Spurlock – weekly floating rate ranged from 3.60% to 3.70%

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 28, 5 of the 70 loans remain outstanding with balances totaling \$69,515.

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 28, 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 28 was \$3,654,254.

As of February 28, \$671,596 plus interest remains outstanding to promote industrial development in the certified territory of four member systems through

Finance Monthly Report  
Page 2  
February 2006

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 6.50% and the CFC variable, long-term rate was 6.65%. FFB interest rates on February 28 were 4.66% and 4.58% for two-year loans and thirty-year loans, respectively. The prime commercial rate remained at 7.50%. The interest rate on February 28 for the CFC thirty-year long-term fixed rate loan was 6.90%. As of February 28, the interest rates on EKPC's Revolving Credit Facility ranged from 5.46% to 5.82%. This action supports EKPC's Mission to provide competitive energy to the member systems.

Budget & Financial Planning

- Budget

Prepare actual-to-budget comparison reports for January 2006 for all departments and business units. Final reports for December 2005 will be completed as soon as year end is closed.

Continued monthly analysis of fuel, purchased power, emission allowances and environmental surcharge revenue used in the evaluation of the 2006 projected margin.

The Budget Team prepared explanations for 2005 actual-to-budget variances as requested by the external auditors, Crowe Chizek.

The Budget Team provided assistance to various personnel with the 2005 year-end audit. 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 2006-2025 was approved by the Board of Directors on February 7, 2006.

Finance Monthly Report  
Page 3  
February 2006

Participated in the decision team's study of emissions compliance options for Cooper Station. Preliminary economic analysis has begun on these various options.

Continued preparation of the economic analysis for the application for a certificate of public convenience and necessity for construction of a scrubber on Spurlock Station Unit #1. 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 –

Smith CT #2 Claim: This claim has been finalized and a partial payment of \$2,511,941 has been received from FM Global. A final payment of \$79,310 is pending. Work continues to resolve confidential issues between Alstom and FM Global.

Builder's Risk Coverage – Work continues on obtaining Builder's Risk insurance coverage for the additional CTs and Smith #1.

Employment Practices – Personnel continue to work with Legal staff on specific employment practice suits.

Directors' and Officers' Liability and Fiduciary Liability Insurance – Received policies.

Professional Liability (Errors & Omission) Insurance for Envision, LLC – Received policy.

- Member Systems Claims for Transmission System Disturbance – None open.
- Energy Risk Management

Energy Risk Management Policy – The final drafts of the Energy Risk Management policy and procedures are being reviewed and will soon go to the Audit Committee, serving as the Risk Oversight Committee, for review. The policy is to document EKPC's policies on managing the risk inherent in its wholesale energy business.

Finance Monthly Report  
Page 4  
February 2006

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.

Emergency Restoration Plan (ERP) – Distribution in process.

## Resource Planning

- Certificate Filing for Smith Generation

An application for certificates of public convenience and necessity and site compatibility was filed with the PSC on January 31, 2005 for approval to construct Smith CTs 8-12 and Smith CFB 1. Responses to data requests from the PSC were filed March 31 and August 1. The public hearing was held on November 29. A data request was then made by the PSC and a response was filed by December 22. Resource Planning provided an analysis of the potential cost of delaying CTs 9-12 for the data request. An additional information request was received January 25, and responses were filed February 6, 2006. This action supports EKPC’s Mission to provide competitive energy to the member systems and Finance & Planning’s Mission to maintain compliance with regulatory agencies.

- Development of 2006 IRP

Resource Planning is working on various analyses and gathering information for use in the 2006 IRP. EKPC requested a six-month extension of time to file the IRP and the Commission granted the request February 17. This action supports Finance & Planning’s Mission to maintain compliance with regulatory agencies.

- SERC Data Requests

Resource Planning provided actual and projected load, capacity, and interchange data to SERC for their use and to file with EIA. This action supports Finance & Planning’s Mission to maintain compliance with regulatory agencies.

Finance Monthly Report

Page 5

February 2006

- EIA Data Requests

Resource Planning personnel continue to comply with expanded data requests from the Energy Information Administration including monthly updates for detailed generator information and information on planned units. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies.

- Cooper Compliance Study

Resource Planning is participating in a study of emissions compliance options for Cooper Station. The team met February 17 to discuss options and costs. This action supports Finance & Planning's Mission to maintain compliance with regulatory agencies and supports EKPC's Mission to provide competitive energy to the member systems.



**Monthly Power Supply Update for  
EKPC Fuel & Power Supply Committee – 3/14/06**

**Capacity vs. Load Summary**

Year	Peak Forecast		Reserves *		Capacity Requirements (Incl. Reserves)		Existing & Committed Capacity		Surplus Over Capacity Requirements		Reserve Margin (%)	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2006	2,709	2,193	325	263	3,034	2,456	2,714	2,503	-320	47	0.2	14.1
2007	2,815	2,277	338	273	3,153	2,550	2,679	2,466	-474	-84	-4.8	8.3
2008	2,901	2,746	348	330	3,249	3,076	2,682	2,798	-567	-278	-7.5	1.9
2009	3,439	2,833	413	340	3,852	3,173	3,141	3,133	-711	-40	-8.7	10.6
2010	3,542	2,914	425	350	3,967	3,264	3,687	3,401	-280	137	4.1	16.7

**Breakdown of Existing and Committed Capacity**

Year	Coal Fired		Combustion Turbines		Purchases		SEPA Hydro		Landfill Gas		Total Capacity	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2006	1,655	1,655	842	626	35	40	170	170	12	12	2,714	2,503
2007	1,655	1,655	842	626	0	0	170	170	12	12	2,679	2,466
2008	1,655	1,655	842	958	0	0	170	170	12	12	2,682	2,798
2009	1,629	1,907	1,327	1,041	0	0	170	170	12	12	3,141	3,133
2010	2,175	2,175	1,327	1,041	0	0	170	170	12	12	3,687	3,401

NOTES:

- \*Reserve Margin goal is 12% in summer.
- Gallatin Steel interruptible load is excluded, along with small interruptible loads.
- Includes Greenup Hydro generation purchase through December 2006.
- Pendleton Co. LFGTE assumed to be on-line January 2007.
- Smith CT 8 assumed to be on-line January 2008.
- Smith CT 9 assumed to be on-line March 2008.
- Smith CT 10 assumed to be on-line April 2008.
- Smith CT 11 assumed to be on-line May 2008.
- Smith CT 12 assumed to be on-line July 2008.
- Warren RECC load data included April 2008.
- Spurlock 4 unit assumed to be on-line February 2009.
- Smith CFB 1 assumed to be on-line November 2009.

East Kentucky Power 2005-2006 Business Insurance as of February 28, 2006					
Type	Carrier	Coverage Limit	Self-Insured Retention	Annual Premium*	
Property	FM Global	\$2,869,666,209	\$50,000 Headquarters \$1,000,000 -All other	\$2,136,752	
Excess Liability (Commercial Umbrella) inc. Employment Practices Liability	AEGIS	\$35,000,000	\$1,000,000	\$525,866	
Excess Workers' Compensation	AEGIS	\$35,000,000	\$250,000	\$163,178	
Marine (Landing Dock Liability)	CNA/MOAC	\$1,000,000	\$100,000	\$6,784	
Excess Marine (Landing Dock Liability)	CNA/MOAC	\$5,000,000	n/a	\$8,374	
Crime (coverage limits from \$1 to \$10 million)	Chubb (Federal Insur Co)	\$1,000,000/10,000,000	\$25,000/\$100,000	\$28,928	
Directors & Officers Liability	AEGIS	\$10,000,000	\$75,000	\$60,010	
Fiduciary Liability	St. Paul/Travelers	\$10,000,000	\$0	\$10,900	
Builder's Risk - Spurlock #4 <i>3 year policy term- pd annually, coverage limit increases each year</i>	FM Global	\$250,000,000	\$500,000	\$235,631	
<b>ENVISION, LLC</b>					
Professional Liability	Tudor Insurance Co	\$1,000,000	\$2,500	\$3,382	

\*Premium includes state surcharge and all taxes unless otherwise noted.

**E.A. Gilbert Project Costs thru 1/31/2006**

Contract # Number	Contract Purpose	Contractor	Original Design Costs	Contract Award + Amendment Costs	Contr. Award/Amend Over/(Under) Design Costs	(Thru 1/31/06) 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	\$ 16,289.95
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	2,929,338	(1,415,662)
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	149,038,624	2,312,639
E211	Coal/Limestone Handling	Sedgman	2,050,000	15,667,473	13,617,473	16,134,088	466,615
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)	5,127,161	55,404
E261	Substructure	Baker	-	9,650,846	9,650,846	15,360,294	5,709,448
E281	Balance of Plant (+Misc. Pumps)	Cherne Contracting	76,001,000	82,105,100	6,104,100	83,288,178	1,183,078
E332	Painting	Universal	-	2,631,846	2,631,846	2,631,846	0
		Subtotal	\$ 264,826,000	321,959,328	57,133,328	330,406,072	8,446,743
	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)	-	-
		<b>Total Contracts</b>	<b>\$ 292,196,000</b>	<b>321,959,328</b>	<b>29,763,328</b>	<b>330,406,072</b>	<b>8,446,743</b>
Other Costs	Engineering Design	Stanley	\$ 10,640,000	11,720,000	1,080,000	13,271,719	1,551,719
	Owners Cost	EKPC	19,500,000	19,500,000	-	20,739,388	1,239,388
	Spare Parts	EKPC	3,000,000	3,000,000	-	138,235	(2,861,765)
	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	38,090,994	2,095,994
		<b>Total Contracts + Other</b>	<b>\$ 327,111,000</b>	<b>357,954,328</b>	<b>30,843,328</b>	<b>368,497,066</b>	<b>10,542,737</b>
		IDC	40,500,000	40,500,000	-	30,582,152	(9,917,848)
	Fuel Credit during Commissioning					(1,979,134)	(1,979,134)
		<b>Project Total</b>	<b>\$ 367,611,000</b>	<b>398,454,328</b>	<b>30,843,328</b>	<b>397,100,083</b>	<b>(1,354,245)</b>

# Finance & Planning

Finance Monthly Report

Page 9

February 2006

## Accounting and Materials Management Process – Ann Wood, Manager

### General Accounting

Accounts payable wrote 1,155 checks in February 2006 totaling approximately \$37,219,000.

#### East Kentucky Power Cooperative Fuel Adjustment Comparison with Kentucky Utilities As of January 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
Mar-04	15.60	20.25	4.65	14.94	15.32	0.38
Apr-04	15.60	19.80	4.20	14.94	16.14	1.20
May-04	15.60	18.79	3.19	14.94	15.02	0.08
Jun-04	15.60	20.93	5.33	14.94	16.27	1.33
Jul-04	15.60	20.46	4.86	14.94	16.46	1.52
Aug-04	15.60	22.39	6.79	14.94	17.07	2.13
Sep-04	15.60	20.87	5.27	14.94	18.10	3.16
Oct-04	15.60	20.18	4.58	14.94	18.01	3.07
Nov-04	15.60	22.56	6.96	14.94	17.05	2.11
Dec-04	15.60	26.85	11.25	14.94	17.73	2.79
Jan-05	15.60	28.28	12.68	14.94	18.14	3.20
Feb-05	15.60	23.39	7.79	14.94	18.46	3.52
Mar-05	15.60	23.23	7.63	14.94	17.61	2.67
Apr-05	15.60	23.06	7.46	14.94	20.06	5.12
May-05	20.25	21.90	1.65	18.10	19.28	1.18
Jun-05	20.25	25.16	4.91	14.94	24.12	9.18
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

## Finance & Planning

Finance Monthly Report  
Page 10  
February 2006

### Crowe Chizek Audit

Crowe Chizek completed their audit fieldwork in February. There are some open issues to be resolved before the audit can be finalized.

### Materials Management

Four team members attended the NRECA TechAdvantage Conference in Orlando during the month. A pre-meeting with G&T supply chain personnel was well attended and very informative, and the Tech sessions were overall very good with timely information and good interaction. After the annual review, it was determined that the tool alliance with Industrial Belting will continue at Spurlock Station, with landfill gas sites beginning use of Industrial's pricing structure for their tool needs. The Winchester Warehouse will be working to lower their stock with Industrial, and the supplier will not replenish stock. Two purchasing team members attended a GE Betz training session at Spurlock Station on the use and purchase of chemicals for high-pressure boiler water treatment.

The Winchester Warehouse inventory increased during January by \$376,588, with an ending balance of \$11,801,857. Stock-related material handled during the month totaled \$1,067,645, and included material for twelve (12) Power Delivery Expansion projects, and credits for five (5) projects. 8,052 gallons of fuel was pumped at the facility during January. 8,012 gallons of unleaded was purchases for \$2.21/gallon, and 8,000gallons of diesel was purchased for \$2.21/gallon

### Payroll

Auditors from Crowe Chizek were on site gathering information for their annual audit. Payroll supplied the information requested from our area.

Payroll trained several new employees on Peoplesoft self-service.

### Plant Accounting

- Assets – Gannett-Fleming completed their site visit and is in the process of finalizing their report for the depreciation study.

## Finance & Planning

Finance Monthly Report  
Page 11  
February 2006

### Pricing Process – Bill Bosta, Manager

#### EKPC/LG&E Transmission and Interconnection Agreement Dispute

The parties filed Reply Briefs on Exception on January 3, 2006 and the case is ripe for decision. While the Commission is required to rule on Judge Grossman's decision, the Commission is under no time deadline to rule on the case and the rates being billed by LG&E to EKPC remain subject to refund. Based on the Commission's rulings thus far, EKPC will experience a 15% increase (about \$300,000 annually) in costs compared to the 43% increase (about \$860,000 annually) originally proposed and billed by LG&E. Based on the billing from LG&E since November 2002, EKPC estimates that LG&E will be forced to refund over \$1.4 million to EKPC. The \$3.5 million refund advocated by the FERC Trial Staff due to pancaked rates is in addition to the \$1.4 million noted above.

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 EK for the pancaked rates issue beginning December 1<sup>st</sup> through the date of LG&E's exit from MISO. In December, EKPC received a credit of about \$69,000 and has filed for another \$120,000 for the month of January.

This project will enable EKPC to continue to strive to provide reliable service at a competitive price.

#### Vanceburg-Grayson Agreement

The City of Vanceburg, the Electric Board of the City of Vanceburg, EKPC and the Grayson Board of Directors have all signed the proposed Agreement to enable Vanceburg to serve customers in the "contested area" in exchange for providing Grayson with a portion of the revenues received by Vanceburg for service to those customers. Based on the terms of the Agreement, it will become effective for new customers added beginning on February 1, 2006. This project helps EKPC meet its goal of providing excellent customer service to its Member Systems.

#### Environmental Surcharge Implementation/Emission Allowance Strategy

On February 20, EKPC submitted its eighth monthly report to the Commission for the Environmental Surcharge factor. EKPC filed a factor of 7.93% to be applied to service rendered in February 2006 and billed in March 2006. EKPC also filed environmental surcharge factors on behalf of each of the sixteen member systems,

# Finance & Planning

Finance Monthly Report  
 Page 12  
 February 2006

ranging from 5.14% to 6.75%. This project helps EKPC maintain financial stability while meeting all regulatory compliance issues.

**East Kentucky Power Cooperative, Inc.  
 Estimated Monthly Environmental Surcharge Factors  
 February 2006 through December 2006**

EKPC Expense Month (1)	12-month Rolling AVG Revenue (2)	Estimated Net Revenue Requirement (3)	Est. Monthly Environmental Surcharge Factor (4)
Feb-06	\$49,603,807	\$4,740,751	9.05%
Mar-06	\$50,080,013	\$5,578,387	10.63%
Apr-06	\$50,948,229	\$5,371,386	10.03%
May-06	\$51,515,977	\$6,132,553	11.39%
Jun-06	\$51,742,913	\$6,826,922	12.68%
Jul-06	\$52,023,942	\$7,635,235	14.17%
Aug-06	\$52,346,614	\$7,525,311	13.87%
Sep-06	\$52,294,279	\$6,592,584	12.10%
Oct-06	\$52,337,607	\$5,558,349	10.11%
Nov-06	\$52,882,865	\$5,923,445	10.69%
Dec-06	\$52,981,998	\$6,933,098	12.58%

Current SO2 price is \$1,000 per allowance as of February 28, 2006.

Current NOx price is \$2,525 per allowance as of February 28, 2006.

Gallatin Meeting

As a follow-up to information presented to Owen/EKPC regarding NOx and SO2 costs, a meeting was held with Gallatin on February 3. Owen/EKPC offered information in support of our position for recovery of emission allowance cost during the last two years of the prior contract. The parties are attempting to resolve issues by settlement. Further discussions are likely to occur in March. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

## Finance & Planning

Finance Monthly Report  
Page 13  
February 2006

### Direct Load Control DSM Filing

On January 30, EKPC filed an Application with the Public Service Commission for approval of a Demand Side Management (DSM) demonstration project. The project consists of the Direct Load Control of Air Conditioners and Water Heaters. EKPC is requesting a reasonableness review of the project from the Commission under the DSM statute and will not seek recovery of the costs of the project from Member Systems. EKPC is proposing to conduct the demonstration project beginning in June 2006 through the end of September 2007. A total of 400 load control switches for Air Conditioning units will be installed in residences at Blue Grass Energy and 400 Water Heater switches will be installed in residences at Blue Grass as well. An additional 300 Water Heater switches will be installed in residences at Big Sandy RECC. The proposed program is similar to a DSM program currently in place at KU and at LG&E. It is anticipated that the project will help EKPC learn whether Direct Load Control is an effective tool in reducing the growth in peak demand. A decision on the project is anticipated by the end of March. This project helps EKPC meet its goal of providing reliable service while maintaining financial stability.

### Administrative Case No. 387 – Generation & Transmission Reliability

On Wednesday March 1, EKPC filed responses to data requests from the Commission regarding generation and transmission reliability. Administrative Case 387 was established several years ago to address the ability of the existing generation and transmission infrastructure to handle loads and load transfers across Kentucky. As a continuation of the Commission's original inquiry, utilities in the state are required to update certain information each year and provide information about the timeframe for completing new generation and transmission facilities during the next few years. This project helps EKPC meet its goal of regulatory compliance.

### Case 2005-00045 Consideration of 2005 Energy Policy Act

On February 24, the Commission issued an Order requiring utilities to respond to several data requests regarding the potential state implementation of certain provisions of the 2005 Energy Policy Act (EPA Act). The Commission has focused on the issues of "Smart Metering" (Time-of-Day Rates/Usage) and the "Interconnection Policy" for distributed generation resources. The Order sets forth the procedural schedule for addressing these issues with the first requirement being the filing of data request responses by March 23. EKPC will coordinate the



Finance Monthly Report

Page 14

February 2006

responses to the data requests and prepare the filing on behalf of EKPC and all of the Member Systems. This project helps EKPC meet its goal of providing excellent service to Member Systems while maintaining regulatory compliance.

#### **Internal Audit & Performance Measures – Graham Johns, Coordinator**

##### Internal Auditing for Member Systems

*Jackson Energy Cooperative*—Completed an internal audit of cellular telephones and delivered the report to management.

*Inter-County Energy Cooperative*—Will meet with the board of directors and audit committee on March 10 to discuss the four internal audits completed in 2005 and select the areas to audit in 2006.

##### EKPC Annual Audit

Completed the annual audit work for Crowe Chizek by auditing long-term debt.

##### Zodiak Training (The Game of Business Finance and Strategy)

- Jackson Energy Cooperative—February 7-8
- Nolin RECC—March 3 and April 12

# Finance & Planning

Finance Monthly Report  
 Page 15  
 February 2006

## Credit Union Process – Brian Tyler, Process Owner

### January 2006 Financial Report

Loans	13,181,332.45
Investments	3,164,736.80
Total Assets	17,586,131.92
Liabilities	2,190,728.99
Deposits	12,947,347.39
Equity	2,232,753.33
Interest on Loans	58,336.57
Investment Income	15,203.78
Total Income	74,576.70
Total Expenses	66,839.88
Retained Earnings	7,736.82
YTD Retained Earnings	7,736.82

### Election & Credit Union Annual Meeting

Ballots have gone out for the Credit Union Election for positions on the board of directors and credit committee. Results of the election will be announced at the Credit Union's annual meeting.

The annual meeting of the members of the East Kentucky Employees Federal Credit Union will take place on Wednesday, March 29, 2006, at 12:15 pm in the Board Room of the Headquarters Building. All members are invited and encouraged to attend.

dge/dd  
 c: Directors & Alternate Directors  
 Executive Staff  
 Finance & Planning Staff

# Governmental Affairs

FEBRUARY 2006

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.

Attached are the latest issues of Currents and Bill Tracker; which highlight all activities during February.

Bill	Sponsor	Issue	Filed	Committee	Bill History	Legislative status
SB29	Carroll	Eminent domain	3-Jan	Judiciary	<a href="#">Click for History</a>	In Committee
SB39	Seum	Air pollution control districts	3-Jan	Agriculture & Natural Resources	<a href="#">Click for History</a>	Passed Senate Feb. 27 w/SCS; received in House
SB75	Harris	Hazardous waste assessment fees	10-Jan	House Natural Resources - posted	<a href="#">Click for History</a>	Passed Senate; 2nd reading, to Rules in House
SB76	Harris	Hazardous waste management	10-Jan	House Natural Resources - posted	<a href="#">Click for History</a>	Passed Senate; 2nd reading, to Rules in House
SB89	Kelly	Reorganization - Coal Council, Energy Policy	17-Jan	House Tourism, Development & Energy	<a href="#">Click for History</a>	Passed Senate; 1st reading, to Calendar in House
SB96	Roeding	Administrative regulations	19-Jan	House State Government - posted	<a href="#">Click for History</a>	Passed Senate; posted in House committee
SB131	Stivers	Synthetic gas from coal contracts	30-Jan	House Tourism, Development & Energy	<a href="#">Click for History</a>	Passed Senate Feb. 16; in House Tourism, Development
SB203	Jones	Net metering	Feb. 17	A & R	<a href="#">Click for History</a>	In Committee
SB252	Neal	Utility heating disconnects	1-Mar		<a href="#">Click for History</a>	Introduced in Senate
SR146	Williams	Teresa Hill confirmation	1-Feb	Agriculture & Natural Resources	<a href="#">Click for History</a>	Passed Senate Feb. 22
SR238	Sanders	Transmission siting study	2-Mar		<a href="#">Click for History</a>	Introduced in Senate
HB9	Marcotte	Prohibits wireless devices in vehicles	3-Jan	Transportation	<a href="#">Click for History</a>	In Committee
HB28	Crimm	Electricians/electrical contractors	3-Jan	Senate Licensing & Occupations	<a href="#">Click for History</a>	Passed House Feb. 2; passed Senate 3-2; to Rules in House
HB52	Cherry	PSC Ethics	3-Jan	State Government; posted 1-30	<a href="#">Click for History</a>	Posted for passage Feb. 9
HB74	Denham	Rural development	3-Jan	Senate Agriculture & Natural Resources	<a href="#">Click for History</a>	Passed House Feb. 22; in Senate Committee
HB82	Cherry	MEPAK joint action	3-Jan	Tourism, Development & Energy - posted Feb. 10	<a href="#">Click for History</a>	Posted in Committee
HB83	Pasley	Surface mining	3-Jan	Tourism, Development & Energy	<a href="#">Click for History</a>	In Committee
HB97	Embry	Worker's comp	3-Jan	Labor & Industry; posted 1-20	<a href="#">Click for History</a>	Posted in Committee
HB113	Rudy	Sales and use tax	3-Jan	A & R	<a href="#">Click for History</a>	In Committee
HB114	Wilkey	Eminent domain	3-Jan	Judiciary	<a href="#">Click for History</a>	In Committee
HB122	Nelson	Eminent domain	3-Jan	Judiciary	<a href="#">Click for History</a>	In Committee
HB139	Pasley	HVAC	3-Jan	Labor & Industry; posted 1-27	<a href="#">Click for History</a>	2nd reading, to Rules, 3-1
HB158	Palumbo	Engineers	3-Jan	Senate Licensing & Occupations	<a href="#">Click for History</a>	Passed House Jan. 27; in Senate Committee
HB165	Floyd	Eminent domain	3-Jan	Judiciary; posted 1-12; posting withdrawn, 1-23	<a href="#">Click for History</a>	Posting withdrawn
HB183	Wilkey	Eminent domain	3-Jan	Judiciary; posted 1-23	<a href="#">Click for History</a>	Posted in Committee
HB187	Wayne	Manufactured homes	3-Jan	Local Government; posted 1-27	<a href="#">Click for History</a>	Posted in Committee
HB253	Wuchner	Sales and use tax	6-Jan	A & R	<a href="#">Click for History</a>	In Committee
HB263	Westrom	Sales and use tax	9-Jan	A & R	<a href="#">Click for History</a>	In Committee
HB264	Westrom	Sales and use tax	9-Jan	A & R	<a href="#">Click for History</a>	In Committee

HB271	McKee	Agricultural districts	9-Jan	Senate Agriculture & Natural Resources	Click for History	Passed House Feb. 7; in Senate Committee
HB275	Lindsay	Big Rivers	10-Jan	Senate Agriculture & Natural Resources	Click for History	Signed by the governor, Feb. 23
HB283	Owens	LIHEAP increase to \$10M	10-Jan	Senate A & R	Click for History	Signed by the governor, Feb. 1
HB295	Belcher	Corporate Income Tax	10-Jan	A & R - posted March 1	Click for History	Posted in Committee
HB298	Vincent	Executive branch lobbying	10-Jan	State Government	Click for History	Passed House Feb. 8; 2passed Senate 3-1; enrolled & signed in House
HB299	Adkins	Energy independence	10-Jan	Senate Agriculture & Natural Resources	Click for History	Passed House w/CA1, FA1, 1-25; in Senate Committee
HB337	Jenkins	Deregulates telecom/PSC	12-Jan	Tourism, Development & Energy; posted 2-28	Click for History	Posted in Committee
HB349	Brinkman	Business entities	12-Jan	Reassigned to Judiciary, 1-23	Click for History	In Committee
HB350	Brinkman	Corporations/nonprofit entities	12-Jan	Reassigned to Judiciary, 1-23	Click for History	In Committee
HB364	Farmer	Taxation	17-Jan	A & R	Click for History	In Committee
HB374	Palumbo	Administrative regulations	17-Jan	Senate A & R	Click for History	Passed House Feb. 7; in Senate Committee
HB380	Moberly	Budget	17-Jan	A & R	Click for History	2nd reading, to Rules, Feb. 22; recommitted to A & R
HB385	Bowen	Licensing of electricians	18-Jan	Senate Licensing & Occupations	Click for History	Passed House Feb. 22; received in Senate
HB396	Cherry	Legislative ethics	18-Jan	State Government - posted 1-30	Click for History	Posted in Committee
HB403	Moberly	Revenue & taxation - emergency	18-Jan	Senate A & R	Click for History	Delivered to governor, Feb. 23
HB433	Lee	Sales and use tax	23-Jan	A & R	Click for History	In Committee
HB470	Gooch	Administrative hearings	30-Jan	Senate Agriculture & Natural Resources	Click for History	Passed House Feb. 10 w/FA1,2; in Senate Committee
HB482	Riggs	Sales and use tax	31-Jan	A & R	Click for History	In Committee
HB485	Owens	Residential utilities; exempts multi-unit residences from sales tax	1-Feb	A & R	Click for History	In Committee
HB506	Wayne	Taxation on pollution control equipment	3-Feb	A & R	Click for History	In Committee
HB508	Wilkey	Eminent domain	3-Feb	Senate State Government	Click for History	Passed House Feb. 14; in Senate State Government
HB524	Weaver	PSC-AG complaints	7-Feb	Tourism, Development & Energy	Click for History	Passed House 3-1; received in Senate
HB538	Webb	IOU clean-coal recovery	8-Feb	Tourism, Development & Energy - posted Feb. 14	Click for History	Posted in Committee
HB560	Nelson	Overweight coal trucks	Feb. 10	Transportation	Click for History	In Committee

HB568	Wilkey	Co-op services	Feb. 13	Tourism, Development & Energy - posted Feb. 22		Posted in Committee
HB571	Moberly	Tax modernization	Feb. 13	A & R	<a href="#">Click for History</a>	In Committee
HB626	Pullin	Transmission	Feb. 21	Tourism, Development & Energy - posted Feb. 28	<a href="#">Click for History</a>	1st reading 3-2, to Calendar
HB665	Pullin	FutureGen	Feb. 23	Tourism, Development & Energy - posted Feb. 28	<a href="#">Click for History</a>	1st reading 3-2, to Calendar
HB675	Couch	Coal severance tax	Feb. 24	A & R	<a href="#">Click for History</a>	In Committee
HB676	Nelson	Worker's comp	Feb. 24	Labor & Industry	<a href="#">Click for History</a>	In Committee
HB678	Pullin	Natural gas - sales tax exemption	Feb. 24	A & R	<a href="#">Click for History</a>	In Committee
HB679	Pullin	Intrastate natural gas pipelines	24-Feb	A & R	<a href="#">Click for History</a>	In Committee
HB693	Gooch	Electricity tax for mine rescues	27-Feb	Natural Resources & Environment - posted 3-2	<a href="#">Click for History</a>	Posted in Committee
HB694	Couch	Electricians - low income housing	27-Feb	A & R	<a href="#">Click for History</a>	In Committee
HB695	Pullin	Kentucky Gas Pipeline Authority	27-Feb	Tourism, Development & Energy	<a href="#">Click for History</a>	In Committee
HB728	Stacy	Public interest pipelines	27-Feb	Tourism, Development & Energy	<a href="#">Click for History</a>	In Committee
HB742	Wuchner	Voluntary energy assistance fund	27-Feb	Tourism, Development & Energy	<a href="#">Click for History</a>	In Committee
HC24	Brinkman	Eminent domain	3-Jan	Judiciary	<a href="#">Click for History</a>	In Committee
HC26	Nelson	Prohibits rate increases in 2006	3-Jan	Tourism, Development & Energy; posted 1-17	<a href="#">Click for History</a>	Posted in Committee
HC120	Webb	Land stewardship task force	Jan. 26	Senate A & R	<a href="#">Click for History</a>	Passed House Feb. 21 w/HCS; in Senate
HR150	Edmonds	Creates Office of Energy Accountability in AG's office for price gouging	6-Feb		<a href="#">Click for History</a>	To House Floor, Feb. 7
HC217	McKee	U.S. energy needs - ag-based fuels	27-Feb	Agriculture & Small Business	<a href="#">Click for History</a>	In Committee

A report from Frankfort

Week ending February 24

22 legislative days left

## CO-OPS COMPROMISE ON SERVICES BILL

Facing a groundswell of opposition from retail groups, co-ops agreed in principle on Thursday to a compromise on the affiliate services bill.

House Bill 568, sponsored by Rep. Rob Wilkey, D-Scottsville, would have allowed co-ops to continue to offer unregulated, non-electric services.

The Kentucky Supreme Court ruled in November that co-ops were only authorized by state law to furnish electricity and electric-related services.

Since the bill was filed last week, however, several key legislators warned co-op lobbyists that they were under intense grassroots pressure by propane and HVAC interests to oppose the bill.

On Thursday, KAEC accepted a proposed amendment from the Kentucky Retail Federation in return for their commitment not to oppose the bill.

The amendment requires co-ops to establish affiliates to conduct non-electric services, and removes the co-op exemption to the state Code of Conduct.

The 2000 General Assembly established the Code as a set of rules to govern how utilities conduct affiliate services. Co-ops had been exempted from

those standards, but had adopted voluntary guidelines that incorporated many of its requirements.

The bill has been posted in the House Tourism, Energy & Development Committee and should be heard Thursday.

Co-op lobbyists are hearing from other groups who have concerns. They are being given the proposed compromise to see if it satisfies them, as well.

**It is important to remember that co-op grassroots support will be critical to the bill's passage in the full House and Senate.**

Click [here](#) to see a co-op brochure on HB 568 called "Don't Leave Rural Kentucky Behind."

## IT'S CRUNCH WEEK

Monday is the last day for new House bills to be introduced, and Wednesday is the last day for new Senate bills.

Regular sessions – the 60-day meetings in even-numbered years – typically see more than 800 House and 300 Senate bills.

As of Friday afternoon, 692 bills had been filed in the House and 224 in the Senate. In other words, expect a glut of new bills filed this week.



## SENATE CONFIRMS HILL TO PSC

The Senate unanimously confirmed Teresa Hill on Wednesday as vice chair of the Public Service Commission.

Senate Resolution 146 passed 38-0.

Gov. Ernie Fletcher appointed Hill in August when Ellen Williams left to take another job in his administration. Hill's term expires in July 2009.

Hill, an attorney, began her career as a radio news director and newspaper editor in Corbin.

## MEPAK MEASURE GETS HEARING

The municipal joint-action bill received a hearing in the House Tourism, Development & Energy Committee this week, but no vote was taken.

Ron Sheets of KAEC was one of three representatives from the state's regulated electric utilities to speak against the measure.

Much of the testimony dealt with the issue of Public Service Commission oversight for the proposed municipal power agencies, which the municipals have rejected.

HB 82 gives broad authority to unregulated municipal utilities to join together and float bonds to build and acquire electric facilities.

The state's regulated electric utilities have developed three guiding principles that must be satisfied in any joint-action bill.

The bill's future remains uncertain. Its sponsor, Rep. Mike Cherry, D-Princeton, told the committee that more time was needed to bring the sides together.

Special thanks to co-op representatives from Blue Grass Energy, Salt River Electric and Shelby Energy for their attendance and support.

### NEW BILLS FILED

Several new bills of interest were filed in the last few days:

HB 626 allows the PSC to consider the interstate benefits of proposed transmission lines in applications for a certificate of public convenience and necessity. This is in response to the federal Energy Policy Act of 2005, which gives the Federal Energy Regulatory Commission (FERC) "backstop" authority to site major lines if states do not. The bill is sponsored by Rep. Tanya Pullin, D-South Shore, and has been sent to the House Tourism, Development & Energy Committee.

HB 665, would exempt the FutureGen plant from state siting board requirements, if it

is built in Kentucky. FutureGen is the U.S. Department of Energy's \$1 billion project to create the world's first zero-emissions fossil fuels plant. The sponsor is Rep. Pullin.

Senate Bill 203 would expand the definition of net metering to include a number of new alternate energy sources, such as hydroelectric, wind, landfill gas, fuel cells and several others. It also establishes tax credits for solar, wind and geothermal systems. The bill has been sent to the Senate Appropriations & Revenue Committee, most likely killing it for this session. Its sponsor is Sen. Ray Jones, D-Pikeville.



### GOVERNOR SIGNS BIG RIVERS BILL

Gov. Fletcher signed the Big Rivers bill into law this week from his hospital bed.

HB 275 addresses Big Rivers' effort to unwind its contract with LG&E. It gives co-ops an avenue to sell excess electricity, formerly supplied to a member, and not have it count against statutory limitations.

Fletcher, as you know, has been hospitalized for two weeks after complications from surgery to remove his gallbladder.

Congratulations again to Big Rivers. And, the co-op program would like to wish the Governor a speedy recovery!

### CLEAN-COAL BILL UPDATE

Co-op lobbyists are reviewing several changes to HB 538 in response to industrial customers and environmental interests.

The bill would allow regulated utilities to recover financing, interest and other costs to build clean-coal power plants and related transmission facilities on a "pay as you go" basis.

The mechanism, similar to a monthly environmental surcharge, would have to be approved annually by the PSC. The sponsor is Rep. Robin Webb, D-Grayson.

Industrial groups claim the bill would significantly increase rates and are lobbying hard for its defeat.

EKPC has been neutral to this point, since it is an optional surcharge. The new changes, however, appear to be troubling.

### PSC OPENS ENERGY CASE

The PSC announced Friday that it has opened an administrative case into smart metering and interconnection standards from last year's federal energy act.

The case number is 2006-00045. All regulated electric utilities have been made parties. Read the press release here.

**Sorry – no quiz today!**



# Human Resources & Support Services

FEBRUARY 2006

**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, 041, 043, 046, and 047 were \$273,764 under budget as of December 2005.
- **Cost containment** – Human Resources & Corporate Support Services cost containment teams of workforce analysis and technology are starting to result in cost savings.

### 2. Ensuring the safety, well-being, and development of EKPC employees

#### Significant Results:

- All Medicare participants in the Medical plan were enrolled in the Medicare Part D plan with Member Health.
- OSHA Lost Time Incident Rate – 0.19 through January.
- New office safety meetings better prepared employees for emergency situations.

### 3. Providing appropriate corporate staffing requirements

#### Significant Results:

- **Positions Filled:**
  - Vice President of Coordinated Planning
  - Coal Yard Operator - Cooper
- **Positions open:**
  - Landfill Generating Plant Operator - Bavarian

- Sr. Engineer - EMS
- Environmentalist
- HR-PD Safety Training & Compliance Coordinator
- VP Power Delivery
- Transmission Construction Inspector
- Maintenance Mechanic - Entry @ Spurlock Station
- Maintenance Mechanic - Entry @ Dale Station
- CT Technician
- Line Technician @ Bardstown
- 2 Auxiliary Operator @ Dale Station
- Senior Engineer (PD)
- Senior Engineer (Production)
- Electrician @ Cooper
- 2 Senior Analysts – Resource Planning (Coordinated Planning)
- Market Forecast Supervisor (Coordinated Planning)
- Mid Term Planning Supervisor (Coordinated Planning)
- Construction Technician Crew Leader (Power Delivery)

#### 4. Providing effective communications

##### **Significant Results:**

- Employees were updated as to benefit and summary plan descriptions, HIPAA Privacy Notices, and changes in the Long Term Disability Plan.
- To reduce medical costs and improve wellness, employees were introduced to an additional resource, Avidyn Disease Management program.
- EKPC supervisors became better acquainted and more knowledgeable of our mission and of our distribution systems through member system presentations at Learning for Leaders.

#### 5. Regulatory compliance

##### **Significant Results:**

- The completed Record Retention Schedule update is in compliance with recordkeeping standards.
- The completed 2005 Survey of Occupational Injury and Illness Report is in compliance with OSHA.

# Human Resources & Support Services

## 6. Member Systems Support

### Significant Results:

- As an initiative from Zodiac training, Jackson Energy employees are working toward maintaining and/or controlling costs.

### Information Technology Process – Wes Moody, Manager

Provide support for the PeopleSoft ERP system

#### *PeopleSoft HRMS Version 8.8*

- ◆ Payroll – Calculated leave accrual for calendar year based upon first pay period of 2006 being split between 2005 and 2006.
- ◆ Benefits – Started working on re-design of Personalized Employee Benefits Statements.
- ◆ HR – Create Crystal reports that will allow Training to use direct reports for SkillScope assessments of supervisors and allow HR to track audit changes for payroll and quarterly affirmative action reporting. Bundles on hold until tools upgrade completed.

#### *PeopleSoft Financials Version 7.5*

- ◆ Project Costing – The second of three reports have been completed which have been developed for the Power Delivery Business Unit to report Estimates & Actual costs of projects for Substation/Cap Bank projects. Design has started to develop the third report, which will be for Power Delivery Work Orders for Cooperatives.

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.

### Enhance Production Management Reporting System

- ◆ New setup for the handhelds is successfully working, allowing the units to stay operational in the plants even after an unexplained failure of the unit.
- ◆ Work continues on developing requirements for tracking the Fly Ash and Bed Ash at the plants in the PMRS system.
- ◆ The PMRS Online & Reporting has been installed on the Maxamillion Citrix Server to allow use of the system at the 4 Landfill Gas Plants. Documentation specific to the Landfill plants is being developed. Training of the users will be planned in the next couple of months in order for the users to take over reporting responsibilities within the PMRS.

This supports key measure **Competitive Energy and Reliable Energy** by providing the capability to automate the Fuel Evaluation Process within the Production Business Unit.

## Human Resources & Support Services

### Support Maximo CMMS System

- ◆ Assisted with the year-end processes for each Power Plant. This required that custom process be created to zero-out Y-T-D fields.

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.

### Enhance Coal Comparison Application

- ◆ First run of grafts were produced and are being reviewed to determine if changes are needed.

This supports **Competitive Energy and Reliable Energy**, by providing a monthly analysis of coal among selected utilities.

### Drawing Management System

- ◆ Beginning proof of concept design. This Web based application will enable users to view cad drawings as well as modify associated attribute data. Initial concept is for Spurlock, but a corporate solution is foreseen.

This supports **Competitive Energy and Reliable Energy**, by providing at each power plant a standardized drawing platform.

### Enhance Coal Accounting System

- ◆ Programming changes continue to be requested by the Fuel process to accommodate the Coal Buyers in procuring coal during this time of increasing coal costs. Coal companies are currently asking for reduced penalties and increased premiums for certain qualities of coal. EKPC must change their usual practices in buying coal in order to obtain coal in the current market.

This supports **Competitive Energy and Reliable Energy** by providing Power Production with the flexibility required to purchase coal both on the spot market and contract basis.

### Redesign EKPC's Websites – Internet/Extranet/Intranet

- ◆ Replaced menu navigation for members' extranet site – improved looks and functionality
- ◆ New web based Partners Plus for Marketing incentive programs. Replaces old Markweb system
- ◆ Extensive redesign and cleanup of archived news reports on EKPC web site. Working with Corp. Communications to eliminate dead links

This supports key measures **Competitive Energy, Reliable Energy, and Member Services** by developing a network and computing environment that facilitates a collaborative work environment.

## Human Resources & Support Services

### Provide Company-Wide Computer and Network Services

- ◆ The Computer Support Line resolved 83 support calls during the previous period.
- ◆ Provided classroom computers for joint Maximo meeting at HQ.
- Installed new version of Upgrade Expert; software that monitors and performs windows patches.
- ◆ Replaced 3com wireless access points with new D-link models for improved connectivity.
- ◆ Currently troubleshooting a series of random network outages over a 3-week period. Outages typically last less than 1 minute.
- ◆ Implemented new drawing server for Spurlock.

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

- ◆ RSSI tests have been completed to confirm that the new Headquarters Substation can be reached by 220 MHz radio from Renaker tower.
- ◆ 220MHz master radio for Renaker was received and the installation drawings completed. All antennas and mounting hardware was ordered.

This supports key measure **Reliable Energy** by providing the ability to get substation information and do remote switching.

### Provide New Two-way Radio System

- ◆ The repeater was ordered and received for the drive test. All antennas and mounting hardware was ordered for the Stanton installation.
- ◆ A bid spec was released for the detailed consulting services for the project.

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 six microwave sites.
- ◆ Road repairs are being made to the Joe Knob microwave site road.
- ◆ Tower lights were repaired at JK Smith.
- ◆ Telecom personnel worked with AT&T to restore the operation of EMS channel 3 that has a demarcation point at the Bardstown Service Center.
- ◆ Bi-annual microwave maintenance was done at Burnside and Freedom microwave sites.

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.

## Human Resources & Support Services

### Implement Telecommunications Strategic Plan

- ◆ All circuits have been moved to the new digital system.
- ◆ A fiber optic link and alarm system was installed at the old Goddard tower to monitor tower lights, door opening, and other conditions, now that we no longer have microwave radios there.
- ◆ The two EMS LAN circuits were reconfigured to provide 155Mbps each, ensuring more reliable traffic flow from the Control Center to JK Smith.
- ◆ This new telecom system supports key measures Competitive Energy and Reliable Energy by providing better circuits and more circuits to monitor and remotely control power facilities, network our computers, link our telephone systems, and links our 2-way radio base stations to the Control Centers.

### IT Performance Measures

- ◆ Annual O&M Budget - On Budget.
- ◆ Lost Time Accident Rate – 0.0
- ◆ WAN Availability – 100.0%
- ◆ LAN Availability – 99.9%
- ◆ Two-Way Radio Availability
  - Member System Base Stations – 99.1%
  - EKPC Base Stations – 99.9%
- ◆ Application Availability – 100%
- ◆ Data Circuit Availability – 97.9%
- ◆ On-Time 555 Problem Resolution – 95%
- ◆ Customer Satisfaction Index
  - NCS Team – 100%
- ◆ PBX Availability – 100%

FEBRUARY 2006

Pending Litigation against EKPC

1. Brenda Milton v. EKPC, et al (Employment Discrimination Lawsuit) – Clark Circuit Court. On November 21, 2001, EKPC was served with a summons and Complaint initiated by a former employee seeking damages on claims of a hostile workplace environment, retaliation constructive discharge, and assault and battery by a co-worker. EKPC filed a motion for a more definite statement which was heard by the Court in December 2001, and an order entered on May 21, 2002, directing plaintiff to refile her lawsuit setting forth more detailed facts regarding her claims. The Amended Complaint was received on June 18, 2002, and EKPC has filed an Answer for itself and the three individual employees also named as Defendants in the lawsuit. In December 2002 Plaintiff began taking depositions but abruptly halted the depositions without completion. Danny Flinchum's deposition was held February 15, 2005. EKPC served discovery requests on March 29, 2005, which were not answered. EKPC filed its Motion for Summary Judgment the first week in January 2006. The Plaintiff has already requested two continuances of the hearing. A mediation is scheduled for April 11, 2006.
2. Dorsey McCarty, et al v. EKPC – Magoffin Circuit Court. Plaintiffs sued EKPC alleging off right-of-way damages associated with chemical spraying of a right-of-way. EKPC's Answer was filed on November 4, 2002. There has been no further action.
3. Mark Jordan v. EKPC and CBA – U.S. District Court for the Eastern District of Kentucky. On August 10, 2005, former employee Jordan sued CBA alleging improper denial of his eligibility for disability benefits under EKPC's group disability plan administered by CBA; and breach of his privately negotiated worker's compensation settlement with EKPC, specifically as to certain future disability entitlements. EKPC filed its Answer on August 19, 2005, wherein it denied any liability. On September 27, 2005, EKPC made its initial disclosure, and had the joint meeting with plaintiff's counsel as ordered by the court. EKPC is working on a Summary Judgment motion and discovery requests.
4. United States of America v. EKPC (Clean Air Act Enforcement) – U.S. District Court, Lexington – On January 28, 2004, the federal 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 of up to \$25,000 a day before January 31, 1997, and \$27,500 a day since then. On June 18, 2004, EKPC filed its Answer denying all claims.

In December 2005, attorneys from Hunton & Williams updated the Board in Executive Session. 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.

The court has previously set this matter for trial in late May/early June 2006; but this schedule could change depending upon whether the court rules favorably upon all or some of these motions. EKPC is preparing for trial.

5. Anthony Stevens v. EKPC – U.S. District Court for the Eastern District of Kentucky. On September 1, 2004, Anthony Stevens sued the Company alleging that he is an African-American and that despite his superior qualifications for a position as a Coal Yard Operator, he was denied the opportunity to interview for and take a written test for that position at EKPC's Spurlock Power Station because of his race. Stevens seeks an Order from the Court allowing him to take the written exam, to order EKPC to interview and consider hiring him, and for all other relief "as the Court may deem just and proper." EKPC has filed an Answer to the lawsuit denying the claims of the plaintiff and intends to vigorously defend the case. Plaintiff's first set of discovery has been answered by EKPC. Plaintiff's counsel has filed a motion to withdraw as counsel. An Agreed Order of Dismissal has been executed by all parties and entered into the court records on February 14, 2006. (CASE CLOSED)
6. Enviropower LLC v. EKPC (Spurlock 4 Certificate Order) – Franklin Circuit Court. The PSC filed a notice with the Franklin Circuit Court on February 10 stating that the entire Designated Record of PSC Case No. 2004-00423 has been filed or incorporated by reference from the prior Enviropower action in Franklin Circuit Court seeking an injunction to prevent the hearing in that case. The court should now have all required records to allow it to render a decision on the Motions to Dismiss filed by the PSC and EKPC.
7. Enviropower v. PSC (Spurlock 4 – Denial of Intervention) – Court of Appeals. The Appellants' Brief has been filed, as of February 21. The brief of the Appellees, EKPC, the PSC, the Attorney General, and Gallatin Steel, are due on April 21.



## LEGAL

### 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, \$75,746.72 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 and has remanded the case back to Clark Circuit Court.

### Claim and Topics

1. KU and LG&E v. EKPC (FERC Proceeding) – 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 are intended to incorporate all, or substantially all, of the rates and charges under the Midwest ISO ("MISO") tariff. EKPC objects and contends that the two agreements may 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.

On April 1, 2004, the administrative law judge entered preliminary findings for EKPC. On March 31, 2004, a preliminary order was entered in the case favorable to EKPC's position. On December 22, 2004, FERC issued its order, which affirmed most of the judge's findings. The order remanded the case for further proceedings. On balance, the FERC decision was more favorable to EKPC than to LG&E/KU. A final decision is expected shortly.

2. 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.

3. PSC Case No. 2004-00423 – (Spurlock Unit 4 Certificate Application) – The Commission granted construction certificates for the Spurlock 4 unit in an order dated September 13. The order also includes a report on the Commission’s investigation of allegations of improprieties in EKPC’s 2004 RFP which were made by Enviropower LLC. The order addresses every factual allegation made by Enviropower and completely validates EKPC’s position on every issue. The Commission found that Enviropower was not the lowest and best bidder in the RFP and commends EKPC for conducting a process “truly designed and carried out to determine the best and lowest-cost bid.” Construction of the Spurlock 4 unit can proceed as soon as the construction permit from the Division of Air Quality is issued.
4. PSC Case No. 2005-00053- (Smith Generation Certificates) – The Commission has issued a supplemental data request in this case. Responses are due on February 6.
5. 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 April 14, 2005, FERC ruled for EKPC that it was entitled to the interconnection. Since EKPC and TVA were unable to work through details necessary to implement the interconnections, the task of doing so now falls to the FERC.
6. 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. After review, the Revenue Cabinet will issue a final ruling on whether it accepts all or any portion of the PROTEST.
7. USEPA Notice of Violation – On January 17, 2006, the United States Environmental Protection Agency (“USEPA”) issued a Notice of Violation (“NOV”) under Section 113 of the Clean Air Act (“CAA”) charging operation of Dale Station Units 1 and 2 with technical violation of the CAA’s 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. A conference with the USEPA was held on February 13, 2006, at the Region IV offices in Atlanta. The Company’s representatives had earlier met with state regulators on January 27, 2006.
  - Kentucky followed suit by issuing its own Notice of Violation (“NOV”) for Dale Station Units 1 and 2 also alleging technical non-compliance respecting those programs over which it has jurisdiction.

## LEGAL

8. PSC Case No. 2005-00417 – Spurlock 2 Scrubber – This case was filed in October 2005. EKPC has responded to the Commission staff’s first data request. No hearing has been scheduled in the case, as of this report.
9. PSC Case No. 2006-00033 – Pendleton County Landfill Gas Project – An Application for a Declaratory Order on this facility was filed on January 23.
10. PSC Case No. 2005-00495 – FAC – EKPC responded to the Commission Staff Second Set of Data Requests on February 23.
11. PSC Case No. 2006-00017 – Integrated Resource Plan – The PSC granted EKPC’s motion for a six-month extension of its 2006 IRP filing deadline, by an order dated February 17. EKPC’s IRP will now be due on October 21, 2006.
12. PSC Case No. 2006-00033 – Pendleton County Landfill Gas Project – EKPC responded to Commission Staff data requests on February 22.

Dale W. Henley  
General Counsel

c: Dave Eames (for distribution)  
(H:legal\MR-feb06)

FEBRUARY 2006

**Economic Development Process**

- Staff attended the monthly Board meeting of the Kentucky Association for Economic Development and Commerce Lexington as well as the Annual Meeting of Commerce Lexington.
- Staff participated in an ongoing “branding” initiative for the Kentucky Chamber of Commerce.
- The Economic Development Team visited Taylor County, South Kentucky, Farmers, Salt River, and Nolin member cooperatives to discuss the economic development program and to seek their input.
- A meeting of the Bluegrass Alliance, a group composed of economic development professionals from the central Kentucky region, was hosted at EKPC.
- East Kentucky Power co-sponsored with Bluegrass Energy, a lunch as part of a “community assessment” of Bracken and Anderson Counties. These assessments are conducted by members of the Kentucky Association for Economic Development with assistance from the Cabinet for Economic Development.
- The feasibility of EKPC becoming active in pursuit of Rural Economic Development Loans and Grants continues to be assessed. Conversations with an outside consultant are underway to help make this determination.
- Development of the industrial sites and buildings database in the 89 county service area of the member distribution cooperatives was concluded. There are over 200 sites and buildings available in the 89 counties. The member cooperatives serve all or a portion of over 100 of these properties.
- Sites that are served partially or entirely by the cooperatives along with buildings served by the cooperatives have been listed on Touchstone Energy’s *Sites Across America* marketing website. Communications to the member cooperatives has been sent requesting that the information on the website be audited for accuracy. We are awaiting feedback from each cooperative.
- Work continues on the EKPC economic development website. Our goal is to have the website available in early March.
- Staff is involved in the cost containment review of the Member Services business unit.

## Member Services

### Non-Traditional Power Production Process

- Met with staff of the Maysville-Mason Co. Landfill to discuss development of a 0.8 MW Landfill Gas to Electric Generating Facility at that site. Followed-up with a draft Gas Purchase Agreement.
- Met with representatives of Allied Waste to discuss the potential development of a Landfill Gas to Electric Generating Facility at the Benson Valley Landfill near Frankfort, Kentucky.
- Discussions were held with Allied Waste about completing the gas collection modifications at the Green Valley Landfill.
- Responded to a PSC data request for the Green Valley & Pendleton County LFGTE projects.
- Emissions testing completed at the Hardin County LFGTE facility and Laurel Ridge Unit # 5.
- Top end overhauls completed at Laurel Ridge, Green Valley, and Bavarian LFGTE projects.
- Renewable Energy presentation to the Owenton Rotary for Owen Electric.
- TV taping in Elizabethtown with the Hardin County Fiscal Court discussing landfill gas and the Hardin County LFGTE facility. The show will be aired 12 –15 times during the month.
- Site visits to three of four schools slated for solar panel installation in March.
- Working on a new marketing and advertising strategy for EnviroWatts. Exploring the possibility lowering the cost of a block of EnviroWatts.
- New EnviroWatts ad inserts developed.

### Marketing & Natural Resources Process

- Met with the staff of the Kentucky Heritage Council concerning cultural resource concerns with the Wilson-Aberdeen Transmission Line.
- Performed a program for Salt River RECC for area Boy Scouts. The program included information on electricity, energy conservation, EnviroWatts and Ky Critters. The purpose was to provide a curriculum for the Energy Merit Badge. The program was in Shepherdsville.

## Member Services

- Met with the staff of the Galt House as a follow-up to the 2006 Energy Management Conference. Over 500 member system folks and their guests attended the 2006 EMC. Planning for the 2007 EMC is underway.
- Performed the “Wildflowers of Kentucky” program for the Fayette Garden Club for Blue Grass Energy.
- Met with the staff of Fleming-Mason EC concerning PartnersPlus and Touchstone Living programs.
- Met with Karen Reagor of the Kentucky NEED program.

Listed below are the Environmental activities for this month:

Touchstone Cooperative	School	Date
Salt River RECC	Washington County Elementary	2/1/2006
Nolin RECC	G. C. Burkhead Elementary	2/1/2006
Clark Energy	McNabb Middle	2/7/2006
Clark Energy	McNabb Middle	2/8/2006
Salt River RECC	Spencer County Elementary	2/8/2006
Salt River RECC	Old Kentucky Home Intermediate	2/9/2006
Bluegrass Energy	East Jessamine Middle	2/10/2006
SKRECC	Phelps Elementary	2/10/2006
Inter-Co Energy	Lancaster Elementary	2/14/2006
Clark Energy	McNabb Middle	2/15/2006
Inter-Co Energy	Crab Orchard Elementary	2/15/2006
Clark Energy	Strode Station	2/16/2006
Salt River RECC	Spencer County Elementary	2/16/2006
Grayson RECC	Argillite Elementary	2/17/2006
Salt River RECC	Old Mill Elementary School	2/17/2006
Clark Energy	Clay City Elementary	2/21/2006
Clark Energy	Bowen Elementary	2/21/2006
Clark Energy	White Hall Elementary	2/22/2006
Inter-County Energy	McKinney Elementary	2/22/2006
Clark Energy	Strode Station Elementary	2/23/2006
Blue Grass Energy	Western Elementary	2/24/2006
Owen Electric	Mason-Corinth Elementary	2/24/2006
Clark Energy	Strode Station Elementary	2/27/2006
South KY RECC	Hopkins Elementary	2/27/2006
Blue Grass Energy	Saffell Street Elementary	2/28/2006
South KY RECC	Hopkins Elementary	2/28/2006

- Construction Projects Involving Environmental Activities for February: Smith-Sideview 345/69 kV Substation and Transmission Project, Cranston-Rowan 138 kV

## Member Services

Transmission Line, Gap of the Ridge Sub and Tap, Wilson-Aberdeen, Memphis Junction- Aberdeen, GM-Memphis Junction, Barren County-Oakland-Magna, Beam-Tichenor, Inez Sub and Tap, Conway Sub and Tap, Snow Hill Sub and Tap, Pendleton County LFGTE, Cedar Grove Industrial Park Sub and Tap, Bluegrass Parkway Sub and Tap, Keavy #2 Substation Expansion, Laurel County Industrial Park Substation Expansion

- Met with Cultural Resource Analysts concerning the archaeological and cultural surveys on the Wilson-Aberdeen, Memphis-Junction – Aberdeen, GM-Memphis Junction, and Barren County-Oakland-Magna projects.
- Met with US Fish and Wildlife Service personnel to discuss moving forward with a programmatic take agreement for Indiana bats. Development of this take agreement would allow EKPC to move forward with clearing trees in the summer on a project, provided efforts were implemented to minimize effects on the species.
- Continued to help the local 4-H group prepare for their regional testing competition.
- Attended the PSC Hearing for Cranston – Rowan Transmission Line Certificate.
- Gave a presentation to the West Virginia Dept. Of Transportation on bats and EKPC's methodology for working with endangered species.

### Market Research Process

- Work continues on a new load forecast for EKPC and all member systems.
- A direct load control demonstration project is ongoing. Big Sandy and Blue Grass Energy are participating. EKPC has filed a request to perform the project with the PSC and is waiting to hear from them.
- Market Research personnel intend to visit member systems and discuss (1) their latest appliance saturation survey results, and (2) the results of customer satisfaction surveys done in 2005.
- Market Research continues to assist Production by providing benchmark data and information.

### Member and Corporate Communications Process

- Coordinated the Utility Stakeholder Meeting Feb. 28 where utilities across Kentucky and others provided input about a rating system that the Public Service Commission wants in place to determine preferred transmission centerlines.

## Member Services

- Distributed draft a Communications Plan with message points for cooperatives across Kentucky to successfully support legislation enabling affiliated services by cooperatives.
- Posted a new system on ekpc.coop for all past stories to be electronically archived.
- Published the eighth Close the Gap newsletter on cost containment efforts at EKPC. This issue focused on new teams being formed to study Member Services.
- Attended meeting at Blue Grass Energy with customer service representatives and employees, which provided training in answering questions about the environmental surcharge and fuel adjustment clause.
- Finalized production of a new slide show on the history of East Kentucky Power to be shown in the headquarters main lobby.
- Distributed the next estimate from Pricing on the upcoming Environmental Surcharge factor.
- Distributed final copy of all services available to member systems through Corporate Communications, and posted that information on the members-only Internet and the EKPC Intranet.
- Distributed the Connections newsletter for co-op member services personnel.
- Electronically posted the April InterChange of stories, photos and graphics for member system Kentucky Living inserts on esource, a member only web site hosted by EKPC.
- Finalized a new website on Economic Development, complete with maps of industrial sites across the service territory, for members to make available on their individual web sites.
- Completed the first newsletter about Economic Development efforts on behalf of member systems.
- Assisted with signage and promotional material for the 2006 Touchstone Energy All "A" Classic, including photography of the basketball championship.
- Completed design work and photography for the 2005 EKPC annual report.
- Distributed the Fuel Adjustment Clause report.



## Member Services

- Visited Clark Energy, Fleming-Mason Energy and Blue Grass Energy to discuss Communications services and assess member needs.

### Touchstone Energy Brand Management

- Attended Touchstone Energy Strategic Communications Committee meeting, dealt with plans for new national ad campaign and safety commercial issue.
- Worked with Co-ops on message for 2006 “Image Plus” Ad campaign.
- Developed and produced radio spots for “Image Plus” campaign.
- Worked with Communications on print ads and direct mail piece for Ad campaign.
- Worked with Communications to develop new ads for EnviroWatts marketing.
- Wrote & produced radio ad for Grayson RECC.
- Assisted TSE national in securing Kentucky co-op member services personnel to promote Co-op Connections Card Program on national video and at the NRECA national meeting.

## Power Delivery Unit

FEBRUARY 2006

### 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.

**System Peak** – EKPC's coincident peak in January 2006 was 2222 MWh, occurring at hour 0700 on the 26th. Member system requirements for the month of January 2006 were 1,143,089 MWh, a decrease of -6.49% below January 2005. Heating degree-days for January were 330 less heating degree-days than normal. The average temperature was 42.5 degrees or 32.9% warmer than normal.

**Outage Reports for January 2006** - EKPC Power Supply outages have accounted for .02 consumer hours out year-to-date. Of these, none were scheduled, and .02 were emergency outages. None of these were due to major storms. For January, we experienced four emergency outages affecting 11 substations and seven member systems. Four scheduled outages occurred and 14 line requests were also completed. Emergency outage reports for the complete system are attached.

**Average Service Unavailability Index (ASUI)** – Through January 2006, our reliability measure, ASUI is 0.8 minutes with no major storms.

**EAST KENTUCKY POWER COOPERATIVE  
EMERGENCY OUTAGES - THIS MONTH**

**January 2006**

Page 1 of 1

	<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%	2-100%	0-0%	0-0%	2-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	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	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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%	1-100%	0-0%	0-0%	1-100%
NOLIN	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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	1-100%	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%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
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	3-27%	0-0%	0-0%	5-45%	0-0%	0-0%	0-0%	0-0%	3-27%	0-0%	0-0%	11-100%

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  
January 2006**

Page 1 of 1

	<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%	2-100%	0-0%	0-0%	2-100%
CUMBERLAND VALLEY	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	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	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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%	1-100%	0-0%	0-0%	1-100%
NOLIN	0-0%	0-0%	0-0%	2-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	2-100%
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	1-100%	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%	1-100%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	0-0%	1-100%
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	3-27%	0-0%	0-0%	5-45%	0-0%	0-0%	0-0%	0-0%	3-27%	0-0%	0-0%	11-100%

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 2006 for Entire System**

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
01/02/06 15:13 Emergency	1 h 13 m 2,176	2,647	4,288	W0 Hodgenville 7 Nolin	<b>Storm / Weather Related : Tornado</b> High winds during a tornado passing through area damaged STR. #CK-57 & #CK-58 in line section between Hodgenville-Magnolia of Hodgenville-Green County transmission line.
01/02/06 15:13 Emergency	0 h 46 m 1,897	1,454	2,100	W1 Magnolia 9 Nolin	<b>Storm / Weather Related : Tornado</b> High winds during a tornado passing through area damaged STR. #CK-57 & #CK-58 in line section between Hodgenville-Magnolia of Hodgenville-Green County transmission line.
01/02/06 15:13 Emergency	0 h 46 m 2,193	1,681	2,525	W2 Summersville 3 Taylor County	<b>Storm / Weather Related : Tornado</b> High winds during a tornado passing through area damaged STR. #CK-57 & #CK-58 in line section between Hodgenville-Magnolia of Hodgenville-Green County transmission line.
01/02/06 18:06 Emergency	0 h 14 m 849	198	125	E58 Bowen Clark	<b>Vandalism : Vandalism</b> Vandals shot and damaged one line side bushing and tank of breaker E8-624 at Zachariah substation. Breaker failed when bushing arced to ground during a thunderstorm with high winds and heavy lightning.
01/02/06 18:06 Emergency	0 h 14 m 212	49	75	E10 High Rock 1 Clark	<b>Vandalism : Vandalism</b> Vandals shot and damaged one-line side bushing and tank of breaker E8-624 at Zachariah Substation. Breaker failed when bushing arced to ground during a thunderstorm with high winds and heavy lightning.
01/02/06 18:06 Emergency	0 h 14 m 872	203	275	E08 Zachariah Licking Valley	<b>Vandalism : Vandalism</b> Vandals shot and damaged one-line side bushing and tank of breaker E8-624 at Zachariah Substation. Breaker failed when bushing arced to ground during a thunderstorm with high winds and heavy lightning.
01/03/06 0:47 Scheduled	11 h 5 m 1,214	0	0	W7 Smithersville #2 0 Nolin	<b>Storm / Weather Related : Tornado</b> An outage was required by Nolin personnel in order to repair broken distribution poles outside Smithersville Substation. Substation bus needed to be de-energized in order for Nolin personnel to safely facilitate repairs to damaged poles near substation.

# EAST KENTUCKY POWER COOPERATIVE SUBSTATION OUTAGE SUMMARY REPORT JANUARY 2006 for Entire System

Date/Time	Time Off	Consumer Hours Out	KWH Unserved	Substation Company	Type / Cause
<b>Emer/Sched</b>	<b>Consumers Out</b>	<b>Consumer Hours Out</b>	<b>KWH Unserved</b>	<b>Substation Company</b>	<b>Description</b>
01/03/06 8:51 Scheduled	23 h 49 m / 498	0	0	W9 Knob Creek 7 Salt River	<b>System Improvements : Maintenance</b> Scheduled outage required by LG&E personnel in order to replace poles on circuit 3323.
01/17/06 21:20 Emergency	0 h 10 m / 1,991	332	1,150	S64 Goldbug Cumberland Valley	<b>Storm / Weather Related : Wind</b> High winds in area damaged an off right of way tree, which fell onto line section between Jellico Creek-Goldbug at STR. # AY-89 & AY-90, on McCreary Co-Goldbug 69 kV transmission line. This tree also made contact with a Cumberland Valley distribution line.
01/17/06 21:20 Emergency	1 h 27 m / 671	973	1,340	S41 Jellico Creek Cumberland Valley	<b>Storm / Weather Related : Wind</b> High winds in area damaged an off right of way tree, which fell onto line section between Jellico Creek-Goldbug at STR. # AY-89 & AY-90, on McCreary Co-Goldbug 69 kV transmission line. This tree also made contact with a Cumberland Valley distribution line.
01/21/06 12:05 Scheduled	2 h 46 m / 2,326	0	0	N38 Keith Owen	<b>Vandalism : Vandalism</b> A scheduled outage was required in order to repair conductor that was shot by vandals on "HK" Penn-Keith radial transmission line.
01/24/06 6:26	4 h 42 m	0	0	N56 Inland Container #1	<b>System Improvements : Maintenance</b>
Scheduled	1			Fleming-Mason	A scheduled outage was required in order to perform routine inspection and repair connections to 138 kV bus in Spurlock switchyard. This substitution outage was coordinated with plant scheduled maintenance outage.
01/24/06 6:26	4 h 42 m	0	0	N56 Inland Container #2	<b>System Improvements : Maintenance</b>
Scheduled	1			Fleming-Mason	A scheduled outage was required in order to perform routine inspection and repair connections to 138 kV bus in Spurlock Switchyard. This substitution outage was coordinated with plant scheduled maintenance outage.

**EAST KENTUCKY POWER COOPERATIVE  
SUBSTATION OUTAGE SUMMARY REPORT  
JANUARY 2006 for Entire System**

Date/Time	Time Off		Consumer Hours Out	KWH Unserved	Substation		Type / Cause	
	Consumers Out	Hours			Company	Description		
01/26/06 8:18 Emergency	0 h 16 m 2,642	705	1,425	S03 Highland Inter-County	Transmission Line Equip. Failure : Conductor A conductor broke in line section between Highland-Mt. Olive Jct. at STR. D-51 & D-52, on Liberty Jct. - Garrard County 69 kV transmission line.			
01/26/06 8:18 Emergency	0 h 4 m 4,106	274	875	S68 Tommy Gooch Inter-County	Transmission Line Equip. Failure : Conductor A conductor broke in line section between Highland-Mt Olive Jct. at STR. D-51 & D-52, on Liberty Jct.-Garrard County 69 kV transmission line.			
01/26/06 8:18 Emergency	1 h 7 m 1,650	1,843	5,359	S25 Mt. Olive South Kentucky	Transmission Line Equip. Failure : Conductor A conductor broke in line section between Highland - Mt Olive Jct. at STR. D-51 & D-52, on Liberty Jct. - Garrard County 69 kV transmission line.			

<b>TOTAL</b>	23,299	10,360	19,537	<b>Average Hours Outage Per</b>	0.02
<b>YEAR TO DATE</b>	23,299	10,360	19,537	<b>YTD Avg Hrs Outage Per</b>	0.02

**TOTAL CONSUMERS SERVED = 489,213**

**EAST KENTUCKY POWER COOPERATIVE  
POWER SUPPLIER OUTAGE REPORT**

**January 2006**

Page 1 of 1

**Average Hours Outage Per Consumer**

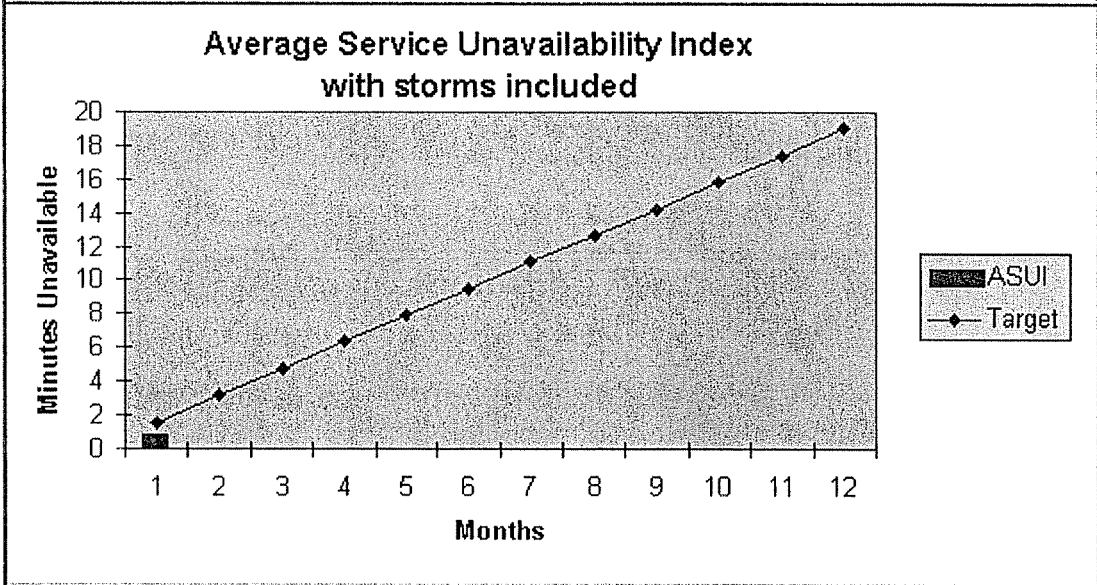
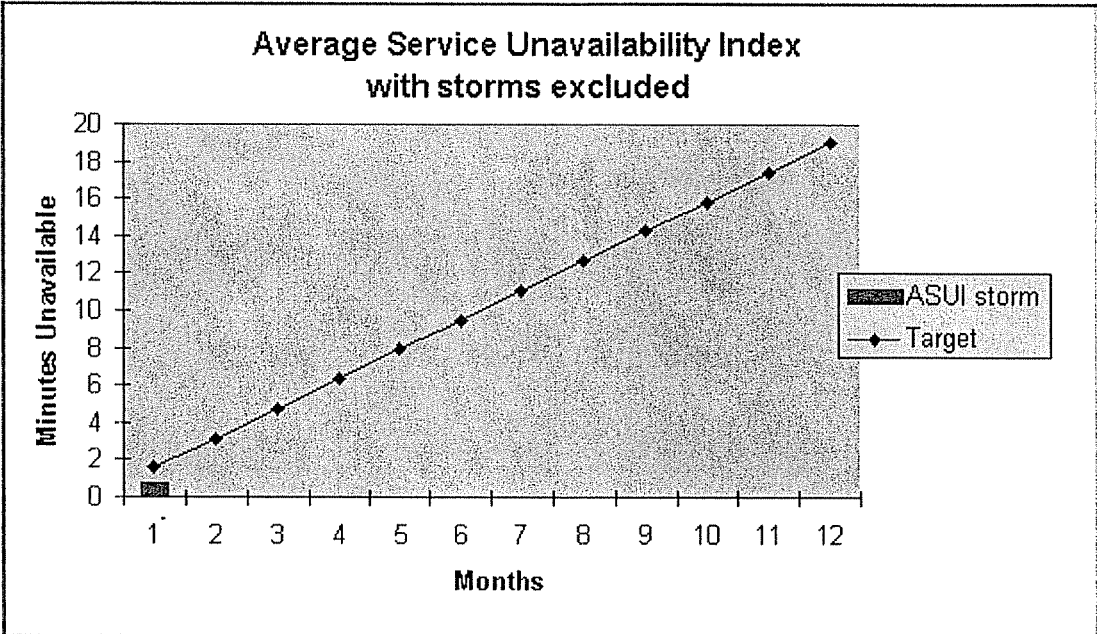
	<b>THIS MONTH</b>			<b>YEAR-TO-DATE</b>		
	<b><u>EMERGENCY</u></b>	<b><u>SCHEDULE</u></b>	<b><u>TOTAL</u></b>	<b><u>EMERGENCY</u></b>	<b><u>SCHEDULE</u></b>	<b><u>TOTAL</u></b>
BIG SANDY	0.00	0.00	0.00	0.00	0.00	0.00
BLUE GRASS	0.00	0.00	0.00	0.00	0.00	0.00
CLARK	0.01	0.00	0.01	0.01	0.00	0.01
CUMBERLAND VALLEY	0.05	0.00	0.05	0.05	0.00	0.05
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	0.04	0.00	0.04	0.04	0.00	0.04
JACKSON	0.00	0.00	0.00	0.00	0.00	0.00
LICKING VALLEY	0.01	0.00	0.01	0.01	0.00	0.01
NOLIN	0.14	0.00	0.14	0.14	0.00	0.14
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	0.00	0.00	0.00	0.00	0.00	0.00
SOUTH KENTUCKY	0.03	0.00	0.03	0.03	0.00	0.03
TAYLOR COUNTY	0.07	0.00	0.07	0.07	0.00	0.07
EKPC	0.00	0.00	0.00	0.00	0.00	0.00
SYSTEM AVERAGE	0.02	0.00	0.02	0.02	0.00	0.02

EKPC POWER SUPPLIER OUTAGES have accounted for .02 consumer hours out year to date. Of these .00 were scheduled, .00 were due to major storms, and .02 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	0.0000	0.0000	4.17	3.17	2.17
3	2006	0.0000	0.0000	6.25	4.75	3.25
4	2006	0.0000	0.0000	8.33	6.33	4.33
5	2006	0.0000	0.0000	10.42	7.92	5.42
6	2006	0.0000	0.0000	12.50	9.50	6.50
7	2006	0.0000	0.0000	14.58	11.08	7.58
8	2006	0.0000	0.0000	16.67	12.67	8.67
9	2006	0.0000	0.0000	18.75	14.25	9.75
10	2006	0.0000	0.0000	20.83	15.83	10.83
11	2006	0.0000	0.0000	22.92	17.42	11.92
12	2006	0.0000	0.0000	25.00	19.00	13.00



## 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.

<b>Mission</b>	<b>Key Measures</b>	<b>Year-To-Date Results</b>	<b>Year-To-Date Goal</b>	<b>Yearly Goal</b>
<b>Safety</b>				
Accidents	Lost Time Accident Rate	0.00 <sup>1</sup>	0.28 <sup>1</sup>	3.3
Inspections	Avg. Inspection Rating	N/A% <sup>3</sup>	N/A <sup>3</sup>	98%
<b>Electric Service</b>				
Frequency	MAIFI	.97 <sup>2</sup>	1.75 <sup>2</sup>	1.75
Duration	ASUI (without major storms)	.79 <sup>1</sup>	1.58	19 min.
<b>Cost Effective</b>				
Cost	Operating Cost	\$7,480,714 <sup>2</sup>	\$7,600,189 <sup>2</sup>	\$7,600,189
	Capital Project Cost	\$1,771,445 <sup>2</sup>	\$7,765,792 <sup>2</sup>	\$7,765,792
<b>Member’s Expectations</b>				
Member System Satisfaction	Member System Survey	N/A <sup>3</sup>	88%	88%

**Notes:**

1. Year to date results and goals through January 31, 2006.
2. Year to date results and goals through December 31, 2005.
3. These performance measures are not available for 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:PDFeb06report.doc)



## Power Delivery Expansion FEBRUARY PROJECT SUMMARY 2006

<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)
<b>SUBS &amp; TAPS</b>												
Aberdeen Jct. 161 kV Trans Sub (2 Breakers)	S	●				❖				12/31/07		
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	●								12/31/07		
Barren County - Magna 24 mi.	L	●	❖	❖	○	○				12/31/07		
Beam-Joe Tichenor/W.Bardstown 69 kV w/556 Cond.	L	●								05/01/06		
Beattyville #2, 69-12.5 kV, 11.2/14 MVA	S	●								05/01/07		
Beattyville Distr-Beattyville SW. Sta 69kV Trans Line 2 mi	L	●								12/01/07		
Beattyville Switching Station 1-69kV Breaker Addition	S	●								12/01/07		
Big Creek 69-12.5 kV, 11.2 MVA Substation	S	●	❖		○	❖				12/01/06		
Tap, 10 mi.	L	●	○	○	□	□				12/01/06		
BlueGrass Parkway 69-12.5 kV, 11.2/14 MVA Sub	S	●								05/01/06		
Tap 0.04 mi.	L	●								05/01/06		
Bristow # 2 Sub. 69-12.5 kV, 11.2/14MVA Sub Add	S	●		N/A		●	N/A			05/01/06		
Bullitt Co. 69 kV BKR Addition	S	●	●	●	●	□	N/A	□		05/05/06		
Bullitt County - JTichenor/W Bardstown 69kV line	L	●		❖	□	❖				06/01/06		
Burlington 15/20/25 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	●								05/01/07		
Cedar Grove 161-12.47kV 12 MVA Dist Sub	S	●		○		❖				05/01/06		
Conway 69-12.5 kV, 11.2 MVA Dist. Sub.	S	●		❖						05/05/06		
Conway Tap 0.2 mi.	L	●								05/01/06		
Cranston-Rowan Co. 138 kV, 7.50 mi.	L	●	○	□	●	●				05/01/07		
Cynthiana Normally Open 69 kV Tap and Switch	L	●								05/01/06		
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	●				●				05/01/06		
E. Bowling Green 161 kV Trans Sub (1 Breaker)	S	●				○				12/31/07		
Edmonton Ind'l Park 69-12.5 kV, 11.2 MVA	S	●		○		❖				06/01/06		
Tap 4.0 mile	S	●	○		□					06/01/06		
Fall Rock 69 kV Sub.-Install 3-69 kV Breakers	S	●								12/01/07		
Garlin 11.2/14, 69-12.5 kV MVA Sub	S	●								05/01/07		
Tap, 0.5 mi	L	●								05/01/07		
Gap of the Ridge 69-12.5 kV, 11.2 MVA Dist. Sub	S	●	❖	●	●	□				12/01/06		
Tap	L	●		○	○	○				12/01/06		

- ❖ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90% - 100% Complete

- S Substation Team
- L Line Team



## Power Delivery Expansion FEBRUARY PROJECT SUMMARY 2006

<b>Projects</b>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Garrard Co. Breaker Addition	S	●	N/A			○				12/01/06		
Garrard Co.-KU Lancaster Trans Line, 69kV, .10 mi	L	●								12/01/06		
Girdler 11.2/14 MVA, 69-13.2 kV Sub	S	●								05/01/07		
<i>Tap, 3.5 mi</i>	L	●								05/01/07		
GM 161 kV Trans Sub ( 4 Breakers)	S	●	●	●	●	●	N/A	●		10/15/05		
GM-Memphis Jct. - 161 kV 14.5 miles	L	●	○	□	□	□				12/31/07		
Hardin Co. Landfill Facilities and Tap	L	●								12/01/05		
Hardwicks Creek 69-12.5 kV, 5.6/6.44 MVA Sub	S	●	●	●	●	●	●	●		12/01/05		
<i>Tap, 69 kV, 3 mi.</i>	L	●	●	●	●	●	●	◆	◆	12/01/05		
Headquarters 69-12.47 kV, 11.2 MVA Sub	S	●	◆	◆	○	◆				05/05/06		
<i>Tap, 69 kV, .02 mi.</i>	L	●								05/05/06		
Headquarters Tap (Assoc w/Transmission Stat. Portion)	L	●								05/05/06		
Inez Sub (Site Acquisition Only)	S	●								12/01/06		
<i>Tap 69 kV - 6.0 mi.</i>	L	●		◆						12/01/06		
J.K. Smith-N.Clark 345kV Trans line 17.5 mi	L	●								06/01/07		
J. K. Smith 138 kV/345 DC Tie Line	L	●								06/01/07		
J. K. Smith CT Substation 345 kV	S	●								06/01/07		
J.K. Smith 138 kV - 345 kV Tie Modifications	S	●								12/29/06		
Keavy #2 69-12.5 kV, 11.2 MVA	S	●				◆				06/01/06		
Keavy-Laurel Co. (Circuit #2), 69 kV, .40 mi.	L	●	◆	◆	◆					06/01/06		
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		◆				05/05/06		
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		
<i>Tap, 6 mi.</i>	L	●	●	●	●	●	●	◆	◆	12/01/05		
Memphis Jct. 161 kV Trans Sub ( 2 Breakers)	S	●		N/A		◆				12/31/07		
Memphis Jct. - Aberdeen 161kV 27 mi	L	●	○	○	□	□				12/31/07		
North Clark (Sideview) 345 kV Breaker Station	S	●								06/01/07		
Oak Ridge 69-2.5 kV, 11.2 MVA Sub	S	●	○	○	○	●		◆		05/05/06		
Oak Ridge Tap	L	●	□	●	◆					05/01/06		
Pine Grove #2 69-12.5kV, 11.2/14MVA Sub Add.	S	●								11/01/07		
<i>Pine Grove # 2 Tap 69 kV, 0.1 mi.</i>	L	●								11/01/07		
Powell - Taylor 69-12.5 kV, 11.2 MVA Sub	S	●				◆				06/02/06		
Powell - Taylor 69 kV Tap 4.75 mi.	L	●	◆	○	□	□				06/01/06		

- ◆ - Project Started
- - 25% - 49% Complete
- - 50% - 89% Complete
- - 90%- 100% Complete

- S Substation Team
- L Line Team



**Power Delivery Expansion  
FEBRUARY PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>SUBS &amp; TAPS CONT'D</b>												
Rowan Co. 138 kV Breaker Addition	S	●	N/A	N/A	N/A	●	N/A	□		01/02/07		
Salmons Substation 161-69 kV (Warren RECC)	S	●								12/31/07		
Snow Hill 69-25 kV, 11.21/14 MVA Sub	S	●								05/01/06		
Tap .20 mi	L	●								05/01/06		
South Point 69-12.47kV, 11.2 Sub	S	●		❖						06/01/06		
Tap	L	●		❖						06/01/06		
Spurlock #4	S	●		N/A		❖				02/15/07		
Upchurch Sub 11.2/14 MVA Sub 69-12.5 kV	S	●	●	●	●	●	●	❖		05/02/06		
Tap	L	●	○	○	●	●				05/02/06		
W. Bardstown Jct. 69 kV BKR Station	S	●				❖				05/01/06		
W. Nicholasville #2 69-12.5kV, 11.2/14MVA Sub Addit.	S	●								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	●								11/01/06		
Web's Cross Roads Tap .30 mi.	L	●		❖	❖					11/01/06		
Wilson-Aberdeen 161/69 kV, 26mi.	L	●		❖	○	○				12/31/07		
Woodstock 11.2/14 MVA Substation	S	●								12/01/07		
Woodstock 69 kV Tap, 4.4 mi.	L	●								12/01/07		
<b>STATION UPGRADES</b>												
Avon 138 kV Line Tap (Dale Line)	S	●	N/A	N/A	N/A	●	●	●				
Boone Dist Sub Upgrade 15/20/25 MVA Phase I	S	●	●	N/A	●	●	N/A	○		05/01/06		
Boone Co. Station Service Relocation	S	●	N/A	N/A	N/A	●	●	□		05/01/06		
Boone Sub Tap Reconf 69kV, 0.1 m	L	●								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		
Kargle #1 Addition	S	●	●	N/A	●	●	N/A	●	●	12/30/05		
McKinney Corner Substation Upgrade	S	●								05/01/06		
<b>CAPACITOR BANKS</b>												
Bedford 6.12 MVAR Cap Bank & Tap	S&L	●		○	●	●	N/A	●		06/01/05	09/11/05	
Blevins Valley 10.1 MVAR Cap Bank & Tap	S&L	●				●				05/01/06		
Clay Village 12.25 MVAR Cap bank	S	●								05/01/06		
Griffin 9.18 MVAR Cap Bank	S	●								05/01/06		

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**Power Delivery Expansion  
FEBRUARY PROJECT SUMMARY  
2006**

<b>Projects</b>	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)
<b>CAPACITOR BANKS CONT'D</b>												
Hickory Plains 25.52 MVAR Cap Bank	S	●								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		●		●		12/01/04	07/31/04	
Martin County 12.25 MVAR Cap Bank	S									05/01/06		
Maytown 10.2 MVAR Cap Bank	S									12/01/06		
Norwood 20.41 MVAR Cap Bank & Tap	S&L	●								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	●								05/01/06		
Sinai 13.78 MVAR Cap Bank & Tap	S&L	●				●	N/A	●		12/01/05	07/16/05	
Tyner Increase to 26.53 MVAR Capacitor	S&L	●				❖				12/01/05		
W. R. Smoot 30.61 MVAR Cap Bank & Tap	S&L	●	N/A	N/A	●	●	N/A	□		05/01/06		
<b>RECONDUCTORS</b>												
Bonnieville-Munfordville, 69kV, 8.18 mi.	L	●	N/A	N/A	●	●	N/A			12/01/05		
Burkesville-Snow Jct.69kV Recond, 556.6, 10.07	L	●								12/01/07		
Dale - Three Forks Jct. 138 kV Rebuild 4.75 mi	L	●			❖	❖				11/30/07		
Davis Jct.- Nicholasville 69 kV(556.6 MCM ACSS) 4 Miles	L	●								05/02/07		
Fort Knox Jct. - Smithersville Jct. 69 kV, 3.11 mi.	L	●								05/01/07		
Grants Lick-Stanley Parker Jct., 69kV, 9.94 mi.	L	●	N/A	N/A	●	●	N/A			12/01/05		
Headquartaers - Millersburg Re conductor .09		●								05/01/06		
Hickory Plains - PPG 69kV Recond 556.5 2.5 mi	L	●								12/02/07		
Hillsboro- Peastick 69kV Recond, 556.6, 10.51 mi	L	●								12/01/07		
LGEE's Fawkes Tap-Fawkes KU 138kV Line Recon	L	●								04/01/07		
Three Forks Jct.-Fawkes 138kV Line Rebuild 2.58mi	L	●			❖	❖				11/30/07		
Tyner-North London ReblD.954MCM 69kV,16.71mi	L	●								05/01/07		
Tyner - McKee Trans. Line Rebuild 954 MCM 9.3 mi	L	●								05/01/07		
Union City - Lake Reba Tap 138 kV Rebuild 1.3 mi	L	●			❖	❖				11/30/07		
W. Bardstown Jct - W Bardstown 69 kV, 4.5 miles	L	●	N/A	N/A			N/A			05/01/06		
W. Berea - Three Links Re conductor .09 miles	L	●								05/01/06		

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- S Substation Team
- L Line Team

**FEBRUARY 2006**Engineering

Engineering is supporting the Smith Unit No. 1 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

Meetings have been held with the Division for Air Quality on the Notice of Violation received on Dale Power Station Units No. 1 and No. 2. The State, at the request of EKPC, also issued a NOV for the units. The State would have responsibility for NOx emissions and EPA for SO2 emissions.

The draft air quality permit for Spurlock Power Station Unit No. 4 has been noticed in the newspaper on February 13<sup>th</sup>. A public hearing has been scheduled for March 30, 2006, at 7:00 p.m. in Maysville, Kentucky, to solicit additional public comments. The final permit and start of construction will follow review of these comments.

Discussions were held with Winchester Municipal Utilities and developers on planned sewage expansions in western Clark County. The EKPC office would be required to connect once service becomes available. The discussion involved the timing and cost of the project. EKPC's current sewage is processed through an on-site package treatment plant.

An alternative analysis and site selection document has been prepared and forwarded to RUS. This document should begin the Environmental Report process for the Smith Power Station Site.

Cooper Power Station is reviewing the use of wood as a co-fuel at the plant. Discussions are scheduled with the Division for Air Quality to insure proper approval for the project.

These activities support all three of our corporate key measures—reliable energy, competitive energy, and services.



# Power Production

## Production Monthly Report

Page 2

February 2006

### Fuel

EKPC's coal inventory at the end of February 2006 will be approximately 56 days. The inventory level is projected to be at approximately 58 days at the end of March.

Fuel personnel have continued their increased contact with EKPC coal suppliers to ensure that deliveries remain as current as possible. Deliveries to Gilbert, where possible, have been delayed due to the high inventory.

Fuel personnel continue to provide assistance to Production personnel in regards to future fuel sources for Gilbert Unit 3, Spurlock Unit No. 4, Smith Unit No. 1, and future combustion turbines.

Negotiations continue regarding the market price re-opener for the Gilbert Unit at Spurlock Power Station.

Proposals were opened in on February 14, 2006, in response to a Spurlock Power Station Unit No. 1 Contract solicitation with Director, Mr. Gilbert, in attendance. The proposals have been evaluated and negotiations have been initiated.

Approximately 7,500 gallons of No. 2 fuel oil were purchased for Dale Power Station; 7,500 gallons for Cooper Power Station; and 52,500 gallons for Spurlock Power Station.

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 105,471 net MWh through January 31, 2006. Unit No. 1 was on-line and fully available until a forced outage on February 19<sup>th</sup> due to backwashing condenser. This was corrected, and 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 a forced outage on February 18<sup>th</sup> due to a coupling on reduction gearbox sheared on air preheater. The unit was repaired and was back on-line February 19<sup>th</sup> and fully available the remainder of the month. Unit No. 3 was on-line and fully available the entire month. Unit No. 4 was on-line and fully available until a forced outage on February 10<sup>th</sup> due to an economizer tube leak. The leak was repaired, and the unit was back on-line February 11<sup>th</sup> and fully available the remainder of the month.

# Power Production

## Production Monthly Report

Page 3

February 2006

### Dale Power Station (Continues)

Routine safety meetings were held at Dale Power Station. The meetings consisted of annual refresher confined space training. This will keep our employees aware of confined space regulations and requirements for their own personal safety as well as EKPC Corporate Compliance with OSHA regulations. Also during the month, 12 employees completed the 8-hours Refresher Supervisory Course for Asbestos Abatement as required by OSHA regulations. Brad Condley and Mark Horn taught the class. This will ensure proper handling and/or care of asbestos containing materials.

Dale's employees removed 1B boiler feed pump and sent the pump to Industrial Machine for repairs, Unit No. 2 preheater coupling on reduction gearbox was replaced, replaced sootblower regulator valve on Unit No. 1, and the Lab department assisted the CT site with water treatment requirements.

Other routine preventive maintenance was also performed plant-wide by Dale Power Station's personnel.

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 4,889 net MWh through January 31, 2006. All units were available for the entire month.

Preparation and planning is 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

February 2006

### Cooper Power Station

Cooper Power Station has generated 191,158 net MWh through January 31, 2006. Unit No. 1 operated for the entire month. Unit No. 2 was forced off-line February 6<sup>th</sup> due to a Bailey Control System card failure. The unit was back on-line the same day and fully available the remainder of the month.

Cooper Power Station's maintenance personnel performed normal preventive maintenance tasks during the month. Some of the tasks that were completed were collecting monthly oil samples, serviced all conveyor main bearings, ball and spring check on Unit No. 2 pulverizers, serviced coal sampling equipment, checked brushes on Unit No. 1 and Unit No. 2 generators, and serviced D6-R dozer.

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 668,443 MWh through January 31, 2006. Units No. 1, No. 2 and No. 3 were on-line and fully available until February 21<sup>st</sup> (when this report was turned in).

Unit No. 3 A&B service water booster pumps were upgraded. The coal handling upgrades required the expenditure of a lot of time by the electrical maintenance group.

Other routine preventive maintenance was performed plant-wide by Spurlock Power Station's personnel.

These activities support two of our three corporate key measures—reliable energy and competitive energy.





1. What is the classification of the 6-inch gas pipeline according to 807 KAR?

Witness : Freeman  
Response: Class III



2. Is the 6-inch gas pipeline in question providing gas to the residents of the mobile home park?

Witness: Freeman

Response. It does not serve the mobile home park, but does serve a single family residence owned by Mr. Stephens





3. Is there an easement for the subject pipeline along the road of the mobile home park?

Witness: Freeman

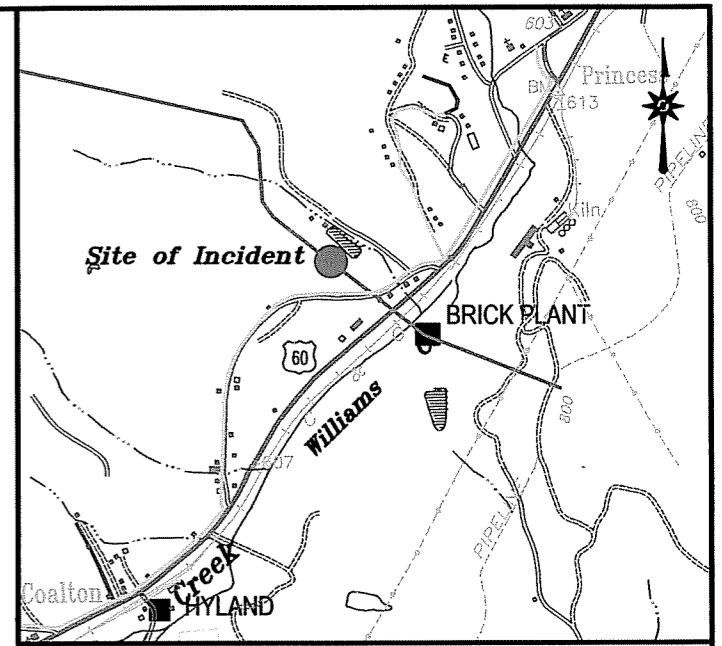
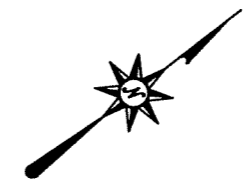
Response: Mr. Stephens has told representatives of NEUC that he gave a 3000 foot right of way for the pipeline. However, NEUC believes it has a prescriptive easement based on its ownership of the pipeline and its presence on the property for at least 21 years.



4. Provide a map showing the route of the 6-inch pipeline along the location of the mobile home park and locate the areas which show the exposed pipe in the pictures filed with the Commission and attached to NEUC's letter dated October 27, 2006. Include on the map the location of the 24-inch catch basin directed by the Ashland-Boyd County Health Department if known.

Witness: Freeman

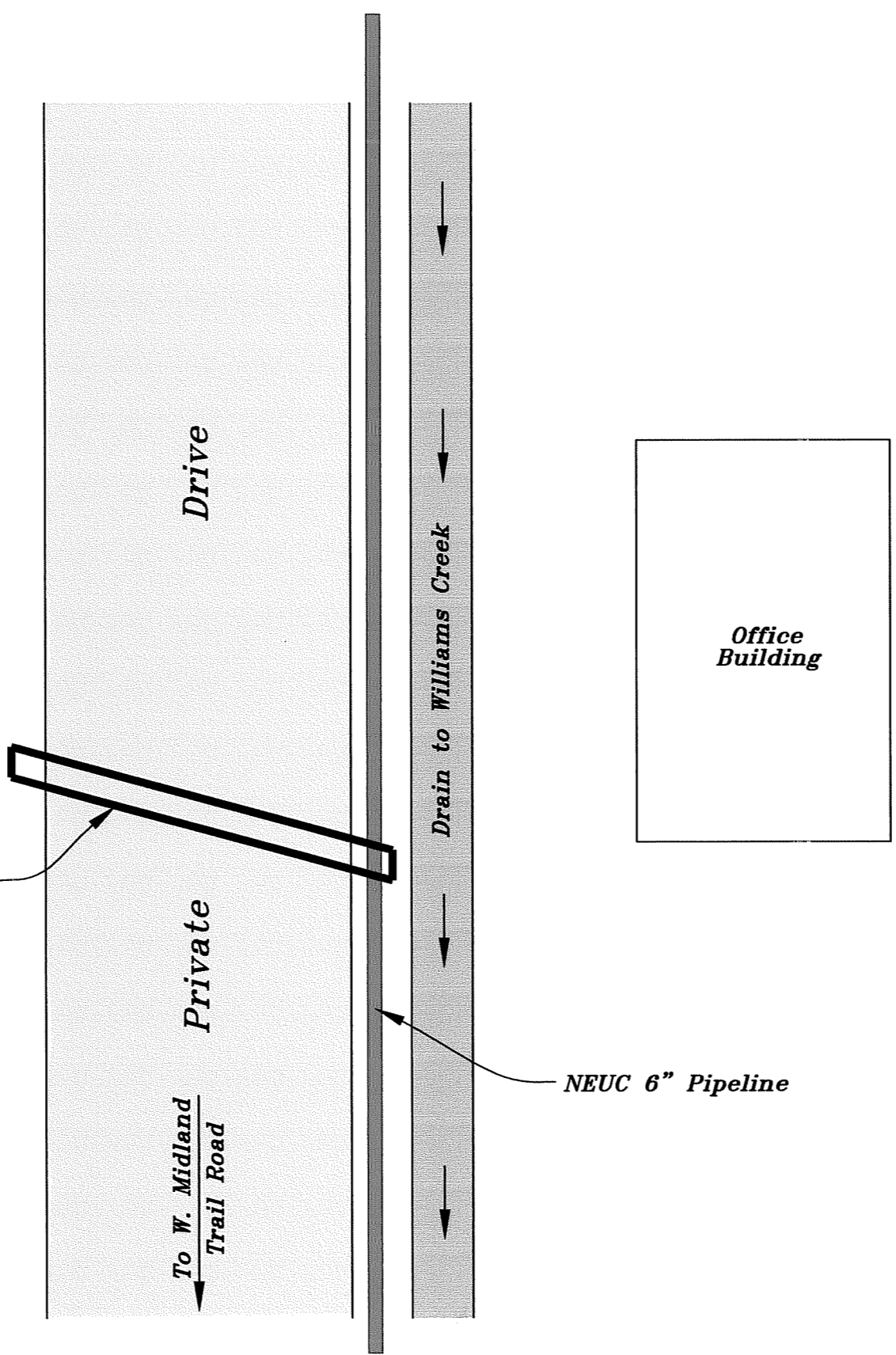
Response: Attached.



**Location Map**  
Scale: 1" = 2000'

*Court of Three Sisters  
(Trailer Park)*

*Approximate Location  
of Catch Basin*



*NEUC 6" Pipeline*

*To W. Midland  
Trail Road*

*Private*

*Drive*

*Drain to Williams Creek*

*Office  
Building*

**Plan View**  
1"=10'

## Natural Energy Utility Corp.

- Map Showing -

*Location of Catch Basin  
in Court of Three Sisters  
near State Route 60*

<i>Argillite Quadrangle</i>		<i>Boyd Co., WV</i>	
Project No.: 1140-06-003	Drawing No.: Court of 3		
Date: 11-30-06	Drawn By: T. Leamon		
Scale: 1" = 10'	Checked By: J. Freeman		

**MATRIKS MANAGEMENT, PSC**  
*"Serving Natural Resource Industries"*

- P.O. Box 1298, ◦ Ashland, KY 41105 ◦
- Voice (606) 324-8500 ◦ Fax (606) 324-8515 ◦
- E-mail Address ◦ [matriks@uvwd.net](mailto:matriks@uvwd.net) ◦



5. Explain whether NEUC is aware of the location(s) where Court of Three Sisters, Inc. alleges the gas line is improperly installed. Include in the explanation whether NEUC excavated the pipeline in the location(s) where Court of Three Sisters, Inc. alleges the pipeline is installed improperly.

Witness Freeman

Response: NEUC is aware of the location Court of Three Sisters, Inc. alleges the gas line is improperly installed. NEUC previously stated to the commission that the pipeline was excavated in order to provide photographs that show the gas line to be buried at adequate depth at locations relevant to the Court of Three Sisters Complaint.

NEUC would also like to provide the following additional information concerning this issue. On Thursday November 30, 2006 NEUC employee Bill Wheeler was reading meters in the Court of Three Sisters, Inc. area and viewed that Mr. Stephens has proceeded with installing the catch basin that prompted this action. NEUC is providing photographs showing that Mr. Stephens has installed concrete over the plastic gas line.

1) Mr. Stephens excavated without notifying Kentucky Underground (Call before you Dig Service). This action caused Mr. Stephens to dig directly on top of NEUC gas pipeline that serves numerous residential, commercial and industrial customers in the area. Most notably, Boyd County Rehabilitation Center is served from this gas line. Had Mr. Stephens severed this line, the Nursing facility along with approximately 1410 customers served by this gas line would have been interrupted for a prolonged period.

2) Mr. Stephens action will cause the need for the relocation of the gas line.

The relocation cost should be paid by Mr. Stephens (Court of Three Sisters, Inc.). It should also be noted that Mr. Stephens proceeded with this project while he was pursuing a legal remedy with the Commission.

3) There is a question as to the approval is needed from the Kentucky Department of Transportation or the Fiscal Court for the installation of this catch basin.

Photograph #25 shows the electric conduit referred to in the October 24, 2006 NEUC response.

Photograph # 26 shows edge: of road and location of gas line denoted by yellow markings.

Photograph # 27 shows road crossing of catch basin

Photograph # 28 is a close up of gas line marked in yellow with catch basin over top.