

**East Kentucky Power Cooperative, Inc.
Demand Side Management and Renewable Energy Collaborative Charter**

Introduction

The Demand Side Management and Renewable Energy Collaborative (“Collaborative”) of East Kentucky Power Cooperative, Inc. (“EKPC”) was established through a legal agreement, signed on November 18, 2010 between EKPC, several Kentucky environmental organizations and other individual plaintiffs following legal proceedings concerning EKPC’s proposed Smith coal-burning power plant. As stated in the settlement agreement, the collaborative shall “evaluate and recommend actions to expand deployment of renewable energy and demand-side management, and to promote collaboration among the Parties in the implementation of those ideas.”

EKPC is an electricity generation and transmission cooperative utility which reliably serves its sixteen member distribution cooperatives and, ultimately, more than 519,000 residential, commercial and industrial customers. The Kentucky Environmental Foundation, Kentuckians For The Commonwealth, and the Cumberland Chapter Sierra Club are non-profit organizations based in Kentucky, each with their own mission and scope of work but who serve the interests of their cumulative membership of nearly 8,000 members and the general public, and are committed to promoting clean, affordable energy solutions that preserve our health and the environment and support sound community and state economies.

The EKPC Demand Side Management and Renewable Energy Collaborative (the “DSM&RE Collaborative”) will be organized for the purposes and to undertake the tasks herein expressed and shall at all times provide counsel to EKPC in the area of providing safe, reliable electric service at fair, just and reasonable rates through the adoption and implementation of appropriate demand side management (“DSM”) strategies and renewable energy (“RE”) development opportunities.

I. Purpose

The purpose of the Collaborative shall be to evaluate and recommend actions to expand deployment of renewable energy and demand-side management, and to promote collaboration among the Parties in the implementation of those ideas. The Collaborative shall undertake the appropriate studies (subject to the \$100,000 total referenced below), as agreed upon by the Collaborative. The Collaborative shall use these studies to evaluate potential sources of renewable energy for use on EKPC's system along with demand side management strategies, and recommend which would be commercially applicable, financially beneficial and viable for EKPC’s customers. The Collaborative shall be advisory in nature with EKPC providing reasonable administrative resources to facilitate the Collaborative’s work, up to a total of \$25,000.

II. Authority

The Collaborative shall be led by EKPC’s named chair who shall have responsibility for establishing the agenda for each meeting of the collaborative, maintaining order throughout the meetings, and ensuring that the Collaborative timely completes its activities as set forth herein, in consultation with the vice-chair. The vice-chair of the Collaborative shall be determined and

designated by Kentuckians for the Commonwealth, Kentucky Environmental Foundation, and the Cumberland Chapter of The Sierra Club, as a group. The scope and topics of the collaborative shall be decided by consensus agreement of the Collaborative members. The Collaborative has authority to form committees and workgroups as well as establish structures for communication to move work teams forward. As appropriate, the Collaborative, as a group or its individual members, may join EKPC as co-applicants in recurring cases involving EKPC's DSM Plan, as authorized in KRS 278.285, and as approved by EKPC.

III. Members

3.01 Membership. The Collaborative shall, at a minimum, consist of 24 members, but there shall be no limitation on the maximum number of members of the Collaborative.

3.02 Permanent Members. The initial membership of the Collaborative shall include the chair, vice-chair, a representative of EKPC, one (1) representative each of the Attorney General of the Commonwealth of Kentucky; Gallatin Steel Corporation; the Cumberland Chapter of the Sierra Club; Kentuckians for the Commonwealth; Kentucky Environmental Foundation; and one (1) representative of each of the sixteen member distribution cooperatives of EKPC. The representatives of the member distribution cooperatives shall be appointed by the member distribution cooperatives (and subject to approval by the Collaborative chairman). The permanent members shall be appointed by their respective sponsor and shall become members of the Collaborative upon EKPC's receipt of a letter of appointment from the sponsor designating them as a representative of that sponsor. The appointed members of the Collaborative shall serve until such time as the member's sponsor formally appoints their successor, in writing.

3.03 Additional Members.

a. Selection. The chair and vice-chair may jointly invite other members who have relevant and appropriate perspectives on DSM and RE, and are encouraged to involve as one such member an individual experienced in delivering DSM or related services to low income residential electric customers. In the case of an organization or entity that is approved to join the Collaborative, the organization or entity shall designate its representative in writing to EKPC. The Collaborative chair and vice-chair shall give consideration to the background, experience and interests of prospective Collaborative members and shall seek to promote a diversity of perspectives, expertise and interests within the Collaborative. To the greatest extent possible, the Collaborative's membership shall represent a good cross-section of EKPC's stakeholders, Kentucky's economy and regions.

b. Term. Any member appointed to the Collaborative under this Section 3.03 shall serve a term of two years from the date of their appointment and may be returned for any additional term(s) as the chair and vice-chair may direct by resolution. .

c. Public Service Commission Participation. The Kentucky Public Service Commission, including its staff, is invited to attend and participate in all meetings and may appoint a member of the Collaborative.

3.04 Compensation and Expenses. All Collaborative members shall serve without pay or other compensation, but the Collaborative, in its chairman's sole discretion, may reimburse Collaborative members for all or a portion of actual expenses. Collaborative members are encouraged to seek financial support for their expenses from their sponsors.

IV. Meetings

4.01 Regular Meetings. The Collaborative shall meet at times and locations designated by the chair and vice-chair, but in no case less than four times per year. Notice of Collaborative meetings shall be given to Collaborative members via letter or email at least fourteen days in advance. Public notice shall be given in a reasonable manner, including posting on EKPC's web site. Unless otherwise designated in the notice, all regular meetings of the Collaborative shall be open to the public. Members of the public and DSM or RE experts may be invited by the Collaborative chair and vice-chair to speak at Collaborative meetings, but will not have a vote in any Collaborative recommendation or decision. The Collaborative, under the direction of the chair and vice-chair, may call closed sessions in order to review and discuss proprietary information.

4.02 Public Forums. The Collaborative shall hold at least one public forum each year. The location of the Public Forum shall rotate so as to allow EKPC's member distribution cooperatives opportunities to host a public forum at a site within their service territories, if desired. The purpose of the public forum shall be to hear comments from the public at large regarding DSM and RE matters and to solicit public comments on existing or prospective DSM strategies and RE projects which the Collaborative may be evaluating. Notice of each public forum shall be publicized in a reasonable manner. EKPC shall bear the cost of holding public forums, in accordance with Section 6.07.

4.03 Procedures. The chair shall preside over all regular meetings and public forums of the Collaborative. In the absence of the chair, the vice-chair shall preside. An employee of EKPC shall be designated to make notes of all regular meetings and public forums and shall be responsible for maintaining a record of each Collaborative activity. Collaborative members are expected to communicate respectfully and in a spirit of problem-solving, even in disagreement. The chair and vice-chair may ask that a member be replaced by his or her sponsor in cases where such decorum is consistently lacking.

4.04 Decision Making. Decisions will be made by consensus of those present, a minimum being at least half of the permanent members. Each member's participation shall be weighted equally, and decisions shall be set after the group has reached unanimous agreement. Individuals can agree to a proposal either with no reservations or with some expressed concerns, disagree with a proposal but choose to allow a decision to move ahead, or block a decision in order for additional discussion and consideration of an alternate proposal. Decisions that are blocked shall be deferred until the next properly called meeting of the Collaborative. If blocking continues following another attempt to reach consensus, the chair and vice-chair may jointly decide to exercise the option of allowing the Collaborative to make a decision based on favorable support from 80% or more of the members present and voting. Any member or group of

members may submit a “minority” statement of their good faith disagreement with any decision approved by a majority of members. All decisions made by majority vote of those Collaborative members present at the meeting along with any minority statement shall be reflected in the minutes of the Collaborative and shall be placed in its permanent records.

V. Evaluative Work and Written Reports

5.01 Studies. The Collaborative shall determine its work activities and productions, which may include:

a. DSM Benchmarking-- A study of DSM programs implemented by similarly situated generation and transmission utilities, whether cooperatively organized, municipal (public power), or investor owned, for the purpose of establishing objective benchmarks to be used by EKPC in measuring the efficacy of its DSM programs individually and as a whole.

b. DSM Best Practices--A study of “best practices” for DSM programs as may be gleaned from an examination of such programs as implemented by other similarly situated generation and transmission or distribution utilities, whether cooperatively organized or investor owned. This study may include the process for evaluating, planning, implementing and verifying the successfulness of DSM programs.

c. Renewable Power Options—A study of potential sources of renewable energy for use on EKPC’s system to evaluate which would be commercially applicable, financially beneficial and viable for EKPC’s customers. This may include a study of available wind resources at 100 meters and above in EKPC’s service territory within Kentucky or other sources of viable renewable power, not including landfill gas.

5.02 Written Reports. The Collaborative shall provide periodic written reports on DSM and Renewable Energy options to EKPC’s management and board. All reports issued by the Collaborative shall, in accordance with Section 5.03, contain a description of the matter considered, a description of the evaluative process undertaken by the Collaborative and a conclusion setting forth one or more recommendations for EKPC’s management to consider, including any opinions held by a minority of the Collaborative’s members. In addition, the Collaborative shall make an annual written report, addressed to EKPC’s president which shall incorporate the Collaborative’s comments and recommendations on any changes to EKPC’s DSM programs or renewable power projects. The annual report shall carefully and accurately reflect each member’s position with regard to EKPC’s DSM strategies and renewable energy options that the Collaborative has explored as set forth in KRS 278.285(1) (f). EKPC may use any written reports issued by the Collaborative in its filings before any regulatory agency.

5.03 Evaluative Criteria. As part of its deliberations, the Collaborative shall take into account all relevant and reasonable factors in evaluating and measuring the efficacy and cost effectiveness of existing and potential DSM strategies and renewable power opportunities. These factors specifically include, but are not limited to, the following considerations:

a. Cost/Benefit Analysis. The Collaborative shall consider the cost effectiveness of a DSM program or renewable power project under traditional concepts of cost/benefit analysis. In the absence of statutory or regulatory guidance to the contrary, and without limitation, the Collaborative may utilize the Participant Test, Ratepayer Impact Measure Test, Total Resource Cost Test, Societal Test and Program Administrator Cost Test, or any combination of these or similar analytical methods for ascertaining the costs and benefits of a particular DSM program. The costs and benefits of renewable power sources shall be quantified through comparison to other types of power supplies on a net present value basis using a reasonable planning horizon. In the event of the future establishment of specific cost/benefit standards, whether by law or regulation, the established standards shall be used.

b. Consistency with Integrated Resource Planning. The Collaborative shall give consideration to EKPC's most recently filed integrated resource plan and load forecast ("IRP") and shall determine whether any DSM program or renewable power project under consideration is consistent in methodology and evaluation with other components of the IRP. To the extent that a particular DSM program or renewable power project supported by the Collaborative may be inconsistent with EKPC's most recent IRP, the Collaborative shall explain why the matter is nonetheless worthy of further consideration by EKPC's management.

c. Implementation Schedules. For DSM programs, the Collaborative shall consider when and how various DSM programs should be implemented, including whether such programs should be implemented on a pilot basis or permanently.

d. Customer Eligibility. For DSM programs, the Collaborative shall consider which retail customer classes should be eligible for each DSM program that is considered. As part of this analysis, the Collaborative shall consider whether a particular DSM plan results in any unreasonable prejudice or disadvantage to any class of retail customers. To the greatest extent possible, the Collaborative shall consider whether a DSM program may be improved to be available, affordable and useful to all retail customers.

e. Technology Usage and Barriers to Adoption. For DSM programs, the Collaborative shall consider what technologies are necessary to implement each DSM program and determine what barriers to adoption of said technologies may exist. For any such barriers to adoption identified, the Collaborative shall identify means to mitigate said barriers.

f. Program Budgets. The Collaborative shall consider what funds will be necessary to plan, implement and maintain each DSM program or renewable power project that is considered and shall develop a preliminary budget estimate for each prospective matter. Following Public Service Commission approval of a DSM program or renewable power project, the Collaborative shall remain informed as to the actual performance of the program and may make any appropriate recommendations regarding the program budget.

g. Cost Recovery. The Collaborative shall consider appropriate methods and mechanisms for cost recovery of DSM programs in accordance with KRS 278.285. For renewable power projects, the Collaborative shall consider appropriate methods and mechanisms for cost recovery in accordance with KRS 278.040. The Collaborative shall give special

consideration to: the term of recovery; the recovery of all costs associated with the proposed DSM program or renewable power project, including interest expense; the allocation of the revenue requirement attributable to the DSM program or renewable power project under consideration; recovery of net revenues lost due to reduced sales resulting from the DSM program under consideration; and incentives designed to provide financial rewards to EKPC for implementation of a cost-effective DSM program or renewable power project.

h. Performance Metrics. The Collaborative shall consider what metrics should be employed following the implementation of a DSM program to evaluate whether the program has achieved its intended result. These metrics shall include, at a minimum, a relation to the objective benchmarks and best practices previously identified by the Collaborative pursuant to Section 5.01 and Section 5.02. The Collaborative shall give further consideration as to the time in which such metrics should be evaluated and a process for correcting observable deficiencies as quickly as possible.

VI. Information-Sharing

EKPC's management shall act in good faith to make available all non-confidential information within its possession to the members of the Collaborative that is reasonably necessary for the Collaborative to provide full and candid comments and recommendations to EKPC or the matters identified herein. Members of the Collaborative shall be required to execute a confidentiality agreement as a condition of participation in closed sessions, and failure to keep EKPC's information confidential shall constitute cause for removal from the membership in the Collaborative in addition to any other remedies available at law or in equity. Any information shared during public sessions shall not be subject to confidentiality agreements. In the event a dispute arises as to whether certain information should be provided to the Collaborative, the decision of EKPC's management shall be final although the Collaborative may note in its written report(s) that it was not allowed access to the disputed information.

VII. Financial Support

For the purpose of conducting the activities and tasks expressed herein, and during the initial two years of the Collaborative, EKPC agrees to make \$25,000 in financial support available to the Collaborative immediately. EKPC agrees to make an additional \$100,000 in financial support available to the Collaborative for preparation of Collaborative studies upon the consent of the Kentucky Public Service Commission. EKPC will undertake all reasonable measures to obtain such consent as quickly as possible. Should the Collaborative be continued beyond its initial two-year term, EKPC may make additional commitments of financial support as authorized by its Board of Directors and subject to any approvals that may be obtained from the Kentucky Public Service Commission. Collaborative members are encouraged to seek financial support for the Collaborative from their sponsors as needed to ensure the success of the Collaborative.

VIII. Amendments

EKPC's Board of Directors may, by resolution, amend or revoke this Charter in its sole discretion at any time after March 29, 2013.

East Kentucky Power Cooperative, Inc.

BY: _____
President and Chief Executive Officer

BY: _____
Chairman of the Board of Directors