



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-1582

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

December 3, 1999

Mr. Charles Lile
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
Post Office Box 707
Winchester, Kentucky 40392-0707

Dear Mr. Lile:

The Commission Staff has reviewed the statement of information which you faxed to Aaron Greenwell on November 30, 1999, regarding East Kentucky Power Cooperative's (EKPC) efforts to secure another combustion turbine (CT). As noted in your statement, the Commission granted EKPC a certificate to construct a fourth CT at the J.K. Smith Station in Case No 98-544. EKPC believes that it can justify the need for an additional, fifth CT, and has been in contact with the CT manufacturer, General Electric.

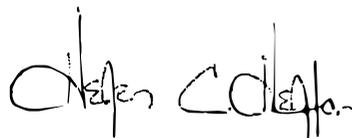
EKPC now has the opportunity to obtain an option on an additional CT upon payment of a \$2 million option fee by December 6, 1999. In the event that EKPC has not obtained a certificate to construct this new CT by the fall of 2000, General Electric will credit the \$2 million payment to EKPC's account for needed overhaul work at an existing CT. EKPC would have no additional financial obligation to General Electric for this fifth CT.

Under the facts set forth in your statement, Staff is of the opinion that by signing such an option, EKPC has not commenced the construction of utility facilities, as those terms are used in KRS 278.020(1). EKPC is encouraged to file its application for a certificate of convenience and necessity as soon as feasible so the Commission will be able to conclude its investigation by the fall of 2000. Should EKPC decide to abandon its efforts to obtain this CT, written notice of that decision should be sent to the Commission.

Letter to Mr. Charles Lile
December 3, 1999
Page 2 of 2

If you have any questions, please contact either Aaron Greenwell, Director of the Financial Analysis Division, at 502-564-3940 extension 226 or Richard Raff, Staff Attorney at extension 260.

Sincerely,

A handwritten signature in black ink, appearing to read "Helen C. Helton". The signature is written in a cursive style with some loops and flourishes.

Helen C. Helton
Executive Director