

Steven L. Beshear  
Governor

Leonard K. Peters, Secretary  
Energy and Environment  
Cabinet



Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

## NEWS RELEASE

Contact:  
Andrew Melnykovich  
502-564-3940, ext. 208  
502-330-5981 (cell)

# **PSC to Review Planned EKPC Power Plant in Clark County**

## *Investigation will address need and financial implications*

**FRANKFORT, Ky. (June 24, 2010)** – The Kentucky Public Service Commission (PSC) has opened a review of the need for and cost of a planned East Kentucky Power Cooperative, Inc. (EKPC) power plant in Clark County.

In a series of orders issued Tuesday, the PSC took the following actions:

- Opened an investigation into the need for and cost of the 278-megawatt Smith 1 unit, a coal-fired plant to be built at EKPC's Smith Station in Trapp.
- Closed a complaint case against Smith 1 filed by three individual customers of rural electric distribution cooperatives that buy power from EKPC and made those customers parties to the investigation case.
- Approved EKPC's request to withdraw its application to incur up to \$921 million in new debt to pay for Smith 1.
- Made Gallatin Steel Co., an intervenor in the financing case, a party to the investigation case. Gallatin Steel is the largest single retail customer in the EKPC system.
- Denied requests from three environmental organizations and one additional customer to participate in the financing case, but noted that they could assist the three customers who were made parties to the investigation.

EKPC is owned by and provides power to 16 distribution cooperatives with a total of more than 500,000 customers in 87 Kentucky counties.

When the PSC approved construction of the Smith 1 plant in 2005, EKPC's forecasts of future demand included the nearly 60,000 customers of Warren Rural Electric Cooperative Corp., which had agreed to become part of the EKPC system. In late 2006, Warren rescinded that decision, opting to continue purchasing its power from the Tennessee Valley Authority.

The PSC subsequently reviewed EKPC's continued need for Smith 1 and several new gas-fired turbine generators after Warren decided not to become EKPC's 17<sup>th</sup> member. As a result of that 2007 investigation, EKPC voluntarily reduced the number of new turbines it planned to build.

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The PSC also ruled that Smith 1 could proceed based on EKPC's projections of future growth in electric demand. Although EKPC has acquired key components of the Smith 1 unit, no construction has begun.

In October 2009, three individuals – Wendell Berry, John Patterson and John Rausch – and three environmental groups filed a complaint with the PSC, saying that Smith 1 is no longer necessary and that it is not the least-costly way for EKPC to manage its power needs. The PSC ruled that the environmental groups, because they were not EKPC customers, lacked standing to pursue a complaint, but accepted the complaint from the individuals.

In December 2009, EKPC sought the PSC's approval to take on the additional debt, mostly in order to begin construction of Smith 1. Gallatin Steel sought and was granted status as an intervenor – or full participant – in the financing case. Gallatin Steel questioned both the current need for Smith 1 and whether it is the least expensive power supply option.

EKPC moved to withdraw the financing application in April, saying that “financial prudence requires that it step back and reassess its immediate needs for the financing.” EKPC has not asked the PSC to rescind the certificate it granted for construction of Smith 1.

The PSC, in one of the orders issued Tuesday, found that the issues raised in the complaint and financing cases are sufficiently serious to warrant another examination of the need for Smith 1, whether it is the least-costly option for meeting new demand, and what impact building Smith 1 would have on EKPC's rates and financial condition.

The most efficient way to address those issues, the PSC said, would be within the context of a single proceeding. Therefore, the PSC dismissed the complaint case, granted EKPC's request to withdraw its application and opened the investigation.

In doing so, the PSC noted that its jurisdiction is limited to the rates and services of utilities within its jurisdiction. Therefore, the investigation will not address environmental issues that have been raised regarding the Smith 1 plant.

In the order opening the investigation, the PSC directed EKPC to provide data related to its projections for future electric demand, what steps it is taking to reduce demand through energy conservation and efficiency, updated information on the progress and cost of Smith 1, and the implications on EKPC's finances if it builds Smith 1 on schedule, delays the plant or moves to other options. EKPC has 30 days to provide the data.

A hearing in the matter will be held later this year.

Today's order and documents in the cases are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The newly opened investigation is case number 2010-00238, the complaint case is 2009-00426 and the financing case 2009-00476.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.