

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF EAST KENTUCKY POWER |) | |
| COOPERATIVE, INC. FOR APPROVAL OF THE |) | |
| ISSUANCE OF CLEAN RENEWABLE ENERGY |) | CASE NO. |
| BONDS IN AN AMOUNT UP TO \$15.8 MILLION |) | 2007-00462 |
| FOR A TERM OF UP TO SIXTEEN YEARS |) | |

O R D E R

On October 26, 2007, East Kentucky Power Cooperative, Inc. ("EKPC") applied to the Commission for approval of the issuance of Clean Renewable Energy Bonds ("CREB") in an amount up to \$15.8 million. EKPC proposes to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC"), which is an issuer of CREBs pursuant to regulations of the U.S. Treasury Department ("Treasury"). CREBs may be issued for the purposes of acquisition, construction, renovation, remodeling, and equipping new Landfill Gas to Energy ("LFGTE") facilities for the generation of electricity from gas derived from municipal waste, and to reimburse expenditures for such facilities which have been completed or are currently under construction.

EKPC plans to use the loan proceeds to fund the remainder of the costs of its Laurel Ridge Unit No. 5 and its Hardin County Landfill Gas projects and to fund in full the costs of its Pendleton County Landfill Gas, Maysville-Mason County Landfill Gas, and Montgomery County Landfill Gas projects. The loan will carry an interest rate not to exceed 1.5 percent and will have a term length of up to 16 years as determined by guidelines established by Treasury. EKPC received a lien accommodation of its

mortgage with the Rural Utilities Service (“RUS”) from RUS in order to permit it to obtain the proposed CREB funds from CFC, a copy of which was included with its application.

Construction of Laurel Ridge Unit No. 5 and the Hardin County Landfill project has been completed. The three remaining LFGTE projects covered by the proposed financing are either under construction or in the planning stages.¹ EKPC states that it will not use CREB funds for any purpose other than to fund its LFGTE projects and agrees that it will not use CREB funds for any such project prior to receiving an Order from the Commission declaring that construction of the project is an extension in the ordinary course of business.

The Commission, having considered the evidence of record and being otherwise advised, finds that approval of the proposed CREB financing in an amount up to \$15.8 million for a term of up to 16 years is for lawful objects within the corporate purpose of EKPC’s utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved. The Commission also finds that EKPC should not draw down CREB funds for any LFGTE project prior to the issuance of a declaratory Order by the Commission which finds the project to be an extension of EKPC’s system in the ordinary course of business.

¹ EKPC has sought declaratory orders from the Commission designating its LFGTE facilities as extensions of its system in the ordinary course of business, pursuant to 807 KAR 5:001, Section 9(3). It plans to continue this process for future LFGTE facilities unless instructed otherwise by the Commission.

IT IS THEREFORE ORDERED that:

1. EKPC is authorized to use CREB financing to fund its LFGTE projects as described and set forth in its application.
2. The proceeds from the CREB financing authorized herein shall be used only for the lawful purposes set out in the application.
3. EKPC shall agree only to such terms and prices that are consistent with the parameters set out in its application.
4. EKPC shall not draw any CREB funds for any LFGTE project prior to the issuance of a declaratory Order by the Commission which finds the project to be an extension of EKPC's system in the ordinary course of business.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 20th day of December, 2007.

By the Commission

ATTEST:



Executive Director