

ESTILL COUNTY ENERGY PARTNERS, LLC

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COMMISSION

October 10, 2007

Chairman, Kentucky State Board on Electric Generation and Transmission Siting
c/o Michael F. Buford, Director of Filings Division
Public Service Commission
211 Sower Blvd., P. O. Box 615
Frankfort, KY 406021

Re: Estill County Energy Partners, LLC ("ECEP")
Annual Report for 2007

Dear Mr. Chairman:

On October 12, 2004 the State Board on Electric Generation and Transmission Siting ("Board") granted approval of ECEP's request for siting of an electric generating facility. Appendix A of that order has some reporting requirements regarding construction of the proposed power generating facility. This letter is intended to constitute the report for 2007.

Overview

During 2007, ECEP requested and received a Commercialization Energy Grant through the Governor's Office of Energy Policy. Funding will be used for power plant engineering designs, the KYDAQ air permit, test burn of coal waste, and plans for ash placement at the site. Other sources of funding for the project have also been made available. The KYDOW is proceeding with public notice of the intent to issue a water discharge permit. Settlement negotiations are expected to resume in the near future with DLX regarding the property dispute and ECEP expects to resolve the matter in the near future. During 2007, ECEP has continued to seek funding for development of the project.

Implementation of Site Development Plan

ECEP has not:

1. altered access control to the site.
2. made any substantive modifications to the proposed buildings, transmission lines and other structures.
3. made any substantive modifications to the access ways, internal roads and railways serving the site.

4. developed utilities to service the site.

Local Hiring and Procurement

ECEP has not begun final design of the proposed power plant and as such, cannot address hiring of local workers or vendors. However, ECEP has endeavored to hire local engineering and legal firms during the planning and permitting phase of the project, and will make efforts to do the same during the construction and operation phase of the project.

Public Comments and Responses

Comments and opposition to the project were duly noted during the hearing held at Irvine in 2004 and during the appeal of the Siting Board's decision to approve. The Siting Board conditionally approved ECEP's Siting Certificate with a condition that requires ECEP to record a deed in the Estill County Court House that would indicate resolution of the property dispute for a portion of the site property. Since that time, we have not received notice of any complaints other than continued discussions with DLX. DLX continues to claim ownership of a small portion of the property and has pursued the normal court proceedings associated with the dispute.

Specific Mitigation Conditions

ECEP hopes and intends to resolve the matter with DLX, one way or another, and record the appropriate deed for the disputed property at the site.

Please feel free to contact me with any questions regarding this filing.

Sincerely,



D. Duane Cook

General Counsel for
Estill County Energy Partners, LLC