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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY)
FOR THE CONSTRUCTION OF) CASE NO.
MODIFICATIONS TO THE WATER INTAKE) 2007-00168
SYSTEM AT COOPER POWER STATION IN)
PULASKI COUNTY, KENTUCKY)

O R D E R

East Kentucky Power Cooperative, Inc. ("EKPC") filed an application on April 27, 2007 for a Certificate of Public Convenience and Necessity ("CPCN") under KRS 278.020(1) to construct modifications to the water intake system at its Cooper generating station ("Cooper Station") in Pulaski County, Kentucky.

The Attorney General, by and through his Office of Rate Intervention, ("Attorney General") was granted intervention in the proceeding on May 11, 2007.

EKPC is a generating and transmission cooperative which is organized under KRS Chapter 279 and currently provides service to 16 electric distribution cooperatives in Kentucky. Its Cooper Station is comprised of two coal-fired units with a combined generating capacity of 341 MW.¹ Both units at the Cooper Station are cooled from a water intake in Lake Cumberland located at an elevation of 670 feet.²

¹ Testimony of James C. Lamb ("Lamb Testimony") at 2.

² See Application, Exhibit 8, Letter from Army Corps of Engineers dated February 9, 2007.

The U.S. Department of the Army Corps of Engineers, Nashville Division, notified EKPC on February 9, 2007 that it was modifying pool operations at Lake Cumberland to respond to seepage problems at Wolf Creek Dam and that EKPC should make preparations, no later than December 31, 2007, for water intake in the event that the lake is reduced to an elevation of 650 feet.³ In response to this notification, EKPC retained Stanley Consultants, Inc. ("Stanley"), the original designer of the Cooper Station, to investigate and identify alternatives to supply a sufficient capacity of lake water to Cooper Station to permit its continued operations at a water level of 650 feet.

As a result of the Stanley study, EKPC proposes to construct two types of facilities to protect Cooper Station's operations: (1) 7 vertical 10,000 gpm pumps on barges connected with flexible piping to the Unit 1 cooling system; and (2) a cooling tower connected to Unit 2 with make-up water supplied from the barge-mounted pumps that provide cooling for Unit 1.⁴ EKPC proposes to expedite the installation of three of the barge-mounted pumps and integrate their output into existing cooling water intake structures for Units 1 and 2 to supplement the units during the summer of 2007. The remainder of the project is proposed to be in service no later than December 2007.

EKPC has obtained a No Wake Zone permit from the Kentucky Department of Fish and Wildlife and a construction permit for the cooling tower from the Kentucky Division for Air Quality. It has applied for a permit from the Army Corps of Engineers for

³ Id.

⁴ Testimony of John R. Twitchell at 2.

the construction work on Lake Cumberland and for a revision to its Kentucky Pollution Discharge Elimination System permit.⁵

EKPC estimates that the total capital costs for the proposed facilities are \$24,045,411.00, being the sum of \$7,821,000.00 for pumps, \$15,179,000.00 for the cooling tower, and \$1,045,500 in Engineering and Field Services.⁶ It states, however, that in the event the lake level is reduced below the station's current intake level and the proposed modifications are not made, it will be required to purchase replacement power at costs that far exceed the cost to generate power from the Cooper Station.⁷ EKPC proposes to finance the proposed projects by utilizing its unsecured Credit Facility.⁸ EKPC states that it expects to be able to draw advances on some federal RUS loans within three to four months and that the advances can be used to pay back the funds borrowed from the Credit Facility. The Commission approved EKPC's unsecured Credit Facility in Case No. 2005-00267;⁹ however, based on EKPC's commitment in that case, the Commission limited the use of the Credit Facility funds to construction projects that

⁵ On May 9, 2007, the Commission granted EKPC permission to deviate from the filing requirements of 807 KAR 5:001, Section 9(2), which provides that an applicant seeking approval of new construction of any plant, equipment, property, or facility shall file with its application all permits required for the proposed construction.

⁶ Application, Exhibit 4.

⁷ Lamb Testimony at 2.

⁸ EKPC's Response to the Commission Staff's First Data Request, Item No. 1.

⁹ Case No. 2005-00267, Application of East Kentucky Power Cooperative, Inc. for Approval of an Unsecured Revolving Credit Facility in an Amount up to \$700 Million for a Term of up to Five Years (Ky. PSC Aug. 24, 2005).

had been previously certificated.¹⁰ Therefore, Commission approval is required to use the Credit Facility as proposed herein.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Public convenience and necessity require the modifications EKPC proposes to its Cooper Station.

2. EKPC should be authorized to use the previously authorized unsecured Credit Facility to finance the proposed modifications and a copy of this Order should be filed into the record of Case No. 2005-00267 for informational purposes.

3. EKPC should file all permits obtained after the filing of this application pertaining to the projects proposed herein as set forth in the Commission's May 9, 2007 Order in this proceeding.

IT IS THEREFORE ORDERED that:

1. EKPC is granted a CPCN to construct the proposed modifications to its Cooper Station.

2. EKPC is authorized to use its previously approved unsecured Credit Facility to finance the construction projects approved herein.

3. The Executive Director shall cause a copy of this Order to be filed into the record of Case No. 2005-00267.

4. Any deviation from the construction approved herein shall be undertaken only with the prior approval of the Commission.

¹⁰ Case No. 2005-00267, August 24, 2005 Order at 4, "East Kentucky shall not draw any funds from the credit facility authorized herein to fund the construction of any facility that requires, but has not yet been issued a CPCN."

5. EKPC shall obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. EKPC shall furnish documentation of the total costs of the proposed projects, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially complete.

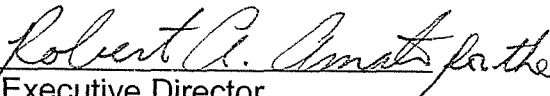
7. EKPC shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration.

8. Within 60 days of substantial completion of the project, EKPC shall file a copy of the "as-built" drawings.

Done at Frankfort, Kentucky, this 11th day of May, 2007.

By the Commission

ATTEST:


Executive Director