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February 21, 2007

PUBLIC SERVICE COMMISSION

Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
P.O. Box 615, 211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

**RECEIVED**

FEB 22 2007

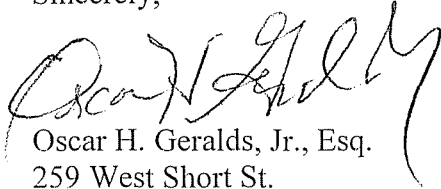
**PUBLIC SERVICE  
COMMISSION**

Re: Case No. 2006-00472

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of Response to Objections to Full Intervention of the Cumberland Chapter of the Sierra Club. All parties listed on the attached Certificate of Service have been served by a copy of this letter.

Sincerely,



Oscar H. Gerald, Jr., Esq.  
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Lexington, KY 40507  
Ph: (859) 255-7946; Fax: (859) 233-4099  
E-mail: ogeralds@lexkylaw.com

Enclosures

cc: Parties of Record

**CERTIFICATE OF SERVICE**

I hereby certify that an original and ten copies of the foregoing Response to Objections to Full Intervention of the Cumberland Chapter of the Sierra Club filed in the above-styled case were mailed to the office of Beth A. O'Donnell, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and that copies were mailed to the Parties of Record, this 21st day of February, 2007.

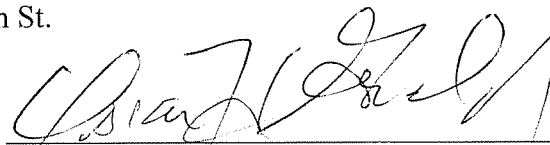
Hon. Dennis Howard  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

Hon. Michael L. Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202- 4434

Hon. Charles A. Lile  
Senior Corporate Counsel  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, KY 40392-0707

Hon. John J. Scott, Counsel  
for Nolin Rural Electric Cooperative Corporation  
Whitlow and Scott  
108 E. Poplar St., P.O. Box 389  
Elizabethtown, KY 42702-0389

Hon. W. Jeffrey Scott, P.S.C.  
for Grayson Rural Electric Cooperative Corporation  
P.O. Box 608, 311 West Main St.  
Grayson, KY 41143-1246



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Oscar H. Gerald, Jr., Esq.

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**  
FEB 22 2007  
PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF: GENERAL ADJUSTMENT )  
OF ELECTRIC RATES OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. )

**Case No. 2006-00472**

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**RESPONSE TO OBJECTIONS TO FULL INTERVENTION  
BY CUMBERLAND CHAPTER OF THE SIERRA CLUB**

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On February 19, 2007, East Kentucky Power Cooperative, Inc. ("EKPC") formally objected to the petition of the Cumberland Chapter of the Sierra Club ("Sierra") for full intervenor status in the above-captioned proceeding. Each of the grounds for EKPC's objection is fallacious.

1. The first of EKPC's "grounds" is nothing more than an assertion of its conclusion.

2. The second of EKPC's grounds cites the Kentucky Supreme Court's ruling in South Central Bell Telephone Co. v. Utility Regulatory Commission, 637 S.W.2d 653, to the effect that in fixing utility rates, the Commission "must give effect to all factors which are prescribed by the legislative body, but may not act on a matter which the legislature has not established," and that "When a statute prescribes a precise procedure, an administrative agency may not add to such provision." The Kentucky General Assembly, however, has addressed demand-side management (DSM) programs in KRS 278.285. Specifically, Section 2 reads as follows:

- (2) A proposed demand-side management mechanism including:
  - (a) Recover the full costs of commission-approved demand-side management programs and revenues lost by implementing these programs;
  - (b) Obtain incentives designed to provide financial rewards to the utility for implementing cost-effective demand-side management programs; or

(c) Both of the actions specified may be reviewed and approved by the commission as part of a proceeding for approval of new rate schedules initiated pursuant to KRS 278.190 or in a separate proceeding initiated pursuant to this section which shall be limited to a review of demand-side management issues and related rate-recovery issues as set forth in subsection (1) of this section and in this subsection.

Subsection 2c specifically states that rate structures that provide incentives for DSM programs may be established as part of a general rate case. Sierra is proposing that the Commission make use of the precise procedure that is prescribed in KRS 278.285 Sec. 2c. There is no need for the Commission to add anything to the provisions of this statute.

Contrary to EKPC's assertion, Sierra has not stated that it intends to ask the Commission to "recognize environmental impacts as proper matters for consideration in the setting of utility rates." Rather, Sierra stated in its petition that it intends to provide information about various rate structures that in turn will establish incentives for DSM programs. Consideration of such rate structures and incentives is specifically permitted by the statute cited above. The very case law that EKPC cited in its attempt to exclude Sierra from this proceeding actually provides support for Sierra's request for full intervenor status.

3. The third of EKPC's grounds features an assertion to the effect that Sierra intends "to improperly inject into this case its own interests in environmental issues which are beyond the Commission's jurisdiction and scope of review." Sierra is well aware that compliance with environmental laws and regulations is enforced by other agencies of the state and federal governments, and it has no intention of raising such issues or asking the Commission to do another agency's job. EKPC's suspicions in this regard are groundless.

EKPC concludes, "Such an attempt to influence rate design is not a proper matter for consideration in this case, and the Sierra Club offers no proper purpose for its

intervention request.” The discussion under point 2 above, however, demonstrates that consideration by the Commission of rate structures and their effects on DSM programs is specifically permitted by statute and is therefore a proper matter for consideration in this case.

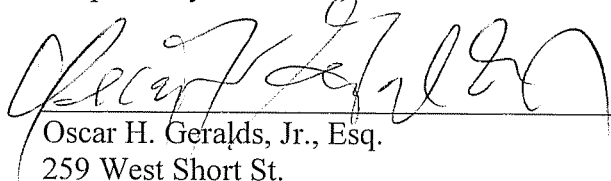
4. The fourth “ground” is another unsupported restatement of EKPC’s conclusion.

5. The fifth of EKPC’s grounds fails to consider the likelihood that Sierra will introduce information about rate structures and DSM incentive mechanisms that the Attorney General and Gallatin Steel Company are unlikely to focus on. Neither party referred to rate structures or incentives for DSM programs in its petition to intervene in this case.

Sierra believes it has shown that it meets the requirements of KRS 278.310 and 807 KAR 5:001 Section 3(8), in that it has a special interest in this proceeding that is not otherwise adequately represented by the other intervenors, and that full intervention by Sierra is likely to present issues or to develop facts that assist the commission in fully considering this issue without unduly complicating or disrupting the proceedings.

**WHEREFORE**, the Cumberland Chapter of the Sierra Club requests that it be granted full intervenor status in the above-captioned proceeding.

Respectfully submitted,



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COUNSEL FOR SIERRA CLUB