

December 20, 2007

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

DEC 20 2007

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

Re: East Kentucky Power Cooperative, Inc ("EKPC") - Section DSM-3 Rate Schedule
Resumption of Direct Load Control of Water Heaters Program and
Resumption of Direct Load Control of Air-Conditioners Program

East Kentucky Power Cooperative, Inc. is hereby requesting a resumption of the demand-side management (DSM) demonstration project, Direct Load Control ("DLC") of Water Heaters and Air Conditioners, as originally approved by the Commission's Order in Case No. 2006-00048 dated April 18, 2006.

Enclosed for filing with the Commission are an original and six copies of a support Appendix and revised and redlined tariff sheets. EKPC is requesting approval effective January 20, 2008.

If you have any questions concerning this filing, or if additional information is required, please contact me or Bill Bosta at EKPC headquarters.

Very truly yours,



Charles A. Lile
Senior Corporate Counsel

c: Dan Brewer - Blue Grass Energy
Bobby Sexton - Big Sandy RECC
Bill Bosta - EKPC

Appendix
Case No. 2006-00048
Support Statement for the Resumption of the Direct Load Control of
Water Heaters and Air Conditioners Program
(“Demonstration Project”)

Based on the Commission’s Order in Case No. 2006-00048 dated April 18, 2006, approving a Demonstration Project for Direct Load Control of Water Heaters and Air Conditioners, EKPC was obligated to file a new tariff by August 31, 2007 if it decided to extend the Demonstration Project beyond September 30, 2007. However, the results of the Demonstration Project were not known on August 31, 2007, and EKPC did not request resumption of the Demonstration Project at that time.

EKPC and participating Member Systems Blue Grass Energy and Big Sandy RECC have evaluated the results of the Demonstration Project and filed a report with the Commission on December 20, 2007. Based on the positive results of the Demonstration Project, it is EKPC’s intention to file in the first quarter of 2008 for permanent approval of this program.

As a result of this evaluation, EKPC has elected to file at this time for a resumption of the Demonstration Project until such time as a permanent program is filed and approved by the Commission. Approval of the resumption of the Demonstration Project in 2008 will enable EKPC to avoid the cost of removing over 800 switches in the Blue Grass Energy and Big Sandy RECC service territories. Approval of a permanent program in 2008 will enable EKPC to use these switches for participants who elect to remain in a permanent program.

The attached revised tariff sheets provide the proposed changes that are needed for resumption of the program. Only customers that participated as of September 30, 2007, will be eligible to continue in the program and will be subject to all aspects of the tariff, including incentives.

EKPC is requesting approval by January 20, 2008.

EAST KENTUCKY POWER COOPERATIVE, INC.

Section DSM - 3

Resumption of Direct Load Control of Water Heaters Program

Resumption of Direct Load Control of Air-Conditioners Program

Purpose

The Direct Load Control of Water Heaters and Air Conditioners are demonstration projects established to encourage the reduction in growth of peak demand, enabling the Company to utilize its system more efficiently and defer the construction of new generation.

Availability

Both the Direct Load Control of Water Heaters Program and the Direct Load Control of Air Conditioners Program are available to residential customers in the service territories of EKPC Member System Blue Grass Energy. The Direct Load Control of Water Heaters Program is available at EKPC Member System Big Sandy RECC.

Availability may be denied where, in the judgment of the Member System, installation of the load control equipment is impractical.

Availability is limited to 400 switches on central air conditioning or heat pump units and on electric water heater units for residential customers of Member System Blue Grass Energy.

Availability is limited to 300 switches on electric water heating units for customers of Member System Big Sandy RECC.

Eligibility

To qualify for these Programs, the participant must be located in the service territory of the participating Member System and have central air conditioning or heat pumps units and/or 40 gallon electric water heating units. The above appliances may be electrically cycled or interrupted in accordance with the rules of this Tariff.

Only those customers participating in this program as of September 30, 2007 are eligible.

DATE OF ISSUE ~~August 7, 2007~~ December 20, 2007 DATE EFFECTIVE: Service rendered on and after August 1, 2007 January 20, 2008

ISSUED BY _____ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. ~~2006-00508~~ Dated ~~July 25, 2007~~

EAST KENTUCKY POWER COOPERATIVE, INC.

Incentive - Direct Load Control of Water Heaters Program

EKPC and Member Systems Big Sandy RECC and Blue Grass Energy will continue to provide an incentive to the participants in this program. EKPC will credit the wholesale power bill of both Blue Grass Energy and Big Sandy RECC \$10.00 per switch. Blue Grass Energy and Big Sandy in turn will credit the residential power bill of the participant \$10.00 per switch. The participant will receive this credit regardless of whether the water heater is cycled.

Incentive - Direct Load Control of Air-Conditioners Program

EKPC and Member System Blue Grass Energy will continue to provide an incentive to the participants in this program. EKPC will credit the wholesale power bill of Blue Grass Energy \$20.00 per switch. Blue Grass Energy in turn will credit the residential power bill of the participant \$20.00 per switch. The participant will receive this credit regardless of whether the air conditioner or heat pump is cycled.

Time Period for the Direct Load Control of Water Heaters Program

A load control switch will be placed on the water heater and may be electrically interrupted for a maximum time period of four hours.

EKPC will cycle the water heaters only during the hours listed below.

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
October through April	6:00 a.m. to 12:00 noon 4:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Time Period for the Direct Load Control of Air Conditioners

A load control air conditioning switch will be placed on each central air conditioning unit or heat pump that will allow the unit to be cycled off for 15-minute periods.

EKPC will cycle the air conditioning units and heat pumps only during its summer on-peak billing hours listed below.

<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>
May through September	10:00 a.m. to 10:00 p.m.

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EAST KENTUCKY POWER COOPERATIVE, INC.

Report to the Commission

EKPC will submit a report to the Commission outlining the results of the resumption of the demonstration project by December 31, 2007 within 90 days of its conclusion.

Term

The initial term of the Direct Load Control of Water Heaters Program will be from October 1, 2006 to September 30, 2007. The initial term of the Direct Load Control of Air Conditioners will be from June 1, 2006 to September 30, 2007. ~~If EKPC should decide to continue this demonstration project beyond September 30, 2007, a new tariff will be filed with the Kentucky Public Service Commission by August 31, 2007.~~

These programs will resume, beginning on January 20, 2008, and continue until a permanent program is approved by the Commission, but no later than December 31, 2008.

Terms and Conditions

1. If a participant decides to withdraw from the program(s) or change to another load control option, the Member Systems will endeavor to implement the change as soon as possible.
2. Prior to the installation of load control devices, the Member Systems may inspect the participant's electrical equipment to insure good repair and working condition, but the Member Systems shall not be responsible for the repair or maintenance of the electrical equipment.
3. The Member Systems will install, own, and maintain the load management devices controlling the participant's air conditioner or water heater. The participant must allow the Member System reasonable access to install, maintain, inspect, test and remove load control devices. Inability of the Member System to gain access to the load management device to perform any of the above activities for a period exceeding 30 days may, at the Member System's option, result in discontinuance of credits under this tariff until such time as the Member System is able to gain the required access.
4. Customers participating in the demonstration project as of September 30, 2007, will have the option of remaining in the program until a permanent program is approved by the Commission. Customers will be subject to all provisions of this tariff, including incentives.

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Resumption of Direct Load Control of Water Heaters Program

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