

June 2, 2005

Mark David Gross, Chairman  
C/o Beth O' Donnell, Executive Director  
Public Service Commission  
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COMMISSION

RE: PSC Case No. 2004-00423

ATTN: Chairman Gross, et al.

This correspondence is intended to serve as notice of our request for "full intervention" in "PSC Case No. 2004-00423" regarding the application from East Kentucky Power Cooperative ("EKPC") for construction of a new coal-fired electric power plant (Spurlock Unit #4 in Mason County). We have been informed by representatives of EKPC that the primary purpose of this facility will be to provide sufficient electric power generation capacity to enable them to serve Warren Rural Electric Cooperative ("WRECC") under a recently announced long term agreement. Unfortunately, we just became aware of the "public hearing" schedule on this specific application last week. Therefore, we hereby also request waiver of normal "timely filing" deadlines.

We have a vital interest in this case as members of WRECC (which intends to become a member of EKPC), owners of potentially impacted property, and concerned citizens of the Commonwealth of Kentucky. Any legitimate public convenience and necessity for the subject power generation facility appears to be contingent on the prior assumption that retail rates for electricity within the WRECC service area would be less under their plan to obtain power from EKPC rather than TVA, the current provider. However, given the blanket exemption from the regulatory authority of the PSC that WRECC currently operates under, there has been no opportunity for public involvement or scrutiny of the basis for this decision to switch power suppliers. In fact, the WRECC Board made this decision in a closed meeting, never conducted a public hearing or meeting on the issue, and has refused to provide copies of the responses to its RFP or the subsequent rate analysis conducted by consultants.

Thus there has been no valid opportunity for at large members of WRECC or the general public to evaluate the wisdom and long-term viability of the decision to leave the TVA system and become part of EKPC. While this clear deficiency within the established regulatory and administrative system may not be a topic typically addressed by the standard PSC "public hearing" process, failure to allow introduction of the essential facts behind the claim of necessity for this proposed facility would prejudice the case in favor of the applicant and foreclose any reasonable opportunity for a fair evaluation of benefit or detriment to the subject customers that must pay the ultimate costs involved.

The existing plan that has only recently been disclosed to the general public calls for WRECC to leave the TVA system in 2008 and establish membership in EKPC and thereafter obtain power generated at the proposed EKPC "Spurlock Unit #4". Another essential component of this plan is construction of a 26-mile long 161kV transmission line to carry power to WRECC's distribution system. According to PSC correspondence that was received on May 27<sup>th</sup>, EKPC filed "notice of intent" to file an application for construction of this electric transmission line on May 24<sup>th</sup>, and "the case is now docketed" as Case No. 2005-00207. We have been informed by representatives of both WRECC and EKPC that this new transmission line will be the first segment of a new "backbone" primary transmission line over 90 miles in length to permit connection of the EKPC system to other power grids.

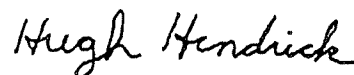
Our entirely reasonable concern is that the majority of subsequent costs for a new electric power generation plant and the required new transmission line will be incorporated into EKPC's rate structure and ultimately into retail electric rates to be imposed upon WRECC customers. Unfortunately there has been no opportunity for an independent review of WRECC's decision that EKPC can provide better rates than TVA in the near future. In the absence of proper consideration of the reality of this situation at the hearings currently scheduled before the PSC, no evaluation of the rate projections made by consultants under employment by WRECC will occur until after infrastructure investments have been completed. Thus waiting for WRECC to come under PSC jurisdiction is insufficient and permits the foreclosure of other options.

Our contention is that PSC must fully review the rate analysis and projections produced by WRECC upon which it based the decision to join EKPC in order to determine the truth behind any claims of public convenience and/or necessity for a new power plant and transmission line to be constructed by EKPC. We intend to present this and other concerns at the hearing scheduled for June 13, 2005 at 9:00 AM EDT in PSC hearing room #1. We respectfully request that the Commission allow our testimony at the hearing and fully consider and evaluate all the implications of the applicant's proposal.

Sincerely,



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