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**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR) CASE NO
FOR THE CONSTRUCTION OF A 161 kV ELECTRIC) 2005-00207
TRANSMISSION PROJECT IN BARREN, WARREN,)
BUTLER, AND OHIO COUNTIES, KENTUCKY)

REPLY OF EAST KENTUCKY POWER COOPERATIVE, INC.

Comes the Applicant, East Kentucky Power Cooperative, Inc. ("EKPC"), and for its Reply to Intervenors' ("Intervenors") Response to EKPC's Motion for an Order Declaring and Affirming the Commencement Date of the One-Year Period within which Construction Must Begin Under the Certificate of Convenience and Necessity ("Motion"), states as follows:

Intervenors set forth three arguments in support of their contention that EKPC's Motion should be denied. First, they state that the necessary federal environmental requirements with which EKPC must comply before initiating construction of the project, are simply "procedural requirements" of EKPC's financing, not the necessary approvals, grants, or consents, which KRS 278.020(1) contemplates. Intervenors' argument fails. As EKPC has cited and represented continuously throughout the certification proceedings, as the Intervenors have acknowledged, and as the Commission has affirmed, pursuant to law, EKPC cannot begin construction of the subject project until all federal environmental requirements have been satisfied. These include the National Environmental Policy Act (NEPA), National Historic Preservation Act (NHPA), and the regulations of the United States Department of Agriculture, Rural Utilities Service (RUS)

for implementation of these laws contained in 7 CFR Part 1794. The process of obtaining these approvals continues with the Intervenors participating as Consulting Parties as pointed out in the affidavit of Mary Jane Warner which was included as part of EKPC's Motion. These federal requirements are certainly the "grants" and "consents" contemplated by KRS 278.020(1).

Second, Intervenors claim that the Commission should construe the phrase, "exclusive of", referenced in KRS 278.020(1), as meaning "not allowing for" or, "notwithstanding" as opposed to "in addition to" as proposed by EKPC. However, to interpret those words in that way would be contrary to the very reason to include that phrase in the first place. That is, it was the obvious intent of the Legislature to carve out a period of time that would not be included in the one-year limitation to exercise authority under a certificate of convenience and necessity. If the Legislature had intended for a strict one year limitation to apply, without regard to the period of time necessary to obtain permits, grants, and approvals, it would have been more meaningful simply to remove the "exclusive of" language altogether. Intervenors' argument again fails.

Third, Intervenors contend that EKPC's "purposeful failure" to complete the environmental process has caused a delay, and EKPC should not benefit from the "protection" of KRS 278.020(1). While Intervenors' argument seems to run counter to its first two arguments, there is absolutely no evidence in this case or which has been submitted in conjunction with Intervenors' Response, that supports such an unfounded allegation. Indeed, there is no evidence that could possibly be submitted. EKPC has been working diligently for months in order to obtain all necessary approvals and

permits. As noted in the affidavit of Mary Jane Warner, these processes have been ongoing for over eighteen months and is proceeding this date.

Accordingly, for purposes of clarification and affirmation, EKPC requests that the Commission affirm its interpretation of the statute and that it Order that the one-year period set forth in KRS 278.020(1) within which EKPC must begin construction of the project is exclusive of the period of time necessary to acquire all approvals required for construction and will begin to run upon receipt by EKPC of such approvals.

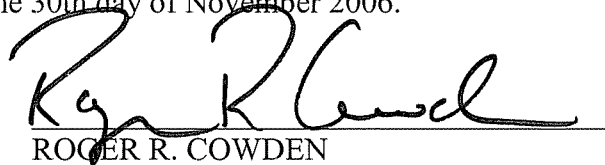
RESPECTFULLY SUBMITTED:



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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing was filed and that the original and 10 copies have been mailed this day to the Commission and served herein by mailing such copy thereof via U.S. Mail, first-class postage prepaid to the Honorable AW Turner, Public Service Commission, 211 Sower Boulevard, PO Box 615, Frankfort, KY 40602; and to each person designated on the official service list compiled by the Secretary for this proceeding, this the 30th day of November 2006.



ROGER R. COWDEN