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PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

F. Howard Bush
Manager - Tariffs/Special
Contracts
T 859-367-5636 (Lexington)
T 502-627-4136 (Louisville)
F 502-627-3213
howard.bush@eon-us.com

August 13, 2007

**RE: In the Matter of Cumberland Valley Electric, Inc. v. Kentucky
Utilities Company – Case No. 2006-00148**

Dear Ms. O'Donnell:

During the hearing in Case No. 2006-00148, where Cumberland Valley Electric, Inc. ("CVE") challenged the right of Black Mountain Resources, Inc. ("BMR") to distribute electricity to a coal mine, Stillhouse Mine No. 2, through its own distribution system and across its own property from a central delivery point served by Kentucky Utilities Company ("KU"), the issue of who was the proper service provider for another split territory site, Timber Tree Mine No. 9 ("TTM9"), was raised. CVE was well aware of the TTM9 site being a split territory prior to beginning service and then attempted to hide the fact from KU.

KU does not dispute that the TTM9 reserves constitute a split territory. At the current time, KU does not agree with nor dispute CVE's right to serve TTM9. KU's position is that the issue of who is the rightful service provider was raised during the previously cited case and can not be resolved until a final order in that case issued.

Following the hearing directive of the Commission that the parties settle the issues in Case No. 2006-00148, KU and CVE met twice prior to briefs being filed on April, 30, 2007. During both meetings, KU stated its position that it is not opposed to CVE serving TTM9 until the Commission rules in Case No. 2006-00148. In letters dated April 4, 2007, May 4, 2007, and June 6, 2007, CVE has repeatedly raised the issue related to TTM9 service. In each instance KU has restated its position that it does not oppose CVE serving TTM9 until the Commission rules in Case No. 2006-00148 and that the TTM9 issue can not

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be resolved until such an order is issued. At that time, KU will examine the issue again and work with CVE to resolve the question without further Commission involvement.

By Letter Dated August 7, 2007, CVE requested the Commission:

1. Provide guidance on resolving a potential dispute as to the proper supplier of service to Timber Tree No. 9 and
2. Visit the Timber Tree No. 9 site, with interested parties, at the earliest opportunity.

KU believes it is premature to take either action on a "potential dispute". CVE is not harmed in any way by awaiting a Commission decision. They invested in what facilities are required for service to TTM9 without seeking agreement on what is now termed a "potential dispute" and are now receiving revenues from that investment with no challenge.

Accordingly, KU requests the Commission deny CVE's requests.

Sincerely,



F. Howard Bush

Cc: Ted Hampton
Ross Keegan