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May 31, 2006

RECEIVED

JUN 1 2006

PUBLIC SERVICE
COMMISSION

VIA: Facsimile Transmission and U.S. Mail

Public Service Commission
P.O. Box 615
Frankfort, KY 40602

ATTENTION: Mr. J.R. Goff, Staff Attorney

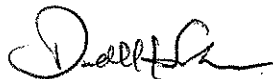
RE: South Kentucky RECC
Case No. 2006-00150

Dear Mr. Goff:

Thank you for sending the Agreed Order by the Commission letter dated May 24, 2006. The Order appears to reflect the agreement of the parties with one notable exception, that being numerical paragraph 4 on page 3. This paragraph would require South Kentucky to increase safety inspections of its independent contractors' employees. The gentlemen involved in this case, Jeffery D. Mize and Phillip Walker, are both employees of South Kentucky and not employees of independent contractors. Additionally, we neither discussed safety inspections for employees of independent contractors in our informal conference nor agreed to safety inspections for employees of independent contractors.

I can only assume that a drafting error was made regarding the independent contractor provision to the Settlement Agreement. In any event, South Kentucky does not agree to be so bound. I would prefer that you re-draft the agreement without that provision but I can place a line through it and initial if you like. Please advise which you prefer.

Yours truly,



Darrell L. Saunders

DLS: mw
cc: Carol Wright