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BEFORE THE PUBLIC SERVICE COMMISSION

JAN 08 2007

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR CONTINUATION OF) Case No. 2006-00547
TOUCHSTONE ENERGY HOME PROGRAM)
REBATE)

ATTORNEY GENERAL'S COMMENTS

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and tenders the following comments regarding East Kentucky Power Cooperative's ["EKPC"] application to continue its Touchstone Energy Home Program Rebate.

The Attorney General believes that such programs are laudable in that they clearly provide incentives for construction of energy efficient homes and thus promote conservation. EKPC's testimony indicates that 335 homeowners have participated in this program over the last 2 ½ years. Reports filed with the Commission indicate that EKPC has paid approximately \$163,000 in rebates to member-participants over the life of this program. EKPC plans to initiate this program (if re-approved) on June 1, 2007, and continue it for two (2) years.

Participation in the program has increased dramatically over its 2 ½ year life span. All indications point to even greater future participation, should the

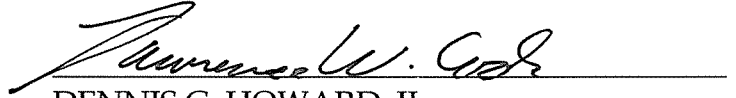
plan be re-approved. EKPC could easily incur an additional \$160,000 in rebate expenses (if not more) over the proposed two year extended life of this plan.

Normally, the Attorney General would fully support a utility's efforts in this regard. However, the Attorney General is very concerned about EKPC's financial status, as is more fully portrayed in PSC case 2006-00455. Public documents in that case plainly indicate that EKPC's financial status is very strained -- indeed, EKPC has even delayed essential plant maintenance. For that reason, the Attorney General believes that at this time, it would be unwise for EKPC to incur additional expenses that are not absolutely essential to its continued operation. Although the plan has a demonstrably laudable purpose, it would be contrary to EKPC's best financial interests to continue the program at this time.

Notwithstanding these comments, the Attorney General would welcome the adoption and approval of such a plan at such a time when EKPC's financial condition improves to a substantial degree and reaches stability.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL

A handwritten signature in cursive script, reading "Lawrence W. Cook", is written over a horizontal line.

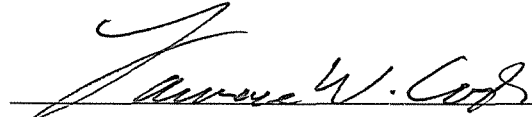
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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Hon. Charles A. Lile
Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
P. O. Box 707
Winchester, KY 40392-0707

this 8th day of January, 2007.



Assistant Attorney General