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March 16, 2007

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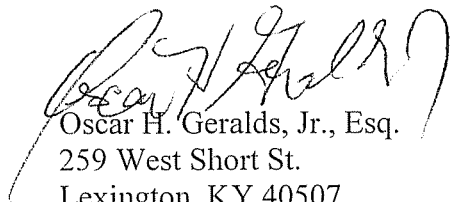
Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
P.O. Box 615, 211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

Re: Case No. 2006-00564

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of an Application for Rehearing of the Petition to Intervene of the Cumberland Chapter of Sierra Club. All parties listed on the attached Certificate of Service have been served by a copy of this letter.

Sincerely,



Oscar H. Gerald, Jr., Esq.  
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E-mail: ogeralds@lexkylaw.com

Enclosures

cc: Parties of Record

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF: AN INVESTIGATION INTO )  
EAST KENTUCKY POWER COOPERATIVE, INC.'S ) **Case No. 2006-00564**  
CONTINUED NEED FOR CERTIFICATED GENERATION )

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**APPLICATION FOR REHEARING OF  
THE PETITION TO INTERVENE OF THE  
CUMBERLAND CHAPTER OF SIERRA CLUB**

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On February 12, 2007, the Cumberland Chapter of the Sierra Club (“Sierra”) submitted a petition to intervene in this proceeding, with copies mailed to the parties of record. On February 19, 2007, East Kentucky Power Cooperative, Inc. (EKPC) submitted a document headed, “Response and Objections of East Kentucky Power Cooperative, Inc., to Cumberland Chapter of Sierra Club Petition to Intervene.” EKPC was under no requirement to file these objections. The company did so purely on its own volition. We note that EKPC did not file similar objections to the full participation of any of the other Parties. On February 21, 2007, Sierra submitted its response to EKPC’s objections. At a public hearing in this proceeding on March 6, 2007, Commission Chairman Goss announced that Sierra’s petition had been denied. Sierra hereby applies for a rehearing of that decision, pursuant to 807 KAR 5:001 Section 4(10), and provides the following grounds therefor:

1. At the hearing, Chairman Goss explained the Commission’s decision by saying that the subject of this case is whether certain specific generation facilities are still

needed, not whether the types of generation proposed by EKPC are appropriate. In view of the fact that both gas-fired and coal-fired units are being considered concurrently, however, the types of generation and the MW capacities of each type that will be certificated are clearly decisions that will be made by the Commission in this case.

A Certificate of Public Convenience and Necessity applies to one or more specific generating units. The specific generating plant that was the subject of Case No. 2004-00423 is the 278 MW (nominal) circulating fluidized bed (CFB) coal-fired unit in Mason County. The specific generating plants that were the subject of Case No. 2005-00053 are one 278 MW (nominal) CFB coal-fired unit and five 90 MW (nominal) combustion turbines in Clark County. The continued need for each of these specific plants, along with other capital investments including certain transmission lines, is now under review in Case No. 2006-00564.

EKPC has testified that based on an extensive supply-side analysis and consistent with the goal of arriving at the least-cost expansion plan, three of the five proposed gas combustion turbines should be moved from the near-term time slot to the medium-term 2012-2015 time slot, and that Smith CFB Unit 1, the coal-fired plant in Clark County, should be kept in the near-term time slot with a date of 2011. [Testimony of James C. Lamb, February 13, 2007] Furthermore, EKPC has already begun incurring expenses for Smith CFB Unit 1, and if that unit is kept in the expansion plan as proposed, EKPC will continue to spend money on its construction from the present date forward. Sierra believes, however, that it is possible that the cost analysis supporting EKPC's recommendation may be flawed, and that a different investment plan might actually be a lower-cost plan for EKPC's system. Sierra believes that a fuller consideration of long-

term costs and alternative investment strategies may yield the conclusion that it is the coal-fired unit that should be deferred to a later time frame rather than the three combustion turbines as proposed by EKPC. It may even turn out that Smith CFB Unit 1 will not be needed at all, and would thus constitute a wasteful duplication of facilities if built.

If Sierra is granted full intervenor status in this case, we intend to assess the cost analysis performed by EKPC and take account of other factors bearing on costs that EKPC may not have considered. For example, EKPC may not have given adequate consideration to the possibility that carbon dioxide emissions may be limited or controlled in the future, a development that would raise the cost of coal and coal-fired generation. At the least, the specter of future carbon taxes introduces an element of risk into the financial projections of any utility that is as dependent on coal as is EKPC. Risk reduction has a real, quantifiable financial value, as evidenced by the existence of the insurance industry.

2. Sierra stands by the statements made in its 2/21/07 response to EKPC's objections. These can be summarized as follows:

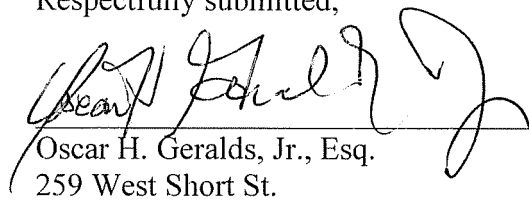
- Sierra's sole intent in requesting intervention is to present information that will assist the Commission in determining whether the specific facilities listed in this case are still needed or whether some of them would constitute a wasteful duplication of facilities.
- EKPC's charge that Sierra is trying to turn this proceeding into a "determination of environmental issues" is groundless.

- Sierra is well aware that compliance with environmental laws and regulations is enforced by other agencies of the state and federal governments, and it has no intention of raising such issues or asking the Commission to do another agency's job.

3. Sierra believes that it has complied with the requirements of KRS 278.310 and 807 KAR 5:001 Section 3(8) governing full intervention, that the issues it plans to raise are directly relevant to the subject of this proceeding, that it has presented information showing it has a special interest in this proceeding which is not otherwise adequately represented, and that its full intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings.

**WHEREFORE**, the Cumberland Chapter of the Sierra Club requests that the Commission reconsider its decision of 3/6/07 and grant Sierra full intervenor status in the above-captioned proceeding.

Respectfully submitted,



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**COUNSEL FOR SIERRA CLUB**

March 16, 2007

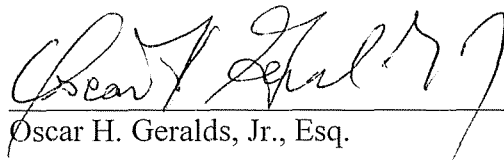
**CERTIFICATE OF SERVICE**

I hereby certify that an original and ten copies of the foregoing of the Application for Rehearing of the Petition to Intervene of the Cumberland Chapter of Sierra Club filed in the above-styled case were mailed to the office of Beth A. O'Donnell, Executive Director of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601, and that copies were mailed to the Parties of Record, this 16th day of March, 2007.

Hon. Dennis Howard  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

Hon. Michael L. Kurtz  
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