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TELEPHONE 270-765-2179
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May 19, 2008

JAMES T. WHITLOW
JOHN J. SCOTT
BENJAMIN J. HUMPHRIES

RECEIVED

MAY 20 2008

PUBLIC SERVICE
COMMISSION

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
270-358-4344

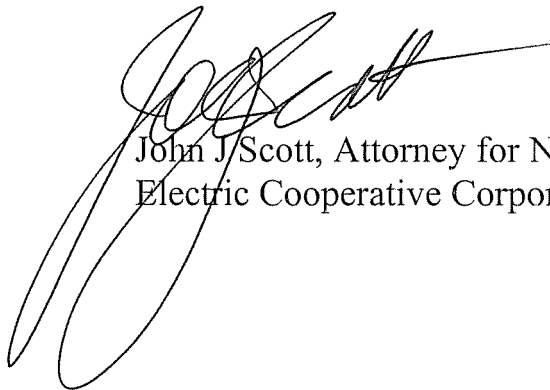
Ms. Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re: Case No. 2007-00378

Dear Ms. Stumbo:

Please find enclosed an original and 7 copies of the Response filed by Nolin Rural Electric Cooperative Corporation in the above-styled case.

Sincerely yours,



John J. Scott, Attorney for Nolin Rural
Electric Cooperative Corporation

JJS/rrd

Enclosures

RECEIVED

MAY 20 2008

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)
SERVICE COMMISSION OF THE)
ENVIRONMENTAL SURCHARGE)
MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR)
THE SIX-MONTH BILLING PERIODS)
ENDING JUNE 30, 2006 AND)CASE NO. 2007-00378
DECEMBER 31, 2006, FOR THE TWO-)
YEAR BILLING PERIOD ENDING)
JUNE 30, 2007, AND THE PASS)
THROUGH MECHANISM FOR ITS)
SIXTEEN MEMBER DISTRIBUTION)
COOPERATIVES)

RESPONSE TO ORDER OF PUBLIC SERVICE COMMISSION
DATED MAY 1, 2008

* * * * *

Comes Michael L. Miller, President of Nolin Rural Electric Cooperative Corporation, and being first duly sworn, files the following Responses to the Order of the Public Service Commission dated May 1, 2008 in the above-styled action:

Question No. 1: Has your cooperative experienced any problems in administering its environmental surcharge pass through mechanism over the two-year period under review in this case? If yes, explain in detail the nature of the problems and any suggested changes to cure the problems.

Response No. 1: Nolin Rural Electric Cooperative Corporation has experienced a significant under-recovery of the environmental surcharge from industrial customers, due to the pass-through allocation methodology

used to bill for the surcharge at retail. East Kentucky Power Cooperative, Inc. is currently evaluating this situation, in an effort to determine if changes can be made in the pass-through mechanism which would resolve this under-recovery, but Nolin Rural Electric Cooperative Corporation does not have a specific change to recommend at this time.

Question No. 2: Has your cooperative received any customer complaints regarding the environmental surcharge pass through mechanism during the two-year period under review in this case? If yes, state the number of complaints received, the nature of each complaint, and the service classification of each customer making a complaint.

Response No. 2: Nolin Rural Electric Cooperative Corporation has received multiple complaints regarding the Environmental Surcharge. (Cheryl Thomas, Manager of Office Services, worked on this Response). The complaints are for high bills. Members base their complaints on the amount of money due, not the amount of kWh they have used. The following breakdown shows the complaints documented per year:

August 2005 to December 2005	70 complaints
January 2006 to December 2006	146 complaints
January 2007 to December 2007	410 complaints
January 2008 to April 2008	327 complaints

Total Complaints – 953 with approx. 99% being residential members

Question No. 3: Does your cooperative believe that its environmental surcharge pass through mechanism has operated reasonably over the two-year period under review in this case? If no, explain in detail.

Response No. 3: See responses to Questions 1 and 4.

Question No. 4: Does your cooperative have any recommended changes for its existing environmental surcharge pass through mechanism? If yes, explain in detail the nature of each change and the reasons why the change is needed.

Response No. 4: As referenced in the response to Request No. 1, East Kentucky Power Cooperative, Inc. ("EKPC") has been made aware of the fact that some EKPC member systems are experiencing an under-recovery of the environmental surcharge from certain customer classes, or large customers, due to the pass-through mechanism. Since the impact of this situation varies among different member systems, EKPC is currently evaluating this issue, in an attempt to identify possible changes in the allocation methodology which would be equitable for all member systems and retail customers. It is hoped that some acceptable changes to the pass-through methodology can be developed within the next 60 days. EKPC plans to present any proposed changes to the pass-through methodology to the Commission for review at the earliest appropriate time.

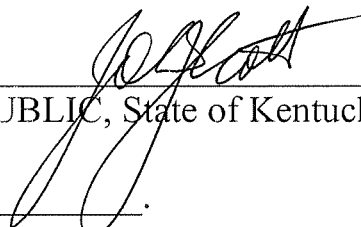
I, Michael L. Miller, the President of Nolin Rural Electric Cooperative Corporation, certify that the above Responses to the Order of the Public Service Commission dated May 1, 2008 are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.



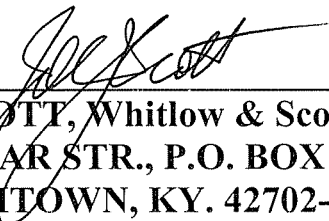
**MICHAEL L. MILLER, President
of Nolin Rural Electric Cooperative
Corporation
411 Ring Road
Elizabethtown, Ky. 42701**

STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 19th day of May, 2008, personally appeared before me **MICHAEL L. MILLER**, who being by me first duly sworn, subscribed to and acknowledged that he is the **President** of **NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION**, a Kentucky rural electrical cooperative corporation, that he signed the foregoing document as **President** of the cooperative corporation, and that the statements therein contained are true.

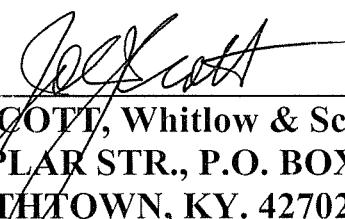


NOTARY PUBLIC, State of Kentucky
At Large
My commission expires 9-11-09.



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270-765-2179
**ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE CORP.**

I certify that a true copy of the Responses to the Order of the Public Service Commission was mailed to the parties as shown on the attached list this 19th day of May, 2008:



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270-765-2179
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ELECTRIC COOPERATIVE CORP.**

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Mr. Howard Downing
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Atty. for Blue Grass Energy
Cooperative Corporation