

# Exhibit 2



Tennessee Valley Authority, PO Box 292409, OCP 1F, Nashville, Tennessee 37229-2409

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May 16, 2013

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
Post Office Box 615  
211 Sower Blvd.  
Frankfort, KY 40602-0615

Dear Mr. Derouen:

This is in response to your April 29 letter to me regarding TVA's Statement of Regulatory Authority of the five Kentucky cooperatives served by TVA. I am TVA's Director of Retail Regulatory Affairs, and I do have the authority to speak on behalf of TVA regarding this matter.

As I stated in the January 24, 2013, letter that I sent to the Kentucky cooperatives, TVA is the exclusive retail rate regulator for the distributors of TVA power. As the regulator and as authorized by the TVA Act, we work closely with our distributors to keep the valley's retail rates as low as feasible and to ensure that the operations and assets of the electric system are primarily for the benefit of the consumers of electricity. As part of approving the retail rates for each distributor, TVA assesses each distributor's revenues requirements, which take into account the distributor's electric sales revenue, service fee revenue, rental revenue from electric property, and other electric revenue. The revenue received from pole attachment fees is also considered in TVA's assessment of each distributor's revenue requirements.

TVA also regulates the use of electric system assets of the distributors of TVA power. The wholesale power contract that TVA has in place with each of our distributors includes certain provisions that prohibit the subsidization of any non-electric activities because such subsidy ultimately would have to be recovered through the electric consumer's retail rates. Consequently, TVA requires each distributor to charge a pole attachment fee that ensures full cost recovery so that no unfair burdens are placed on the electric ratepayers. This full cost recovery may include usable space, safety space, and height. Accordingly, as explained above, TVA does have oversight responsibility for the pole attachment fees of the Kentucky distributors of TVA power to ensure consistency with the wholesale power contract.

Furthermore, it appears as though the Kentucky Public Service Commission has long recognized the sufficiency of the unique, comprehensive regulatory scheme controlling the rates and services of the distributors of TVA power. Indeed, by virtue of TVA's role as exclusive retail rate regulator and through the regulatory provisions in the wholesale power contract that prohibit subsidies, it is TVA's position that TVA's oversight over the pole attachment rates of these distributors is sufficient. Moreover, additional regulation by the Commission could potentially contravene TVA's oversight in this area. Accordingly, TVA sees no reason to alter the status quo, especially given the long-standing effectiveness and comprehensiveness of such regulatory scheme.

Should you have further questions, I can be reached at (615) 232-6865.

Sincerely,

Cynthia L. Herron  
Director  
Retail Regulatory Affairs