

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CZAR COAL)	
CORPORATION FOR AUTHORIZATION TO)	CASE NO.
RECEIVE SERVICE FROM KENTUCKY)	2009-00134
POWER COMPANY IN BIG SANDY)	
RECC'S SERVICE TERRITORY)	

O R D E R

On March 31, 2009, Czar Coal Corporation (“Czar”) filed an application seeking Commission authorization to receive electrical service from Kentucky Power Company (“Kentucky Power”) within Big Sandy Rural Electric Cooperative Corporation’s (“Big Sandy RECC”) service territory. Czar’s application included letters from Kentucky Power and Big Sandy RECC expressing the utilities’ agreement with Czar’s proposal. In addition, Kentucky Power and Big Sandy RECC filed a letter of agreement regarding service to Czar.¹

Czar states that it is in the process of developing an underground mine (“Mine”) in Floyd and Martin Counties, Kentucky. The Mine entrance is located within the service territory of Big Sandy RECC, but the reserves to be mined are located in the adjacent certified territories of Big Sandy RECC and Kentucky Power. After receiving a request for service, Big Sandy RECC determined that approximately two miles of its existing line would need to be upgraded to serve the Mine at a cost of approximately \$400,000. Kentucky Power has electrical service in the area, is ready and willing to serve the Mine

¹ By Order dated June 30, 2009, Kentucky Power and Big Sandy RECC were made parties to this proceeding.

and can do so without making any additional infrastructure investment. Big Sandy RECC and Kentucky Power agree that Kentucky Power should be authorized to provide electrical service to the Mine. The utilities further agree that the boundary line between their certified territories will not change and that Kentucky Power will not provide service to any other facility located in Big Sandy RECC's territory.

In addition to the difference in investment required of the utilities, Czar states that if Big Sandy RECC provides electric service to the mine, Czar will be required to construct approximately 3.98 miles of electric line compared to 1.09 miles if Kentucky Power is the provider. Constructing nearly three miles less electric line would result in a savings to Czar of approximately \$306,000. Furthermore, the 1.09 miles of electric line required for Kentucky Power to provide service will be located entirely on property owned or leased by Czar and will not be installed over or near any residences, structures or power lines as the vast majority of the property over which the 1.09 miles of line will be constructed is reclaimed surface mines. Czar states that it will construct and maintain the proposed line according to the National Electrical Safety Code.

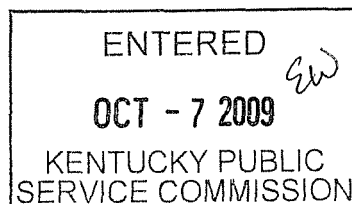
KRS 278.018 establishes that each retail electric supplier shall have the exclusive right to furnish retail electric service within its certified service territory. KRS 278.018(6) allows a retail electric supplier to contract with another retail electric supplier for the purpose of allocating consumers between such retail electric suppliers. As stated above, Big Sandy RECC and Kentucky Power have agreed that Kentucky Power should furnish retail electric service to the Mine and that no boundary change is required and no other customers will be affected.

Based on the application and being otherwise sufficiently advised, the Commission finds that Czar's request for the Mine to be served by Kentucky Power is reasonable. Electric service provided by Kentucky Power will prevent wasteful duplication of facilities, avoid unnecessary encumbering of the landscape, and provide adequate and reasonable service to the Mine.

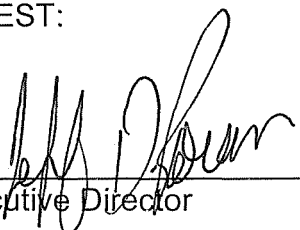
IT IS THEREFORE ORDERED that Czar's request for Kentucky Power to serve the Mine in Floyd and Martin Counties in Kentucky as agreed upon by Big Sandy RECC and Kentucky Power is granted.

By the Commission

Commissioner Borders abstains.



ATTEST:



Executive Director

Honorable Rebecca S Gohmann
Attorney at Law
Czar Coal Corporation
107 Dennis Drive
Lexington, KY 40503

Timothy C Mosher
President, KY Power
American Electric Power
101A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

Bobby D Sexton
President/General Manager
Big Sandy R.E.C.C.
504 11th Street
Paintsville, KY 41240-1422