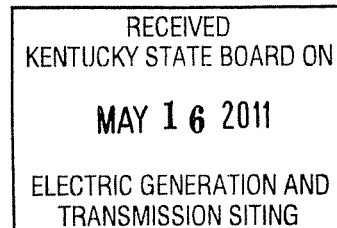


eco Power Generation



May 13, 2011

Commissioner David Armstrong  
Chairman, Kentucky State Board on Electric Generation  
and Transmission  
P. O. Box 615  
Frankfort, Kentucky 40602

Dear Chairman Armstrong:

In compliance with the Siting Board's order of May 18, 2010, in Case No. 2009-00530 granting ecoPower Hazard a certificate to construct an approximate 50 MW power plant and associated transmission line in Perry County, Kentucky, the following progress report is filed.

Since the certificate was issued, ecoPower Hazard has continued development of the project. Major development activities include: selection of an EPC contractor and engineering design, geotechnical investigation of the subsurface characteristics of the site, additional environmental engineering and solicitation of a sales agreement. Commencement of construction is not planned until September 2011. Shaw Power, the EPC contractor, is operating under a memorandum of agreement to develop a firm price quote which, along with preliminary engineering design, will be delivered by June 13, 2011. An EPC contract will be executed subsequent to that.

A final general arrangement drawing will be delivered as a part of the engineering package on June 13, 2011. This will be the basis for the final site development plan. In the meantime ecoPower Hazard has held discussions with the Coal Fields Industrial Park Board regarding the extension of roadways and utilities to the site boundary. These are expected to comply with the park's development plan.

ecoPower and Shaw Power have selected Gray Construction of Lexington, Kentucky, to be the site development subcontractor. ecoPower has emphasized to Shaw Power the importance of using local labor and resources to the maximum extent possible. Shaw Power's construction management personnel have visited Hazard to assess local conditions and the availability of subcontractors and material suppliers.

ADDRESS

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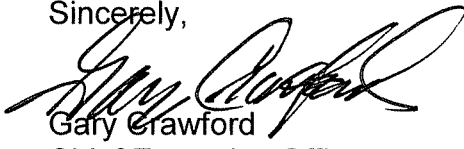
info@ecopg.com  
www.ecopg.com

Commissioner David Armstrong  
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ecoPower has received no complaints regarding the facility. A May 19, 2010, article from the Hazard Herald describing the project and announcing the Siting Board's approval is attached.

As indicated, engineering design is not complete. ecoPower intends to comply with the condition and mitigation measures prescribed in the Siting Board's order. Any engineering or operational difficulties with those measures will be addressed in subsequent reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Crawford", written in a cursive style.

Gary Crawford  
Chief Executive Officer

Attachment

## Hazard Herald, The (KY)

May 19, 2010

### Perry Biopower Plant Approved For Construction

*Herald; Staff Report*

FRANKFORT - Construction for a proposed power plant in Perry County has the green light from the Kentucky State Board of Electric **Generation** and Transmission Siting.

The Siting Board, an agency within the Energy and Environment Cabinet, granted the construction certificate on Tuesday, which will allow **ecoPower Generation** to construct a 50-megawatt plant in the Coal Fields Industrial Park in Chavies.

The biomass fuel for the plant is to come from nearby wood industry facilities and forest product operations and will include low-grade logs and wood wastes such as sawdust, wood chips, bark and sawmill wastes. The wood material will be burned to produce steam, which will power turbines that produce electricity.

The plant is to be connected to the grid through a substation owned by American Electric Power Co., and the electricity is to be sold on the open, wholesale market. Tuesday's Siting Board order also approved construction of a 1.54-mile-long transmission line that will connect the plant to the substation.

According to **ecoPowerHazard's** application, the plant will cost about \$150 million to build. During the two-year construction process, the impact on the local economy was estimated at \$82.5 million, with an average of 200 workers on the site.

Once in operation, the plant will employ about 40 people, with a total annual payroll of more than \$2.6 million and an operating budget of \$16 million in its first year, **ecoPower-Hazard** said in its application. The plant is forecast to operate for at least 30 years.

No other parties sought to participate in the case and there were no requests for either a local public hearing or an evidentiary hearing. The Siting Board reached its decision based on the written record, which includes the application, an evaluation conducted by an independent consultant of the site assessment report submitted by the applicant, and answers provided by **ecoPower-Hazard** in response to questions from the Siting Board. The Siting Board noted that **ecoPower-Hazard** had held a number of meetings with local residents and environmental groups.

Because of the plant's proposed location in an industrial park, the Siting Board determined that it would have a minimal impact on surrounding areas. That impact will be further reduced by conditions placed on **ecoPower-Hazard** by the Siting Board and already agreed to by the company. Those include painting the plants in colors that will blend with the surroundings, taking steps to reduce both dust and noise from the wood processing facility and restricting most wood deliveries to daytime hours to reduce nighttime traffic and truck noise.

While noting that it does not have authority to dictate employment practices, the Siting Board encouraged **ecoPower-Hazard** to live up to its commitment to hire as many local workers as possible to build and operate the plant. The Siting Board also required **ecoPower-Hazard** to continue to maintain a Web site that has been used to provide information to the public about the project.

In approving the **ecoPower-Hazard** plant, the Siting Board also issued a waiver of a requirement that the

facility's exhaust stack be at least 1,000 feet from any adjoining property. In addition to other factors, the plant's proposed location in an industrial setting justifies granting a waiver in this case, the Siting Board said in its order.

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