

SUIT, McCARTNEY, PRICE, PRICE & RUARK, PLLC
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Flemingsburg, KY 41041

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Fax (606) 845-8701

October 5, 2012

RECEIVED

OCT 05 2012

PUBLIC SERVICE
COMMISSION

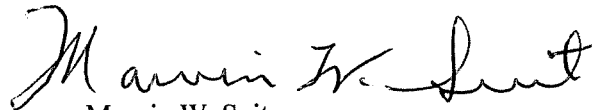
Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

**Re: Application of Fleming-Mason Energy Cooperative, Inc. for an Adjustment of Rates
PSC Case 2012-00369**

Dear Mr. Derouen:

Enclosed for filing are an original and ten copies of the application of Fleming-Mason Energy Cooperative for an adjustment of rates. Please feel free to call if you have any questions or concerns.

Respectfully yours,



Marvin W. Suit
Attorney for Fleming-Mason Energy Cooperative, Inc.

MWS:jtr

Enclosures

<JTR\Letters\MWS\Derouen, Jeff re fwd App FME for Adjstmt Rates PSC Cs 2012-00369 (10-05-12)>

cc: Attorney General

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

OCT 05 2012

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF FLEMING-MASON ENERGY)
COOPERATIVE, INC. FOR AN ORDER AUTHORIZING)
A CHANGE IN RATE DESIGN FOR ITS RESIDENTIAL RATE) CASE NO. 2012-00369
CLASSES, AND THE OFFERING OF SEVERAL OPTIONAL RATE)
DESIGNS FOR THE RESIDENTIAL RATE CLASSES)

APPLICATION

Fleming-Mason Energy Cooperative, Inc. ("Applicant") of Flemingsburg, Kentucky hereby informs the Public Service Commission of Kentucky ("Commission") that:

1. It is revising its retail rate design for its residential rate classes effective 12:00 A.M. EST, April 1, 2013 and is offering new, optional rate designs for the residential consumers – {807 KAR 5:001, Section 10(1)(b)(1)}.
2. Applicant is engaged in the business of distributing electric power and energy to approximately 23,000 consumers in Kentucky in the counties of Bath, Bracken, Fleming, Lewis, Mason, Nicholas, Robertson, and Rowan.
3. The address of the Applicant is 1449 Elizaville Road, Flemingsburg, KY 41041- {807 KAR 5:001, Section 8(b)}.
4. Applicant is not requesting an increase in the revenue requirements for any of its retail rate classes. Applicant is seeking to gradually match its rates with its costs to service over a period of time. Applicant is also requesting authorization for some new optional rates for this same rate classes. This application meets the concept of revenue neutrality for the impacted rate classes - {807 KAR 5:001, Section 10(1)(a)(1)}.
5. Applicant's annual reports through calendar year 2011 are on file with the Commission - {807 KAR 5:001, Section 10(1)(a)(2)}.
6. Applicant's Articles of Incorporation and any Amendments thereto are on file with the Commission in Case No 2012-00361 - {807 KAR 5:001, Section 10(1)(a)(3) and (5)}.
7. Applicant is not a limited partnership - {807 KAR 5:001, Section 10(1)(a)(4)}.
8. A Certificate of Good Standing dated within sixty days of the filing the application is contained in **Exhibit 1** - {807 KAR 5:001, Section 10(1)(a)(5)}.
9. Applicant does not conduct business under an assumed name and no certificate of assumed name is being submitted – {807 KAR 5:001, Section 10(1)(a)(6)}.
10. Applicant's proposed tariff in form complying with 807 KAR 5:001 with an effective date not less than thirty (30) days from the date the application is filed is contained in **Exhibit 2** – {807 KAR 5:001, Section 10(1)(a)(7)}.
11. Applicant's proposed tariff changes are shown with current tariffs and proposed tariffs in comparative form and by indicating additions by underscoring and striking over

deletions in copy of the current tariff is presented in **Exhibit 3** – {807 KAR 5:001, Section 10(1)(a)(8)}.

12. A copy of the notice given is provided in **Exhibit 4** – {807 KAR 5:001, Section 10(1)(a)(9)}.
13. A complete description for the proposed rate design changes for the residential rate class is provided in **Exhibit 5** and the proposed new, optional rate offerings are provided in **Exhibit 6** – {807 KAR 5:001, Section 10(6)(a)}.
14. An testimony for each witness is provided in **Exhibit 7** – {807 KAR 5:001, Section 10(6)(b)&(c)}.
15. The estimate of the effect that the new rates will have on revenues including total revenues and the percentage increase are provided in **Exhibit 8** – {807 KAR 5:001, Section 10(6)(4)}.
16. The effect that the rate design changes will have upon the average consumer for each rate class is included as **Exhibit 9** – {807 KAR 5:001, Section 10(6)(e)}.
17. A billing analysis is provided in **Exhibit 10** which indicates the revenues from the current rates and the proposed rates – {807 KAR 5:001, Section 10(6)(g)}.
18. The test period for this rate application is the twelve month period ending December 31, 2011.
19. Applicant requests a waiver from the requirement of 807 KAR 5:001, Section 10(6)(h) for the filing of a summary of the utility's determination of its revenue requirements based on one of several methods due to the fact that Applicant is not seeking an increase in revenue requirements for any rate class.
20. Applicant requests a waiver from requirement of 807 KAR 5:001, Section 10(6)(i) for the reconciliation of the rate base and capital used to determine its revenue requirements due to the fact that rate base and capital were not used to determine the revenue requirements in this application.
21. Applicant requests a waiver from the requirement to file a chart of accounts – {807 KAR 5:001, Section 10(6)(j)}.
22. Applicant does not file any FERC or FCC reports – {807 KAR 5:001, Section 10(6)(1)}.
23. Applicant does not file a FERC 1 Report – {807 KAR 5:001, Section 10(6)(m)}.
24. Applicant's latest depreciation study was filed in February 15, 2008 of the Application, and has not included a depreciation study as referenced in {807 KAR 5:001 Section 10(6)(n)}.
25. Applicant has used the in-house developed or commercially available software in the form of Microsoft Excel and Word – {807 KAR 5:001, Section 10(t)(o)}.
26. Applicant has no stock or bond offerings – {807 KAR 5:001, Section 10(6)(p)}.
27. Applicant's annual reports to members for the last two years are provided in **Exhibit 15** - {807 KAR 5:001, Section 10(6)(q)}.
28. Applicant's monthly managerial reports have been filed are provided in **Exhibit 16** – {807 KAR 5:001, Section 10(6)(r)}.
29. Applicant does not file any SEC annual reports – {807 KAR 5:001, Section 10(6)(s)}.
30. Applicant had no amounts changed or allocated to it by an affiliate or general or home office and did not pay any monies to an affiliate or general or home office during the test period or three(3) previous calendar years – {807 KAR 5:001, Section 10(6)(t)}.
31. A cost of service study is provided in **Exhibit 11** – {807 KAR 5:001, Section 10(6)(u)}.

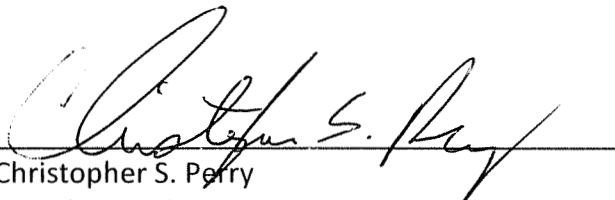
32. Applicant is not a local exchange carrier as set forth in 807 KAR 5:001, Section 10(6)(v).
33. An income statement and balance sheet with no proposed adjustments are included as **Exhibit 12** – {807 KAR 5:001, Section 10(7)(a)}.
34. Applicant is not proposing any pro forma adjustments in the Application – {807 KAR 5:001, Section 10(7)(b)(c)(d)&(e)}.
35. The notice of intent to file has been given and is provided in **Exhibit 13** – {807 KAR 5:001, Section 10(2)}.
36. The education plan and program is attached as **Exhibit 14**.

WHEREFORE, Applicant requests that the Commission make its order authorizing the Applicant to adjust its retail electric rates as requested herein above.

Dated at Fleming-Mason Energy, Flemingsburg, Kentucky this 5th day of October, 2012.

Respectfully Submitted,

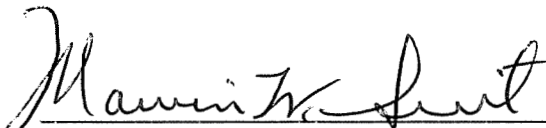
Fleming-Mason Energy Cooperative, Inc.



Christopher S. Perry
President and CEO

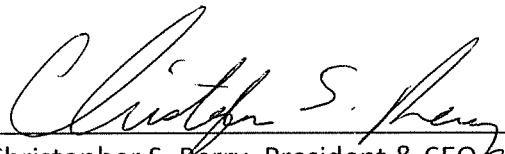
COUNSEL:

Marvin W. Suit
Suit, McCartney, Price, Price & Ruark
207 Court Square
Flemingsburg, KY 41041



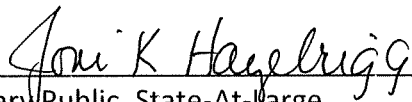
Marvin W. Suit
Attorney for Fleming-Mason Energy Cooperative, Inc.

I, Christopher S. Perry, President and CEO of Fleming-Mason Energy Cooperative, Inc., declare that the statements contained in the foregoing Application are true to the best of my information and belief.



Christopher S. Perry, President & CEO
Fleming-Mason Energy Cooperative, Inc.

Subscribed and sworn to before me by Christopher S. Perry, this 5th day of October, 2012.



Notary Public, State-At-Large

My commission expires: June 20, 2014.

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 130158
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

FLEMING-MASON ENERGY COOPERATIVE, INC.

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 273, whose date of incorporation is March 12, 1938 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 18th day of September, 2012, in the 221st year of the Commonwealth.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
130158/0017666

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
32nd Revised Sheet No. 1
Canceling P.S.C. No. 3
31st Revised Sheet No. 1

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Residential and Small Power - Schedule RSP	Rate Per Unit
<p><u>Applicability:</u> Available to all members of the Cooperative for all service requiring not more than 25kVa of transformer capacity. All use is subject to the established rules and regulations of the Cooperative.</p>	
<p><u>Character of Service:</u> Single-phase 60 Hertz at 120/240 volts alternating current, or where available, three-phase 60 Hertz at 120/240 volts alternating current.</p>	
<p><u>Monthly Rate:</u></p>	
Customer Charge	\$15.00/Meter (I)
Energy Charge - For All kWh	\$0.08431/kWh (D)
<p><u>Minimum Charge:</u> The monthly customer charge. For temporary or seasonal service a minimum charge of \$180.00 is required, payable at the time of request for service.</p>	
<p>(T)</p>	
<p><u>Temporary Service:</u> Temporary service shall be supplied in accordance with the foregoing rate except that the customer shall pay in addition to the foregoing charges the total cost of connecting and disconnecting service less the value of materials returned to stock. The Cooperative may require a deposit, in advance, or the full amount of the estimated bill for service, including the cost of connection and disconnection.</p>	

Date of Issue 10/05/12 Date Effective Service rendered on and after 11/05/12
 Issued By _____ Title President and CEO
 Issued by authority of an order of the Public Service Commission of Kentucky.
 Case No. 2012-00369 Dated 10/05/12

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Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

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32nd Revised Sheet No. 1
Canceling P.S.C. No. 3
31st Revised Sheet No. 1

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Residential and Small Power - Schedule RSP	Rate Per Unit
<p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by an amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p>This schedule supersedes Schedule RSP Case No. 2010-00501</p>	

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For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
Original Sheet No. 1E

Name of Issuing Corporation

CLASSIFICATION OF SERVICE		Rate Per Unit																
Residential and Small Power - Schedule RSP – Time of Day																		
<p><u>Applicability:</u> Available to all members of the Cooperative for all service requiring not more than 25kVa of transformer capacity. All use is subject to the established rules and regulations of the Cooperative.</p> <p><u>Character of Service:</u> Single-phase 60 Hertz at 120/240 volts alternates current, or where available, three-phase 60 Hertz at 120/240 volts alternating current.</p> <p><u>Monthly Rate:</u></p> <p style="padding-left: 40px;">Customer Charge</p> <p style="padding-left: 40px;">Energy Charge –</p> <p style="padding-left: 80px;">On-Peak Energy</p> <p style="padding-left: 80px;">Off-Peak Energy</p> <p><u>Schedule of Hours:</u></p> <p style="text-align: center;"><u>On-Peak and Off-Peak Hours</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Months</th> <th style="width: 25%;">Days (5 days a week)</th> <th style="width: 25%;">On-Peak Hours</th> <th style="width: 35%;">Off-Peak Hours</th> </tr> </thead> <tbody> <tr> <td>May thru Sept</td> <td>Monday thru Friday</td> <td>2:00 pm–9:00 pm</td> <td>9:00 pm–2:00 pm</td> </tr> <tr> <td>Oct thru April</td> <td>Monday thru Friday</td> <td>5:00 am-11:00 am</td> <td>11:00 am-5:00 pm</td> </tr> <tr> <td></td> <td></td> <td>5:00pm-10:00 pm</td> <td>10:00 pm-5:00 am</td> </tr> </tbody> </table> <p><u>Minimum Charge:</u> The monthly customer charge. For temporary or seasonal service a minimum charge of \$240.00 is required, payable at the time of request for service.</p>		Months	Days (5 days a week)	On-Peak Hours	Off-Peak Hours	May thru Sept	Monday thru Friday	2:00 pm–9:00 pm	9:00 pm–2:00 pm	Oct thru April	Monday thru Friday	5:00 am-11:00 am	11:00 am-5:00 pm			5:00pm-10:00 pm	10:00 pm-5:00 am	<p>\$20.00/Meter</p> <p>\$0.12031/kWh</p> <p>\$0.06000/kWh</p>
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For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
Original Sheet No. 1E

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Residential and Small Power - Schedule RSP – Time of Day	Rate Per Unit
<p><u>Temporary Service:</u> Temporary service shall be supplied in accordance with the foregoing rate except that the customer shall pay in addition to the foregoing charges the total cost of connecting and disconnecting service less the value of materials returned to stock. The Cooperative may require a deposit, in advance, or the full amount of the estimated bill for service, including the cost of connection and disconnection.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by an amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p>	

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Flemingsburg, KY 41041

P.S.C. No. 3
Original Sheet No. 1F

Name of Issuing Corporation

CLASSIFICATION OF SERVICE											
Residential and Small Power - Schedule RSP – Inclining Block	Rate Per Unit										
<p><u>Applicability:</u> Available to all members of the Cooperative for all service requiring not more than 25kVa of transformer capacity. All use is subject to the established rules and regulations of the Cooperative.</p> <p><u>Character of Service:</u> Single-phase 60 Hertz at 120/240 volts alternating current, or where available, three-phase 60 Hertz at 120/240 volts alternating current.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$15.00/Meter</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge –</td> <td></td> </tr> <tr> <td style="padding-left: 80px;">0 – 300 kWh</td> <td style="text-align: right;">\$0.06681/kWh</td> </tr> <tr> <td style="padding-left: 80px;">301 – 500 kWh</td> <td style="text-align: right;">\$0.07681/kWh</td> </tr> <tr> <td style="padding-left: 80px;">Over 500 kWh</td> <td style="text-align: right;">\$0.10681/kWh</td> </tr> </table> <p><u>Minimum Charge:</u> The monthly customer charge. For temporary or seasonal service a minimum charge of \$180.00 is required, payable at the time of request for service.</p> <p><u>Temporary Service:</u> Temporary service shall be supplied in accordance with the foregoing rate except that the customer shall pay in addition to the foregoing charges the total cost of connecting and disconnecting service less the value of materials returned to stock. The Cooperative may require a deposit, in advance, or the full amount of the estimated bill for service, including the cost of connection and disconnection.</p>		Customer Charge	\$15.00/Meter	Energy Charge –		0 – 300 kWh	\$0.06681/kWh	301 – 500 kWh	\$0.07681/kWh	Over 500 kWh	\$0.10681/kWh
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Cooperative, Inc.
P. O. Box 328
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P.S.C. No. 3
Original Sheet No. 1F

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Residential and Small Power - Schedule RSP – Inclining Block	Rate Per Unit
<p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by an amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p>	

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Form for Filing Rate Schedule

For All Territory Served

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Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
18th Revised Sheet No. 10
Canceling P.S.C. No. 3
17th Revised Sheet No. 10

Name of Issuing Corporation

CLASSIFICATION OF SERVICE																	
Large Industrial Service - Schedule LIS 4	Rate Per Unit																
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 500 - 4999 KW with a monthly energy usage equal to or greater than 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$611.47/Mo.</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per Billing kW</td> <td style="text-align: right;">\$ 7.16/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.05342/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of (A) or (B) listed below</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;">(A) The contract demand</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">(B) The ultimate consumer's highest demand during the current month or preceding eleven months coincide with load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</td> <td></td> </tr> </table> <table style="width: 100%; border: none; margin-top: 10px;"> <thead> <tr> <th style="text-align: left; padding-left: 40px;"><u>Months</u></th> <th style="text-align: left;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">October - April</td> <td>7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="padding-left: 20px;">May - September</td> <td>10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$611.47/Mo.	Demand Charge - Per Billing kW	\$ 7.16/kW (I)	Energy Charge - For All kWh	\$0.05342/kWh (D)	(A) The contract demand		(B) The ultimate consumer's highest demand during the current month or preceding eleven months coincide with load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:		<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
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Form for Filing Rate Schedule

For All Territory Served

Fleming-Mason Energy
 Cooperative, Inc.
 P. O. Box 328
 Flemingsburg, KY 41041

P.S.C. No. 3
18th Revised Sheet No. 10
Canceling P.S.C. No. 3
17th Revised Sheet No. 10

Name of Issuing Corporation

CLASSIFICATION OF SERVICE (T)	
Large Industrial Service - Schedule LIS 4	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the billing demand multiplied by the demand charge, plus (C) The product of the billing demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 4, Case No. 2010-00501.</p>	

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Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
16th Revised Sheet No. 13
Canceling P.S.C. No. 3
15th Revised Sheet No. 13

Name of Issuing Corporation

CLASSIFICATION OF SERVICE															
Large Industrial Service - Schedule LIS 4B	Rate Per Unit														
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Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 4B	Rate Per Unit
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18th Revised Sheet No. 11
Canceling P.S.C. No. 3
17th Revised Sheet No. 11

Name of Issuing Corporation

CLASSIFICATION OF SERVICE													
Large Industrial Service - Schedule LIS 5	Rate Per Unit												
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 5000 - 9999 KW with a monthly energy usage equal to or greater then 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per Billing kW</td> <td style="text-align: right;">\$ 7.17/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.04970/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of (A) or (B) listed below:</p> <p>(A) The contract demand</p> <p>(B) The ultimate consumer's highest demand during the current month or preceding eleven months coincide with load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left;"><u>Months</u></th> <th style="text-align: left;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">October - April</td> <td>7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="padding-left: 20px;">May - September</td> <td>10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$1221.76/Mo	Demand Charge - Per Billing kW	\$ 7.17/kW (I)	Energy Charge - For All kWh	\$0.04970/kWh (D)	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
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Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 5	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the billing demand multiplied by the demand charge, plus (C) The product of the billing demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 5, Case No. 2010-00501.</p>	

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16th Revised Sheet No. 14
Canceling P.S.C. No. 3
15th Revised Sheet No. 14

Name of Issuing Corporation

CLASSIFICATION OF SERVICE															
Large Industrial Service - Schedule LIS 5B	Rate Per Unit														
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 5000 - 9999 KW with a monthly energy usage equal to or greater than 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per Contract kW</td> <td style="text-align: right;">\$ 7.17/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per kW in Excess of Contract</td> <td style="text-align: right;">\$ 9.98/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.04970/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the ultimate consumer's highest demand during the current month, coincident with the load center's peak, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month and adjusted for power factor as provided therein:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: center;"><u>Months</u></th> <th style="text-align: center;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">October - April</td> <td style="text-align: center;">7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="text-align: center;">May - September</td> <td style="text-align: center;">10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$1221.76/Mo	Demand Charge - Per Contract kW	\$ 7.17/kW (I)	Demand Charge - Per kW in Excess of Contract	\$ 9.98/kW (I)	Energy Charge - For All kWh	\$0.04970/kWh (D)	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
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CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 5B	Rate Per Unit
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Name of Issuing Corporation

CLASSIFICATION OF SERVICE							
Large Industrial Service - Schedule LIS 6	Rate Per Unit						
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Name of Issuing Corporation

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Large Industrial Service - Schedule LIS 6	Rate Per Unit
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Name of Issuing Corporation

CLASSIFICATION OF SERVICE																			
Large Industrial Service - Schedule LIS 6B	Rate Per Unit																		
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Energy Charge - For All kWh	\$0.04511/kWh	(D)																	
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October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.																		
May - September	10:00 A.M. to 10:00 P.M.																		

Date of Issue 10/05/12 Date Effective Service rendered on and after 11/05/12
 Issued By _____ Title President and CEO
 Issued by authority of an order of the Public Service Commission of Kentucky.
 Case No. 2012-00369 Dated 10/05/12

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
 Cooperative, Inc.
 P. O. Box 328
 Flemingsburg, KY 41041

P.S.C. No. 3
16th Revised Sheet No. 15
Canceling P.S.C. No. 3
15th Revised Sheet No. 15

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 6B	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the contract demand multiplied by the demand charge, plus (C) The product of the contract demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 6B, Case No. 2010-00501.</p>	

Date of Issue 10/05/12 Date Effective Service rendered on and after 11/05/12
 Issued By _____ Title President and CEO
 Issued by authority of an order of the Public Service Commission of Kentucky.
 Case No. 2012-00369 Dated 10/05/12

Fleming-Mason Energy Cooperative, Inc.
P.O. Box 328
Flemingsburg, KY 41041

For All Territory Served
P.S.C. No. _____
5th Revised Sheet _____
Cancelling P.S. C. No. _____
4th Revised Sheet No. _____

3
16
3
16

CLASSIFICATION OF SERVICE							
Large Industrial Service - Schedule LIS 7	Rate Per Unit						
<p><u>Applicability:</u> Available to all members of the Cooperative who receive service directly off of a distribution substation and where the monthly contract demand is 7,500 kW and above with a month energy usage equal to or greater than 400 hours per kW of billing demand. Member pays for cost of connecting to substation.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service</u> Three-phase 60 Hertz alternating current as specified in the Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1,221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Billing kW</td> <td style="text-align: right;">\$7.17 /kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - for All kWh</td> <td style="text-align: right;">\$0.04511/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of A (A) or (B) (A) The Contract Demand (B) The consumer's highest demand during the current month or preceding eleven (11) months. The peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</p>		Customer Charge	\$1,221.76/Mo	Demand Charge - Billing kW	\$7.17 /kW (I)	Energy Charge - for All kWh	\$0.04511/kWh (D)
Customer Charge	\$1,221.76/Mo						
Demand Charge - Billing kW	\$7.17 /kW (I)						
Energy Charge - for All kWh	\$0.04511/kWh (D)						

Date of Issue 10/05/12 Date Effective Service rendered on and after 11/05/12
 Issued By _____ Title President & CEO
 Issued by authority of the an order from the Public Service Commission of Kentucky.
 Case No. 2012-00369 Dated 10/5/2012

Fleming-Mason Energy Cooperative, Inc.
P.O. Box 328
Flemingsburg, KY 41041

For All Territory Served
P.S.C. No. _____
5th Revised Sheet _____
Cancelling P.S. C. No. _____
4th Revised Sheet No. _____

3
16a
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16a

CLASSIFICATION OF SERVICE		Rate Per Unit
Large Industrial Service - Schedule LIS 7		
<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>	
October - April	7:00 A.M. to 12:00 Noon 5:00 P.M. to 10:00 P.M.	
May-September	10:00 A.M. to 10:00 P.M.	
<u>Minimum Monthly Charge</u>		
The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below:		
(A) The customer charge, plus		
(B) The product of the billing demand multiplied by demand charge, plus		
© The product of the billing demand multiplied by 400 hours and the energy charge per kWh.		
<u>Power Factor Adjustment:</u>		
The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.		
<u>Fuel Adjustment Clause:</u>		
The above rate may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kW as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions of 807 KAR 5:056.		
<u>Terms of Payment:</u>		
The above rates are net and are due on the billing date, the gross rates are 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.		

Date of Issue	<u>10/05/12</u>	Date Effective	<u>Service rendered on and after</u>	<u>11/05/12</u>
Issued By	_____	Title	<u>President & CEO</u>	
Issued by authority of the an order from the Public Service Commission of Kentucky.				
Case No.	<u>2012-00369</u>	Dated	<u>10/5/2012</u>	

Fleming-Mason Energy Cooperative, Inc.
P.O. Box 328
Flemingsburg, KY 41041

For All Territory Served
P.S.C. No. _____
4th Revised Sheet _____
Cancelling P.S. C. No. _____
3rd Revised Sheet No. _____

3
16b
3
16b

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 7	Rate Per Unit
<p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p>	

Date of Issue 10/05/12 Date Effective Service rendered on and after 11/05/12
Issued By _____ Title President & CEO
Issued by authority of the an order from the Public Service Commission of Kentucky.
Case No. 2012-00369 Dated 10/5/2012

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
321st Revised Sheet No. 1
Canceling P.S.C. No. 3
310th Revised Sheet No. 1

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Residential and Small Power - Schedule RSP	Rate Per Unit
<p><u>Applicability:</u> Available to all members of the Cooperative for all service requiring not more than 25kVa of transformer capacity. All use is subject to the established rules and regulations of the Cooperative.</p>	
<p><u>Character of Service:</u> Single-phase 60 Hertz at 120/240 volts alternating current, or where available, three-phase 60 Hertz at 120/240 volts alternating current.</p>	
<p><u>Monthly Rate:</u></p>	
Customer Charge	\$15.00+0.83/Meter (I)
Energy Charge - For All kWh	\$0.084318832/kWh (D)
<p><u>Minimum Charge:</u> The monthly customer charge. For temporary or seasonal service a minimum charge of \$180.00 is required, payable at the time of request for service.</p>	
<p><u>Temporary Service:</u> Temporary service shall be supplied in accordance with the foregoing rate except that the customer shall pay in addition to the foregoing charges the total cost of connecting and disconnecting service less the value of materials returned to stock. The Cooperative may require a deposit, in advance, or the full amount of the estimated bill for service, including the cost of connection and disconnection.</p>	
	(T)

Date of Issue 10/05/1206/16/11 Date Effective Service rendered on and after
11/05/1206/01/11

Issued By _____ Title President and CEO

Issued by authority of an order of the Public Service Commission of Kentucky.

Case No. 2012-003692010-00501 Dated 10/05/1205/31/11

Form for Filing Rate Schedules

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

For All Territory Served

P.S.C. No. 3
324th Revised Sheet No. 1
Canceling P.S.C. No. 3
310th Revised Sheet No. 1

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Residential and Small Power - Schedule RSP	Rate Per Unit
<p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by an amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p>This schedule supersedes Schedule RSP Case No. 2010-005012010-00173</p>	

Date of Issue 10/05/1206/16/11 Date Effective Service rendered on and after
11/05/1206/01/11
Issued By _____ Title President and CEO
Issued by authority of an order of the Public Service Commission of Kentucky.
Case No. 2012-003692010-00501 Dated 10/05/1205/31/11

Form for Filing Rate Schedule

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~1817th Revised Sheet No. 10~~
Canceling P.S.C. No. 3
~~1716th Revised Sheet No. 10~~

Name of Issuing Corporation

CLASSIFICATION OF SERVICE							
Large Industrial Service - Schedule LIS 4	Rate Per Unit						
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 500 - 4999 KW with a monthly energy usage equal to or greater than 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <p style="padding-left: 40px;">Customer Charge Demand Charge - Per Billing kW Energy Charge - For All kWh</p> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of (A) or (B) listed below</p> <p>(A) The contract demand</p> <p>(B) The ultimate consumer's highest demand during the current month or preceding eleven months coincide with load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</p> <table style="margin-left: 40px; border: none;"> <thead> <tr> <th style="text-align: center;"><u>Months</u></th> <th style="text-align: center;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">October - April</td> <td style="padding-left: 20px;">7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="padding-left: 20px;">May - September</td> <td style="padding-left: 20px;">10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.	<p>\$611.47/Mo. \$ 7.17616/kW (I) \$0.0534205501/kWh(D)</p>
<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>						
October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.						
May - September	10:00 A.M. to 10:00 P.M.						

Date of Issue ~~10/05/1206/16/11~~ Date Effective: Service rendered on and after 11/05/1206/01/11
 Issued By _____ Title President and CEO
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 Case No. ~~2012-003692010-00501~~ Dated 10/05/1205/31/11

Form for Filing Rate Schedule

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~1817th Revised Sheet No. 10~~
Canceling P.S.C. No. 3
~~1746th Revised Sheet No. 10~~

Name of Issuing Corporation

CLASSIFICATION OF SERVICE (T)	
Large Industrial Service - Schedule LIS 4	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the billing demand multiplied by the demand charge, plus (C) The product of the billing demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 4, Case No. 2010-005012010-00173.</p>	

Date of Issue ~~10/05/1206/16/11~~ Date Effective: Service rendered on and after 11/05/1206/01/11
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 Case No. ~~2012-003692010-00501~~ Dated 10/05/1205/31/11

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~16~~5th Revised Sheet No. 13
Canceling P.S.C. No. 3
~~15~~4th Revised Sheet No. 13

Name of Issuing Corporation

CLASSIFICATION OF SERVICE															
Large Industrial Service - Schedule LIS 4B	Rate Per Unit														
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 500 – 4999 KW with a monthly energy usage equal to or greater than 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$611.47/Mo.</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge – Per Contract kW</td> <td style="text-align: right;">\$7.176-16/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per kW in Excess of Contract</td> <td style="text-align: right;">\$9.988-94/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.05342 .05501/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the ultimate consumer's highest demand during the current month, coincident with the load center's peak, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month and adjusted for power factor as provided therein:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: center;"><u>Months</u></th> <th style="text-align: center;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">October - April</td> <td style="text-align: center;">7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="text-align: center;">May - September</td> <td style="text-align: center;">10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$611.47/Mo.	Demand Charge – Per Contract kW	\$7.176-16/kW (I)	Demand Charge - Per kW in Excess of Contract	\$9.988-94/kW (I)	Energy Charge - For All kWh	\$0.05342 .05501/kWh (D)	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
Customer Charge	\$611.47/Mo.														
Demand Charge – Per Contract kW	\$7.176-16/kW (I)														
Demand Charge - Per kW in Excess of Contract	\$9.988-94/kW (I)														
Energy Charge - For All kWh	\$0.05342 .05501/kWh (D)														
<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>														
October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.														
May - September	10:00 A.M. to 10:00 P.M.														

Date of Issue: ~~10/05/1206/16/11~~ Date Effective: Service rendered on and after 11/05/1206/01/11
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 Case No. 2012-003692010-00501 Dated 10/05/1205/31/11

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~1615th Revised Sheet No. 13~~
Canceling P.S.C. No. 3
~~1514th Revised Sheet No. 13~~

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 4B	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the contract demand multiplied by the demand charge, plus (C) The product of the contract demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 4B, Case No. 2010-005012010-00173.</p>	

Date of Issue: ~~10/05/1206/16/11~~ Date Effective: Service rendered on and after 11/05/1206/01/11
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 Case No. 2012-00369~~2010-00501~~ Dated 10/05/1205/31/11

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~1817th Revised Sheet No. 11~~
Canceling P.S.C. No. 3
~~1716th Revised Sheet No. 11~~

Name of Issuing Corporation

CLASSIFICATION OF SERVICE							
Large Industrial Service - Schedule LIS 5	Rate Per Unit						
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 5000 - 9999 KW with a monthly energy usage equal to or greater than 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <p style="padding-left: 40px;">Customer Charge Demand Charge - Per Billing kW Energy Charge - For All kWh</p> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of (A) or (B) listed below: (A) The contract demand (B) The ultimate consumer's highest demand during the current month or preceding eleven months coincide with load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Months</u></th> <th style="text-align: center;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">October - April</td> <td style="padding-left: 20px;">7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="padding-left: 20px;">May - September</td> <td style="padding-left: 20px;">10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.	<p>\$1221.76/Mo \$7.176.46/kW (I) \$0.049705129/kWh (D)</p>
<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>						
October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.						
May - September	10:00 A.M. to 10:00 P.M.						

Date of Issue ~~10/05/1206/16/11~~ Date Effective Service rendered on and after 1/05/1206/01/11
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 Case No. ~~2012-003692010-00501~~ Dated 10/05/1205/31/11

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~187th Revised Sheet No. 11~~
Canceling P.S.C. No. 3
~~176th Revised Sheet No. 11~~

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 5	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the billing demand multiplied by the demand charge, plus (C) The product of the billing demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 5, Case No. 2010-005012010-00173.</p>	

Date of Issue ~~10/05/1206/16/11~~ Date Effective Service rendered on and after 1/05/1206/01/11
 Issued By _____ Title President and CEO
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 Case No. ~~2012-003692010-00501~~ Dated 10/05/1205/31/11

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~16~~5th Revised Sheet No. 14
Canceling P.S.C. No. 3
~~15~~4th Revised Sheet No. 14

Name of Issuing Corporation

CLASSIFICATION OF SERVICE															
Large Industrial Service - Schedule LIS 5B	Rate Per Unit														
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 5000 - 9999 KW with a monthly energy usage equal to or greater then 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per Contract kW</td> <td style="text-align: right;">\$ 7.17616/kW (D)</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per kW in Excess of Contract</td> <td style="text-align: right;">\$9.98 8.94/kW (D)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.04970 .05129/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the ultimate consumer's highest demand during the current month, coincident with the load center's peak, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month and adjusted for power factor as provided therein:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: center;"><u>Months</u></th> <th style="text-align: center;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">October - April</td> <td style="text-align: center;">7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="text-align: center;">May - September</td> <td style="text-align: center;">10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$1221.76/Mo	Demand Charge - Per Contract kW	\$ 7.176 16/kW (D)	Demand Charge - Per kW in Excess of Contract	\$9.98 8.94 /kW (D)	Energy Charge - For All kWh	\$0.04970 .05 129/kWh (D)	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
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Name of Issuing Corporation

Date of Issue 10/05/1206/16/11 Date Effective Service rendered on and after 11/05/1206/01/11
 Issued By _____ Title President and CEO
 Issued by authority of an order of the Public Service Commission of Kentucky.
 Case No. 2012-003692010-00501 Dated 10/05/1205/31/11

Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
1615th Revised Sheet No. 14
Canceling P.S.C. No. 3
1514th Revised Sheet No. 14

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 5B	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the contract demand multiplied by the demand charge, plus (C) The product of the contract demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by an amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 5B, Case No. 2010-005012010-00173.</p>	

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P. O. Box 328
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P.S.C. No. 3
1817th Revised Sheet No. 12
Canceling P.S.C. No. 3
1746th Revised Sheet No. 12

Name of Issuing Corporation

CLASSIFICATION OF SERVICE													
Large Industrial Service - Schedule LIS 6	Rate Per Unit												
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 10,000 KW and above with a monthly energy usage equal to or greater than 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per Billing kW</td> <td style="text-align: right;">\$ 7.176-16/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.0451167/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of (A) or (B) listed below:</p> <p>(A) The contract demand</p> <p>(B) The ultimate consumer's highest demand during the current month or preceding eleven months coincide with load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left;"><u>Months</u></th> <th style="text-align: left;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 40px;">October - April</td> <td>7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="padding-left: 40px;">May - September</td> <td>10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$1221.76/Mo	Demand Charge - Per Billing kW	\$ 7.176-16/kW (I)	Energy Charge - For All kWh	\$0.0451167/kWh (D)	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
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Flemingsburg, KY 41041

P.S.C. No. 3
1817th Revised Sheet No. 12
Canceling P.S.C. No. 3
1716th Revised Sheet No. 12

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 6	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the billing demand multiplied by the demand charge, plus (C) The product of the billing demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 6, Case No. 2010-005012010-00173.</p>	

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Cooperative, Inc.
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P.S.C. No. 3
1615th Revised Sheet No. 15
Canceling P.S.C. No. 3
1514th Revised Sheet No. 15

Name of Issuing Corporation

CLASSIFICATION OF SERVICE															
Large Industrial Service - Schedule LIS 6B	Rate Per Unit														
<p><u>Applicability:</u> Available to all members of the Cooperative for individual metered service where the monthly contract demand is 10,000 KW and above with a monthly energy usage equal to or greater then 400 hours per KW of billing demand.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service:</u> Three-phase 60 Hertz alternating current as specified in Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge – Per Contract kW</td> <td style="text-align: right;">\$ 7.176-16/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Per kW in Excess of Contract</td> <td style="text-align: right;">\$9.98 8-94/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - For All kWh</td> <td style="text-align: right;">\$0.045110 .04670/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand (kilowatt demand) shall be the contract demand plus any excess demand. Excess demand occurs when the ultimate consumer's highest demand during the current month, coincident with the load center's peak, exceeds the contract demand. The load center's peak demand is highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month and adjusted for power factor as provided therein:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: center;"><u>Months</u></th> <th style="text-align: center;"><u>Hours Applicable for Demand Billing-EST</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">October - April</td> <td style="text-align: center;">7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.</td> </tr> <tr> <td style="text-align: center;">May - September</td> <td style="text-align: center;">10:00 A.M. to 10:00 P.M.</td> </tr> </tbody> </table>		Customer Charge	\$1221.76/Mo	Demand Charge – Per Contract kW	\$ 7.176-16/kW (I)	Demand Charge - Per kW in Excess of Contract	\$9.98 8-94/kW (I)	Energy Charge - For All kWh	\$0.045110 .04670/kWh (D)	<u>Months</u>	<u>Hours Applicable for Demand Billing-EST</u>	October - April	7:00 A.M. to 12:00 Noon; 5:00 P.M. to 10:00 P.M.	May - September	10:00 A.M. to 10:00 P.M.
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Form for Filing Rate Schedules

For All Territory Served

Fleming-Mason Energy
Cooperative, Inc.
P. O. Box 328
Flemingsburg, KY 41041

P.S.C. No. 3
~~16~~¹⁵th Revised Sheet No. 15
Canceling P.S.C. No. 3
~~15~~¹⁵th Revised Sheet No. 15

Name of Issuing Corporation

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 6B	Rate Per Unit
<p><u>Minimum Monthly Charge:</u> The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below: (A) The customer charge, plus (B) The product of the contract demand multiplied by the demand charge, plus (C) The product of the contract demand multiplied by 400 hours and the energy charge per kwh.</p> <p><u>Power Factor Adjustment:</u> The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.</p> <p><u>Fuel Adjustment Clause:</u> The above rate may be increased or decreased by amount per kwh equal to the fuel adjustment amount per kwh as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.</p> <p><u>Terms of Payment:</u> The above rates are net and are due on the billing date, the gross rates being 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.</p> <p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p> <p>This schedule supersedes Schedule LIS 6B, Case No. 2010-005012010-00173.</p>	

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Fleming-Mason Energy Cooperative, Inc.
P.O. Box 328
Flemingsburg, KY 41041

For All Territory Served
P.S.C. No. 3
5th~~4th~~ Revised Sheet 16
Cancelling P.S. C. No. 3
4th~~3rd~~ Revised Sheet No. 16

CLASSIFICATION OF SERVICE							
Large Industrial Service - Schedule LIS 7	Rate Per Unit						
<p><u>Applicability:</u> Available to all members of the Cooperative who receive service directly off of a distribution substation and where the monthly contract demand is 7,500 kW and above with a month energy usage equal to or greater than 400 hours per kW of billing demand. Member pays for cost of connecting to substation.</p> <p><u>Condition:</u> An "Agreement for Purchased Power" shall be executed by the consumer for service under this schedule.</p> <p><u>Character of Service</u> Three-phase 60 Hertz alternating current as specified in the Agreement for Purchased Power.</p> <p><u>Monthly Rate:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Customer Charge</td> <td style="text-align: right;">\$1,221.76/Mo</td> </tr> <tr> <td style="padding-left: 40px;">Demand Charge - Billing kW</td> <td style="text-align: right;">\$7.17 6.46/kW (I)</td> </tr> <tr> <td style="padding-left: 40px;">Energy Charge - for All kWh</td> <td style="text-align: right;">\$0.0451167/kWh (D)</td> </tr> </table> <p><u>Determination of Billing Demand:</u> The monthly billing demand shall be the greater of A (A) or (B) (A) The Contract Demand (B) The consumer's highest demand during the current month or preceding eleven (11) months. The peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:</p>		Customer Charge	\$1,221.76/Mo	Demand Charge - Billing kW	\$7.17 6.46 /kW (I)	Energy Charge - for All kWh	\$0.0451167/kWh (D)
Customer Charge	\$1,221.76/Mo						
Demand Charge - Billing kW	\$7.17 6.46 /kW (I)						
Energy Charge - for All kWh	\$0.0451167/kWh (D)						

Date of Issue 10/05/12~~06/16/11~~ Date Effective 11/05/12~~6/1/2011~~
 Issued By _____ Title President & CEO
 Issued by authority of the an order from the Public Service Commission of Kentucky.
 Case No. 2012-00369 2010-00501 Dated 10/05/12~~5/31/2011~~

Fleming-Mason Energy Cooperative, Inc.
P.O. Box 328
Flemingsburg, KY 41041

P.S.C. No.
5th4th Revised Sheet
Cancelling P.S. C. No.
4th3rd Revised Sheet No.

Exhibit 3
Page 16 of 17
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16a

CLASSIFICATION OF SERVICE		Rate Per Unit
Large Industrial Service - Schedule LIS 7		
<u>Months</u>	<u>Hours Applicable for Demand Billing - EST</u>	
October - April	7:00 A.M. to 12:00 Noon 5:00 P.M. to 10:00 P.M.	
May-September	10:00 A.M. to 10:00 P.M.	
<u>Minimum Monthly Charge</u>		
The minimum monthly charge shall not be less than the sum of (A), (B), and (C) below:		
(A) The customer charge, plus		
(B) The product of the billing demand multiplied by demand charge, plus		
© The product of the billing demand multiplied by 400 hours and the energy charge per kWh.		
<u>Power Factor Adjustment:</u>		
The consumer agrees to maintain a unity power factor as nearly as practicable at each delivery point at the time of the monthly demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and dividing this product by the actual power factor at the time of the monthly maximum demand.		
<u>Fuel Adjustment Clause:</u>		
The above rate may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kW as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This fuel clause is subject to all other applicable provisions of 807 KAR 5:056.		
<u>Terms of Payment:</u>		
The above rates are net and are due on the billing date, the gross rates are 5% higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.		

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Fleming-Mason Energy Cooperative, Inc.
P.O. Box 328
Flemingsburg, KY 41041

For All Territory Served
P.S.C. No.
4th Revised Sheet
Cancelling P.S. C. No.
3rd Revised Sheet No.

3
16b
3
16b

CLASSIFICATION OF SERVICE	
Large Industrial Service - Schedule LIS 7	Rate Per Unit
<p><u>Service at Transmission Voltage:</u> If service is furnished at transmission voltage, a discount equal to the Customer Charge shall apply.</p>	

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Official Notice

Fleming-Mason Energy Cooperative, Inc, with its principal office at Flemingsburg, Kentucky, and with its address as 1449 Elizaville Road, P.O. Box 328, Flemingsburg, Kentucky 41041, has filed with the Kentucky Public Service Commission in Case No. 2012-00369 an application to adjust its retail rates and charges. This Adjustment will result in a general change in rate design for its member-consumers in several rate classes. The proposed rate design changes may result in an increase or decrease to a customer's bill depending on customer's monthly usage level. Fleming-Mason maintains that these rate design changes will result in no increase in overall revenue to be received from these rate classes.

The rates proposed in this application are the rates proposed by Fleming-Mason Energy Cooperative, Inc. However, the Kentucky Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this application.

Any corporation, association, body politic, or person may by motion within thirty (30) days after publication or mailing of notice of the proposed rate changes request leave to intervene. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Any person who has been granted intervention by the Commission may obtain copies of the rate application and any other filings made by contacting Joni Hazelrigg, Fleming-Mason Energy Cooperative, 1449 Elizaville Road, P.O. Box 328, Flemingsburg, KY 41041, phone 606-845-2661.

Any person may examine the rate application and any other filings made by the utility at the office of Fleming-Mason Energy Cooperative, Inc or at the Commission's office.

Fleming-Mason Energy Cooperative, Inc 1449 Elizaville Road Flemingsburg, Kentucky 41041 606-845-2661	Kentucky Public Service Commission 211 Sower Boulevard Frankfort, Kentucky 40602 502-564-3940
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The amount of increase and percent of increase for effected rate classes are listed below:

<u>INCREASE AMOUNT AND PERCENT BY RATE CLASS</u>			
<u>Rate Schedule</u>		<u>Increase</u>	
		<u>Amount</u>	<u>Percent</u>
RSP	Residential & Small Power	\$ -	0%
LIS 4	Large Industrial Service	\$ -	0%
LIS 5	Large Industrial Service	\$ -	0%
LIS 6	Large Industrial Service	\$ (6,512)	-0.09%
LIS 7	Large Industrial Service	\$ 6,729	0.19%
LIS-4B	Large Industrial Service	\$ -	0%
LIS-5B	Large Industrial Service	\$ -	0%
LIS-6B	Large Industrial Service	\$ -	0%

The present and proposed rate designs are provided below:

		<u>PRESENT AND PROPOSED RATES</u>	
<u>Rate Schedule</u>		<u>Present</u>	<u>Proposed</u>
RSP	Residential & Small Power		
	Customer Charge	\$10.83	\$15.00
	Energy Rate per kWh	\$0.08832	\$0.08431
LIS 4	Large Industrial Service		
	Customer Charge	\$ 611.47	\$ 611.47
	Demand Charge - per Billing kW	6.16	7.17
	Energy Charge - For all kWh	0.05501	0.05342
LIS 5	Large Industrial Service		
	Customer Charge	\$ 1,221.76	\$ 1,221.76
	Demand Charge - per Billing kW	6.16	7.17
	Energy Charge - For all kWh	0.05129	0.04970
LIS 6	Large Industrial Service		
	Customer Charge	\$ 1,221.76	\$ 1,221.76
	Demand Charge - per Billing kW	6.16	7.17
	Energy Charge - For all kWh	0.04670	0.04511
LIS 7	Large Industrial Service		
	Customer Charge	\$ 1,221.76	\$ 1,221.76
	Demand Charge - per Billing kW	6.16	7.17
	Energy Charge - For all kWh	0.04670	0.04511
LIS-4B	Large Industrial Service		
	Customer Charge	\$ 611.47	\$ 611.47
	Demand Charge - per Contract kW	6.16	7.17
	Demand Charge - per kW in Excess of Contract	8.94	9.98
	Energy Charge - For all kWh	0.05501	0.05342
LIS-5B	Large Industrial Service		
	Customer Charge	\$ 1,221.76	\$ 1,221.76
	Demand Charge - per Contract kW	6.16	7.17
	Demand Charge - per kW in Excess of Contract	8.94	9.98
	Energy Charge - For all kWh	0.05129	0.04970
LIS-6B	Large Industrial Service		
	Customer Charge	\$ 611.47	\$ 611.47
	Demand Charge - per Contract kW	6.16	7.17
	Demand Charge - per kW in Excess of Contract	8.94	9.98
	Energy Charge - For all kWh	0.04670	0.04511

		<u>Present</u>	<u>Proposed</u>
RSP-TOD	Residential & Small Power Time of Day Rate		
	Customer Charge	NA	\$ 20.00
	Off-Peak Energy Charge per kWh	NA	0.12031
	On-Peak Energy Charge per kWh	NA	0.06000
RSP-IB	Residential & Small Power Inclining Block Rate		
	Customer Charge	NA	\$ 15.00
	First 300 kWh per kWh	NA	0.06681
	Next 200 kWh per kWh	NA	0.07681
	All kWh over 500 kWh per kWh	NA	0.10681

The effect of the proposed rates on the average monthly bill by rate class is listed below:

Rate Class		<u>Increase</u>	
		<u>Dollar</u>	<u>Percent</u>
RSP	Residential & Small Power	\$ -	0%
LIS 4	Large Industrial Service	\$ -	0%
LIS 5	Large Industrial Service	\$ -	0%
LIS 6	Large Industrial Service	\$ (542.67)	-0.09%
LIS 7	Large Industrial Service	\$ 560.75	0.19%
LIS-4B	Large Industrial Service	\$ -	0%
LIS-5B	Large Industrial Service	\$ -	0%
LIS-6B	Large Industrial Service	\$ -	0%

**FLEMING MASON ENERGY COOPERATIVE
CASE NO. 2012-00369**

RATE DESIGN CHANGES - CUSTOMER CHARGE

RESIDENTIAL AND SMALL POWER RATE CLASS

2011	\$10.83	\$	0.08832
Revenue 2011	\$ 3,036,743	\$	25,731,517
2012	\$ 15.00	\$	0.08431
Revenue 2012	\$ 4,206,015	\$	24,563,227
Customer Charges			280,401
Energy kWh			291,344,174

LARGE INDUSTRIAL - DRAVO

2011	\$ 1,221.76	\$ 6.16	\$ 0.04670
Revenue 2011	\$ 14,661	\$ 1,234,335	\$ 6,135,450
2012	\$ 1,221.76	\$ 7.17	\$ 0.04511
Revenue 2012	\$ 14,661	\$ 1,436,717	\$ 5,926,555
Customer Charges			12
Demand kW			200,379
Energy kWh			131,380,082

LARGE INDUSTRIAL - GUARDIAN

2011	\$ 1,221.76	\$ 6.16	\$ 0.04670
Revenue 2011	\$ 14,661	\$ 641,496	\$ 2,891,635
2012	\$ 1,221.76	\$ 7.17	\$ 0.04511
Revenue 2012	\$ 14,661	\$ 746,677	\$ 2,793,183
Customer Charges			12
Demand kW			104,139
Energy kWh			61,919,383

**FLEMING MASON ENERGY COOPERATIVE
CASE NO. 2012-00369**

RATE DESIGN CHANGES - CUSTOMER CHARGE

**SCHEDULE RSP - RESIDENTIAL AND SMALL POWER
CUSTOMER CHARGE CHANGES**

	Actual Billing Data	2011 Rates		2012 Rates	
		<u>Rate</u>	<u>Revenues</u>	<u>Rate</u>	<u>Revenues</u>
Customer Charge	280,401	\$ 10.83	\$ 3,036,743	\$ 15.00	\$ 4,206,015
Energy Charge per kWh	291,344,174	\$ 0.08832	\$ 25,731,517	\$ 0.08431	\$ 24,563,227
Total From Base Rates			\$ 28,768,260		\$ 28,769,242

**SCHEDULE C - LIS #6 DRAVO
CUSTOMER CHARGE CHANGES**

	Actual Billing Data	2011 Rates		2012 Rates	
		<u>Rate</u>	<u>Revenues</u>	<u>Rate</u>	<u>Revenues</u>
Customer Charge	12	\$ 1,221.76	\$ 14,661	\$ 1,221.76	\$ 14,661
Demand Charge per kW	200,379	\$ 6.16	\$ 1,234,335	\$ 7.17	\$ 1,436,717
Energy Charge per kWh	131,380,082	\$ 0.04670	\$ 6,135,450	\$ 0.04511	\$ 5,926,555
Total From Base Rates			\$ 7,384,446		\$ 7,377,934

**SCHEDULE C - LIS #7 GUARDIAN
CUSTOMER CHARGE CHANGES**

	Actual Billing Data	2011 Rates		2012 Rates	
		<u>Rate</u>	<u>Revenues</u>	<u>Rate</u>	<u>Revenues</u>
Customer Charge	12	\$1,221.76	\$ 14,661	\$1,221.76	\$ 14,661
Demand Charge per kW	104,139	\$6.16	\$ 641,496	\$7.17	\$ 746,677
Energy Charge per kWh	61,919,383	\$ 0.04670	\$ 2,891,635	\$ 0.04511	\$ 2,793,183
Total From Base Rates			\$ 3,547,793		\$ 3,554,521

OPTIONAL RATES

TOD RATES DATA

Total Revenue Requirements from Billing Analysis	\$ 28,768,260
Billing Determinants	
Energy kWh	291,344,174
Customer Charges	280,401

PROPOSED RATE SCHEDULES

		TOD
<u>On-Peak Hours</u>		Week Days Only
Winter		5 AM - 11 AM 5 PM - 10 PM
Summer		2 PM - 9 PM
<u>Off-Peak Hours</u>		
Winter		All Other Hours
Summer		All Other Hours
<u>Rate Design</u>		
Customer Charge		\$ 20.00
<u>Energy Rates</u>		
On-Peak kWh		\$ 0.12031
Off Peak kWh		\$ 0.06000

OPTIONAL RATES

PROPOSED RATE SCHEDULES CON'T

	TOD
<u>Billing Units</u>	
Customer Charge	280,401
On-Peak kWh	94,170,312
Off Peak kWh	197,173,862
<u>Revenue Reconciliation</u>	
Customer Charges	\$ 5,608,020
On-Peak kWh	\$ 11,329,809
Off Peak kWh	\$ 11,830,432
	\$ 28,768,260

INCLINING BLOCK RATE INFORMATION

Customer Charge	\$ 15.00
<u>Energy Rates per kWh</u>	
First 300 kWh	\$ 0.06681
Next 200 kWh	\$ 0.07681
Over 500 kWh	\$ 0.10681

FLEMING-MASON E JY COOPERATIVE
CASE NO. 2012-00369

SCHEDULE RSP RESIDENTIAL AND SMALL POWER LOAD DATA FOR 2011

Winter Load Data for 2011															
Jan		Feb		Mar		Apr		Oct		Nov		Dec			
WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd
1	901,156	449,513	707,609	296,224	632,235	228,781	378,959	183,252	373,220	222,404	549,598	216,017	727,232	344,574	
2	890,034	437,096	692,165	290,084	634,682	227,920	367,275	176,051	359,507	219,930	527,541	205,721	702,249	334,586	
3	883,767	439,529	700,928	289,483	646,773	226,427	380,822	180,201	355,255	219,553	522,040	205,391	707,251	332,488	
4	914,157	448,060	731,910	298,349	669,953	235,674	399,465	187,926	371,133	229,095	538,550	207,480	713,077	334,816	
5	949,696	459,740	756,470	303,574	732,670	243,942	452,942	195,606	417,941	235,118	564,625	214,760	724,794	340,346	
6	1,016,016	477,000	833,212	310,649	837,061	254,233	571,410	214,988	499,722	263,453	630,680	225,733	787,139	351,890	
7	1,107,476	511,703	930,836	333,768	878,206	282,019	575,310	242,649	531,740	287,941	727,329	238,863	883,828	383,044	
8	1,138,075	535,675	934,925	347,846	884,285	318,820	575,873	274,410	515,348	335,734	733,466	261,196	915,130	410,176	
9	1,105,386	561,500	934,280	372,447	858,432	332,687	548,895	282,720	536,947	333,554	731,625	281,860	900,502	436,039	
10	1,085,762	541,951	895,587	366,084	825,339	323,546	529,841	263,183	531,618	311,747	707,409	268,436	896,800	428,685	
11	1,025,629	520,018	846,479	344,727	781,540	304,989	510,159	255,808	518,303	293,387	686,353	251,144	848,852	395,780	
12	1,003,791	488,564	815,534	323,374	748,259	292,802	496,825	253,394	502,298	270,210	665,003	233,529	811,888	372,282	
1	962,799	456,105	788,278	311,556	700,963	269,889	483,848	247,499	505,209	263,463	654,454	231,783	788,579	342,819	
2	919,168	434,404	745,775	292,220	655,593	258,612	462,586	240,618	499,066	258,853	614,313	223,425	765,612	334,930	
3	911,448	431,550	720,958	276,676	655,743	250,564	483,818	234,381	525,891	257,950	595,815	215,113	742,127	318,528	
4	926,586	418,694	742,561	274,000	687,151	248,345	518,798	242,152	553,289	261,799	602,845	209,346	742,964	305,830	
5	979,117	431,000	767,589	268,068	714,622	249,619	527,045	253,013	564,902	269,869	632,303	217,436	789,099	312,345	
6	1,041,821	462,291	811,943	282,919	741,348	258,775	542,761	248,942	570,847	270,577	679,894	232,669	849,609	340,729	
7	1,077,613	494,924	884,415	295,995	798,842	268,297	559,216	256,267	609,740	278,643	749,097	248,623	898,805	374,369	
8	1,099,346	500,653	910,143	310,787	845,277	281,560	595,266	274,049	620,785	288,654	760,660	251,270	909,101	374,238	
9	1,096,057	505,908	902,031	306,928	856,975	287,286	626,197	276,950	595,965	286,323	746,376	244,529	907,764	380,979	
10	1,062,333	497,920	871,331	299,213	800,358	268,575	552,134	251,343	540,957	267,496	737,418	230,837	885,813	386,090	
11	1,002,187	478,022	826,942	296,347	727,156	257,529	472,928	218,451	481,576	247,211	683,539	220,517	836,319	377,999	
12	949,691	459,914	775,294	266,766	670,549	239,621	410,740	183,658	425,854	221,539	628,851	197,713	763,839	352,356	
TOTALS	24,049,112	11,441,734	19,527,195	7,358,081	17,984,012	6,410,511	12,023,114	5,637,511	12,007,117	6,394,501	15,669,783	5,533,390	19,498,375	8,665,920	172,200,356

BILL FREQUENCY ANALYSIS

<u>kWh</u> <u>Intervals</u>	<u>Number</u> <u>of Customers</u>	<u>kWh</u>
0	19,188	-
5	6,544	14,803
10	2,544	19,871
15	2,114	27,082
20	1,818	32,478
25	1,639	37,449
50	6,981	262,189
75	6,033	375,413
100	5,282	458,036
150	7,794	961,543
200	6,273	1,085,995
250	5,393	1,203,485
300	5,182	1,416,752
350	5,106	1,648,050
400	5,140	1,911,532
450	5,250	2,215,440
500	5,402	2,548,466
550	5,529	2,878,958
600	5,717	3,260,846
650	5,949	3,695,283
700	5,765	3,862,988

<u>kWh</u> <u>Intervals</u>	<u>Number</u> <u>of Customers</u>	<u>kWh</u>
750	6,037	4,341,068
800	6,258	4,811,406
850	6,241	5,110,572
900	6,276	5,449,490
950	6,073	5,572,028
1000	6,114	5,911,891
1100	11,775	12,268,736
1200	11,106	12,673,711
1300	10,647	13,201,971
1400	9,391	12,576,688
1500	8,792	12,648,040
1600	7,947	12,222,226
1700	7,074	11,578,154
1800	6,192	10,743,770
1900	5,668	10,403,269
2000	4,904	9,488,378
2100	4,309	8,761,827
2200	3,807	8,120,681
2300	3,322	7,412,905
2400	2,937	6,846,410
2500	2,635	6,407,655

<u>kWh</u> <u>Intervals</u>	<u>Number</u> <u>of Customers</u>	<u>kWh</u>
2600	2,309	5,840,457
2700	2,167	5,691,230
2800	1,854	5,058,723
2900	1,569	4,435,906
3000	1,473	4,312,423
3100	1,324	4,007,354
3200	1,169	3,652,293
3300	1,035	3,336,303
3400	939	3,113,556
3500	870	2,978,098
3600	770	2,713,461
3700	670	2,426,197
3800	577	2,145,378
3900	535	2,045,475
4000	450	1,763,257
4100	423	1,698,818
4200	401	1,652,515
4300	376	1,586,774
4400	329	1,418,869
4500	281	1,242,568
4600	233	1,051,455

<u>kWh</u> <u>Intervals</u>	<u>Number</u> <u>of Customers</u>	<u>kWh</u>
4700	214	986,856
4800	205	964,421
4900	169	815,145
5000	149	733,035
5500	584	3,022,813
6000	378	2,149,953
6500	224	1,387,826
7000	187	1,243,775
7500	112	804,354
8000	76	579,866
8500	55	452,425
9000	39	342,298
9500	24	222,381
10000	23	203,452
15000	44	509,865
20000	14	240,382
25000	1	20,338
30000	1	26,346

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF)	
FLEMING MASON ENERGY COOPERATIVE, INC)	CASE NO.
FOR ADJUSTMENT OF RATES)	2012-00369

PREPARED TESTIMONY OF CHRIS PERRY

- Q1: Please state your name and business address.**
A1: Christopher S. Perry, 1449 Elizaville Road, Flemingsburg, Kentucky 41041.
- Q2: What is your occupation?**
A2: President & CEO of Fleming-Mason Energy ("FME")
- Q3: How long have you been employed at Fleming Mason Energy?**
A3: My employment started in April, 2003 as Manager of Engineering and I was promoted to President & CEO in 2007.
- Q4: What is your education and work experience?**
A4: I graduated from the University of Kentucky in 1993 with a Bachelor of Science in Electrical Engineering degree and received a Masters In Business Administration from Embry-Riddle Aeronautical University. I have done additional coursework at the Stanford Center for Professional Development and received a graduate certificate in Strategic Decision and Risk Management. I have worked for nearly 20 years in the electric utility industry with all the experience coming for electric cooperatives. I am a registered professional engineer in Kentucky and a former registered professional engineer in Florida. My utility experience includes operations, engineering, substation design, utility automation, and management.
- Q5: Are you familiar with the contents of the Notice Application of Fleming Mason Energy which has been filed with this Commission to commence this Case?**
A5: Yes.
- Q6: Please state whether the statements of facts contained in this Notice are true.**
A6: Yes. To the best of my knowledge and belief, the statements and facts contained in this application are true.
- Q7: Are you familiar with the exhibits which are filed with and from a part of the Notice Application of this Case?**

A7: Yes. I am familiar with the contents. In my opinion, the factual materials contained in the application are correct.

Q8: When was the last General Rate Application filed by Fleming-Mason Energy?

A8: The last General Rate Application filed by FME was in 2007. The case number is 2007-00022.

Q9: What is the purpose of this Notice of Application of Fleming Mason Energy to this Commission?

A9: The purpose of the rate filing is to more closely match the rates charged to our customers with the actual cost to serve those customers. The financial integrity of FME is closely tied to kilowatt-hour sales at this time. With a prolonged recession resulting in essentially zero customer growth and reduced usage by residential and commercial customers; it is appropriate for FME to propose rates that recover fixed costs and more accurately match up with wholesale rates. The customer charges as well as some rate class demand rates are not aligned with the actual wholesale costs to provide electric service. In addition, FME proposes adding additional rate options that will allow members to make decisions on what benefits them. Options include a time-of-use rate ("TOU") and an incline block rate.

Q10: Please explain this rate design adjustment that Fleming Mason Energy is seeking.

A10: At this time the rate adjustments proposed are designed to be revenue neutral for FME, which means no additional revenue is being requested. The rate design adjustments are primarily to more accurately recover the fixed costs of service through the customer charge on the residential customers from the rate classes while at the same time providing additional options for rate payers through a TOU rate as well as an incline block rate for low-usage customers. One of the primary reasons that an adjustment is being requested at this time is to meet the gradualism concept that has been used in prior rate cases. Each year that passes without increasing the customer charge, it becomes more difficult to get that rate in line with actual costs. FME is acting financially prudent by proposing these design adjustments now. FME continues to be a leader in the state by providing energy efficiency solutions, demand response, energy conservation, education and the HowSmart Kentucky program that allows customers to finance improvements through the energy savings on the bill.

Q11: What is the test year used by Fleming-Mason Energy for its financial data compiled to the Commission in the Application?

A11: The twelve months ending December 31, 2011 was selected as the test year.

Q12: How was the proposed rate design developed?

A12: Fleming-Mason Energy and Jim Adkins prepared a Cost of Service Study and based its rate design on this study.

Q13: What role did the Board of Directors play in evaluating the need for a new rate design?

A13: The Board of Directors of Fleming-Mason Energy has been very active in evaluating the need for a new rate design strategy. The board is fully engaged in the strategic direction of the company and actively reviewing financial metrics. The board is supportive of the energy efficiency, conservation, and demand response efforts by FME. The ongoing effort by FME staff is in-line with the goals of the board. They want to make sure that the company is financially sound and at the same time offer our members opportunities to be more energy aware.

Q14: In your opinion, are the adjusted rate design requested in this Case by Fleming-Mason Energy necessary to maintain the financial integrity of the Cooperative?

A14: Yes. The current rate design puts too much emphasis on recovering fixed costs for FME through the variable rate based on kilowatt-hour consumption. Essentially, all of the costs for FME are fixed; therefore, as energy consumption drops the margins and cost recovery for the cooperative are compromised. In fact, the residential kilowatt-hour sales in 2011 were 267,170,425 compared to the sales in 2007 of 279,628,705. This reduction in sales is dramatic and unfortunately not being accompanied by a drop in the billing demand charged by East Kentucky Power on the wholesale power bill. Each of these factors are making it much more difficult to maintain financial integrity for the company.

Q15: In your opinion, are the retail rate design modifications necessary to promote energy efficiency investments?

A15: Yes. Fleming-Mason Energy is committed to providing programs and support to our members concerning energy efficiency. However, most programs reduce the monthly usage and subsequently monthly revenues received by the customer that help cover the fixed costs of FME. The reduction in revenues makes it difficult to meet the fiduciary duty of the cooperative. At the same time that FME is helping customers at home, FME is harming the bottom line. FME will continue to be a leader by offering a variety of energy efficiency and conservation programs, but we must be able to recover the costs of the company in a more dependable fashion. An increase in the customer charge is the most efficient and effective way to do this. FME wants to avoid an endless cycle of energy usage reductions accompanied by a large increase in the variable charge to offset the losses.

Q16: What are Fleming-Mason Energy's current and projected energy efficiency programs?

A16: Fleming-Mason Energy has a long history of working with members to become more energy efficient. FME is committed to continuing these programs in the future and want to make them even more widely used. Advertising, articles, school programs, and energy fairs are all used to get the message of becoming energy efficient out to the public. I am happy to highlight the programs that are offered by FME.

Button Up – The Button Up program is designed to reduce the heat loss that a home has due to poor insulation, windows, and other envelope problems. Any member who resides in a stick-built or manufactured home that is at least two years old and uses electricity as the primary

source for space heating is eligible. During the home investigation, a blower door test is used to demonstrate the impact on demand reduction through the home upgrades.

Air Source Heat Pump Replacement Program – The heat pump replacement program provides incentives for residential customers to replace their existing resistance heat source with a high efficiency air source heat pump. The furnace must be 10 years or older to qualify for the incentives. This program may be used for *manufactured or stick-built homes*.

Electric Thermal Storage Incentive Program - Electric Thermal Storage provides retail members with a cost-efficient means of using electricity for space heating. A discounted rate for ETS energy encourages retail members to use electricity for heating during off peak hours. This improves the utility's load factor, reduces energy costs for the retail member, and delays the need for new peak load capacity expenses.

Touchstone Energy Home - The TOUCHSTONE ENERGY HOME program is designed to encourage new homes to be built to higher standards for thermal integrity and equipment efficiency, as well as to choose geothermal or an air source heat pump rather than less efficient forms of heating. The program is modeled after the ENERGY STAR V2.0 for New Homes program. Homes built to Touchstone Energy Home Standards typically use 30% less energy than the same home built to typical construction standards. Plans are submitted before the home is built, a pre drywall inspection is made, and a blower door test is administered after the home is built to verify that the home meets the standard.

Compact Fluorescent Lighting Program – This program provides compact fluorescent bulbs to retail members at our annual meeting and throughout the month of October on Fluorescent Fridays.

How\$mart Kentucky – This program is one that I am particularly proud of and shows FMEs commitment to energy efficiency and the members. Many times when an energy audit is performed and we recommend potential upgrades, the members shrug their shoulders and say, "I don't have that kind of money." That is frustrating for us. In conjunction with Big Sandy RECC, Grayson RECC, and Jackson Energy, FME worked with the Commission, Attorney General, and MACED to design an on-bill financing program for energy efficiency upgrades. The program works by allowing the member to pay for the energy upgrades with a loan that is financed with the savings derived on the bill. The total bill may not show a reduction in the total because of the loan repayment on the bill, but I have had members that utilized this program tell me how satisfied they are with the comfort in the home after the retrofits. In my opinion, this program is critical to rural cooperatives to help manage demand in the future and help our members continue to have affordable energy.

Energy Audits – A free service offered by FME staff includes evaluating the energy efficiency of a home. Our employees have been trained and are now BPI certified. FME has a blower door and an infrared camera to assist in the investigations.

Commercial Lighting Program - This program offers incentives to commercial and industrial customers to install high efficiency lamps and ballasts in their facilities. LED exit signs, T-5 fluorescent fixtures, and advanced controls are examples of eligible technologies. This program is designed as an enhanced version of the existing commercial lighting program that will replace that program when implemented. This advanced lighting program is expected to produce higher levels of savings in each facility, and to require somewhat higher costs per saved kWh. Rowan County Schools and Stober Drives in Maysville have both utilized this program.

Industrial Compressed Air Program - This program is designed to reduce electricity consumption through a comprehensive approach to efficient production and delivery of compressed air in industrial facilities. The program includes (1) training of plant staff; (2) a detailed system assessment of the plant's compressed air system including written findings and recommendations, and (3) incentives for capital-intensive improvements.

Q17: Do the current retail rate designs provide any disincentives for Fleming Mason Energy to aggressively pursue energy innovation, efficiency, conservation and demand response efforts with its members?

A17: Yes. As stated earlier, every kilowatt-hour that is reduced is a benefit to the end user by reducing the overall bill, but is a reduction that negatively impacts FME because the portion of the rate that helps recover fixed costs is eliminated. In essence, there is a disincentive for FME to offer any program that reduces sales. This is a real dilemma for any utility. Being a good corporate citizen by helping our members use energy wisely is important to FME, but we are fully aware of the potential impacts. The results are that FME must actively pursue innovative rate designs that assist members while continuing to protect the financial integrity of the cooperative.

Q18: What costs are typically classified as member-related in a cost of service study and should be recovered through the customer charge?

A18: The costs that are typically classified as member-related include all components necessary to get that member the minimum requirements for electric service. These components include costs for primary lines, transformers, service conductors, meters, and the necessary customer related background functions such as accounting. These costs occur for FME regardless of how much energy is used by the customer. One of the issues that FME has been facing for the last five years is no load growth. If sales and new customers are robust, a low customer charge that does not recover fixed costs is not as troublesome because additional kilowatt-hour sales assist in cost recovery.

Q19: How much of a typical member's bill is for the cooperative's distribution facilities?

A19: For the most recent cost of service study, the distribution facilities cost about \$9.46 per month and the consumer services and accounting portion that is fixed each month is \$11.03. The total customer related costs that should be recovered through the customer charge is \$20.49.

Q20: Why would reducing the customer charge and recovering those costs through a kWh charge cause financial problems for the cooperative and result in more variable energy bills for customers?

A20: The goal of FME is to provide reliable electric service at the most affordable cost possible. The biggest challenge to a financially sound cooperative is unpredictable sales. I understand that this is the part of every business, but with such a high fixed cost business that provides an essential service it only makes sense to try to gain predictability in costs. By proposing and endorsing higher customer charges, FME is reducing the risk of financial problems that result from decreased sales and low growth, but at the same time, FME is reducing the opportunity to make extraordinary margins during periods of high usage and high customer growth. The balance for any utility is to decide how much risk and opportunity should be reduced.

For FME, the following facts point to accepting the trade-off of decreasing risk and giving up potential opportunity: 1) The demographics in our region point to the member base being more on fixed incomes and more sensitive to higher prices. As energy prices increase, the members will look for alternatives to reduce the usage. This is happening with the increased use of wood as a heating source. 2) Economic growth in our region continues to be weak. Jobs continue to be lost in the more populated areas such as Maysville. 3) The load forecasts for FME and East Kentucky Power show that sales will continue to be weak for at least the next five years. Substations and line upgrades may be delayed simply because load is not there. My goal for this company is to get predictability in rates to our members and the margins that the cooperative earns. The best way to do this is to more accurately recover fixed costs through the customer charge on the bill.

Q21: Would a lower customer charge combined with a higher energy charge benefit fixed and low income members?

A21: A common misconception by many people I talk to is the low-income members use low amounts of energy. It simply is not true. In many cases, the customers that receive assistance such as LIHEAP have usage that is significantly above the system average. The reason for this is because the homes that they live in and the appliances they use are not efficient. In an inefficient home, the higher energy charge causes the bill to be higher. To help these members, it makes sense to increase the customer charge and subsequently reducing the kilowatt-hour charge. When this is done, these members will actually receive a rate decrease that helps them afford the energy they use.

Q22: Who are the low usage members who would benefit from a lower customer charge and a higher energy charge?

A22: The typical low usage members that benefit from a low customer charge include barns, hunting camps, cabins, garages, and vacation homes. These loads typically use low amounts of energy in most months therefore making the only cost recovery for FME coming from the customer

charge. When this charge is lower, the fixed costs are still there but not being recovered. These services are costly because they typically require additional facilities and still require a bill with back-end processing to take place. In many cases, these customers are getting a “free ride” from the low-income users mentioned in the prior question.

Even though these customers may not be “paying their way”, FME does not want to lose any customers that may assist in recovering the fixed costs; therefore, we are proposing additional rates that increase the customer charge, but minimize the impact by providing an incline block structure. This structure allows the cooperative to better recover the costs while giving many of these customers a rate that may reduce the bill.

Q23: In your years of experience with electric cooperatives, please describe your experience with the customer charge.

A23: Electric cooperatives have been reluctant to change customer charges in the past for a number of reasons with the biggest one being that barns may be negatively impacted by the increase. Our roots trace back to the family farm and many directors in our cooperatives are farmers. It is important for the cooperative to not lose sight of our heritage, but must understand that the world is changing. Many cooperatives across the country are meeting the challenges such as low sales, renewable energy mandates, net metering, distributed generation, and increasing power costs by increasing the customer charge to protect the bottom line. For example, cooperatives in Alabama have customer charges from \$26.00 to nearly \$40.00 per month. Harrison County REMC, just north of the Ohio River in Indiana, has a customer charge of \$26.00. The TVA cooperatives in Kentucky continue to increase customer charges as well with most charges around \$18.00. The trend across the country is the same that we propose in this case and that is to increase customer charges and give customers options.

Q24: Please describe how this rate filing compares to Owen Electric Cooperative’s revenue neutral rate adjustment in Rate Case No. 2011-00037?

A24: I have read through the Owen Electric Cooperative rate case, 2011-00037, and believe that there are many similarities in the two cases. First, they are both revenue neutral. In discussing the Owen case with Mr. Stallons, we both agree that the best time to address fundamental rate changes is during a revenue neutral case. In the FME 2007 rate case, FME was not in any position to discuss rate design and or theoretical concepts. We needed to get the case concluded and additional revenues collected as soon as possible. The settlement agreement with the Attorney’s General Office did expedite the conclusion.

Second, the Owen Electric and FME cases are making the point that an increased customer charge is good for the cooperative and the customer’s that the Attorney General and the commission are attempting to protect. The increase in customer charge does minimize risk associated with reduced sales and does more accurately allocate costs. The impact on the low-

income customer is of concern to all parties, but by having high energy charges they are inadvertently harmed.

Third, the Owen Electric and FME cases are offering designs that will give customers options. Both cases propose having an incline block rate for the customers that have low usage, but still enjoy the convenience of having a reliable energy source. Another option that both offer is the time-of-use rate. This rate will help those customers that can conveniently move the energy use from peak periods to off-peak to help reduce wholesale energy costs.

In conclusion, the regulated cooperatives in the state of Kentucky face many of the same challenges including increasing wholesale power costs, very weak sales, zero to low load growth, and rates that are not compatible with costs. The Owen Electric and FME cases both are attempting to put the cooperative on a financial stable base that will ensure financial integrity for the company while helping members through alternative structures and continuing to be leaders in energy efficiency and conservation.

Q25: What are your conclusions regarding this rate case proceeding?

A25: In a period that is characterized by weak economic activity, rising power costs, low energy sales, and uncertainty over environmental regulation and costs, it is important that the commission grant FME this increase in the customer charge and the addition of alternative rate structures to keep the financial integrity of the cooperative. It is much more difficult to make significant rate design changes during a rate increase. We believe that it is much better to make this change now.

Q26: Does this conclude your testimony in this case?

Q26: Yes. This concludes my testimony.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF)	
FLEMING MASON ENERGY COOPERATIVE, INC)	CASE NO.
FOR ADJUSTMENT OF RATES)	2012-00369

PREPARED TESTIMONY OF JAMES R ADKINS

Q1: Please state your name and business address.

A1: I am James R. Adkins doing business as Jim Adkins Consulting ("JAC") and my business address is 1041 Chasewood Way, Lexington, KY 40513-1731. JAC has been certified by the United States Department of Veterans affairs as a Service Disabled Veteran Owned Small Business (SDVOSB).

Q2: What has been your role in the development of these tariffs for the changes in the customer charges and energy rates for Residential and Small Power, Schedule RSP and the optional rates applicable to those members serviced under the current RSP schedule?

A2: My role in this application has been to assist Fleming-Mason Energy in the development of these new rates.

Q3: What is your professional experience in the area of electric utility rate-making?

A3: I have spent the last thirty-five years dealing with electric utility rates. I was employed by East Kentucky Power Cooperative (EKPC) as its Pricing Manager for almost twenty-five years. I was employed by The Prime Group, LLC as a senior consultant for approximately one year. I have been self-employed for the last eight years. Prior to my electric utility career, I was employed in the finance and accounting areas of the medical care field for close to eight years. I am also retired from the United States Army, active and reserve and I served in the Army as an infantryman in the Republic of Vietnam in the late 1960's.

Q4: What is your educational background?

Q4: I received a Bachelor's Degree in Commerce with a major in banking and finance in 1971 and a Master's of Science in Accounting in 1976. Both of my degrees were granted by the University of Kentucky. Since then, I have attended several seminars, conferences and courses on rate-making as well as making presentations at many conferences and seminars on electric utility rate-making, the cost of service, and rate design.

Q5: Have you ever appeared as a witness before this Commission?

A5: I have appeared as a witness before this commission many times in rate applications, applications for certificates public convenience and necessity, fuel adjustment clause hearings, and administrative cases. I have testified on behalf of EKPC and for all EKPC's member cooperatives and for other distribution cooperative. I first appeared as a witness before this commission in the fall of 1978 in an administrative case dealing with the Fuel Adjustment Clause.

Q6: What is the purpose of the proposed changes in the customer charges and energy rates for Schedule RSP – Residential and Small Power?.

A6: Fleming-Mason Energy (FME) is proposing to raise its customer charge for the Residential and Small Power rate class from the current amount of \$10.83 per month to \$15.00 per month.

The energy rate would decrease so that the decrease in revenue generated by the changed energy rate would equal the increase in revenue due to the change in the customer charges. This results in revenue neutrality for this rate class.

The primary purpose of this change is to provide for a better alignment of the consumer related coats with the monthly customer charge. From the Cost of Service Study (COSS) on which the proposed rates are based, the monthly consumer related costs are \$20.44 for the Residential and Small Power rate class. Please see Exhibit JRA-1 attached to this testimony.

Q7: In your opinion, does this increase in the customer charge provide an appropriate incentive for FME to assist its member in lowering their consumption and managing their electric bills?

A7: I believe that this provides FME with an incentive to better assist its member's manage their usage and bills. In the short run, the largest segment of FME's costs is its wholesale power costs and they are variable and based on usage. FME's other large segment of costs is its distribution costs and these are fixed in the short run. By recovering its distribution costs through its monthly customer charge, FEM is better assured the recovery of its distribution costs. FME becomes much less concerned about its level of energy sales and is able to concentrate on assisting its members to conserve energy and manage their bills.

Q8: How is FME providing for its members to better manage their bills in the area of rates?

A8: FME is offering two optional rate schedules that provide it is members with the potential to better manage their bills. These option rate schedules is a time-of-day (TOD) rate and an inclining block rate schedule.

Q9: Describe these proposed new, optional tariffs.

Q9: The specific details on these optional rate tariffs are provided as part of Exhibit 6 in this filing. This exhibit provides the details on the development of each tariff.

TOD Rate: FME has developed one residential and small power TOD rate. The purposed residential and small power TOD rate is to present a rate design that has a real incentive in its on-peak energy rate design as well as in its off-peak energy rate design to shift energy usage from on-peak to off-peak. It is intended to provide residential and small power customers an opportunity to lower their electric bills if they are willing to make changes in their electric consumption pattern. The customer charge is set at \$20.00 per month. The off-peak energy rate is \$0.06000 per kWh. The on-peak energy rate is then calculated so that if

the average customer does not change his or her usage patterns, the bill remains revenue neutral.

The residential inclining block rate is specifically designed for consumers who consistently use 800 kWh per month or less. The rate schedule contains three (3) energy rate steps. The first step is for usage from 0-300 kWh per month and the energy rate is based on a reduction of 1.75 cents per kWh from FME's energy rate of \$0.08429. The second rate step is for usage from 301-400 kWh and has an energy rate that is 0.75 cents less than the \$0.08429 rate. The last step is for usage of 501 kWh or greater and is priced at a premium of three cents per kWh over the energy rate for the previous step.

Q10: What is FME proposing in this new TOD rate that is significant??

A10: FME is proposing several significant items in the proposed TOD rate:

- The off-peak energy rate is set at a very low price because most of the distribution costs are being recovered through the customer charges.
- The on-peak energy contains a real penalty by setting it higher than the standard, average rate design but not so high that it may cause members hesitation in selecting a TOD rate design.
- The proposed customer charge is set at \$20.00 to minimize the risk that FME might have any free riders. Less distribution costs are required to be collected from the energy rate.
- The Residential and Small Power TOD rate has been developed in a manner very similar to the way that Blue Grass Energy, Grayson RECC, and Owen RECC developed their residential TOD rates.

Q11: Please explain the basis for the development of this proposal?

A11: The rates developed in this proposal are based on FME's current retail rates approved by this Commission and effective in June 2011, load research produced by EKPC, and a COSS was completed for FME. The test year for this proposal is 2011 calendar year.

Q12: What approach did FME use to develop these rates?

A12: First a COSS was completed and evaluated with emphasis upon the rate classes Schedule RSP – Residential and Small Power to determine the revenue produced from current rates which became the basis for the revenue requirements for the TOD rates and the rates with the customer charge changes.

Q13: Are there some risks in these proposed changes?

A13: Some risks do exist for FME with a reduction in its on-peak hours for its TOD rate option. The primary risk is associated with a wholesale billing peak that might occur in those hours that are on-peak hours for EKPC but off-peak hours for FME. FME has looked at EKPC's billing peaks for a ten year period and it is very unlikely that one may happen in this situation. FME feels that it is worth the risk in order that it may provide a rate design that has some real incentives to shift load from on-peak to off-peak periods. Additionally, FME has minimized this risk to the best way possible by minimizing the amount of distribution costs that are recovered through the energy rate.

Q14: What is the initial expected acceptance of this proposed rate?

A14: Some time may exist before a member might take advantage of this rate design and the initial ones that take it may not have to shift load to reduce their bill (free riders). However, with the passage of time and because of the comprehensive education program developed by FME, members that are not free riders will see that some potential exists for them to reduce their electric bill by selecting a TOD option.

Q15: What is the purpose of the inclining block rate proposal?

A15: The purpose of this rate proposal is to provide an opportunity for those members whose energy consumption is much less than most of FME's other members to manage their electric bill. The basis for the customer charge is to recover the consumer related costs to connect a member to the distribution grid. This

proposal also contains a discounted rate for the first block of 0 to 300 kWh and is geared primarily to those consumers whose monthly usage is 500 kWh or less.

Q16: Have other distribution cooperatives served by EKPC developed rates that are similar to this TOD proposal?

Q16: Yes, other cooperatives have comprehensive packages of rate options for their members. These include Owen Electric RECC, Grayson RECC, and Bluegrass Energy.

Q 17: Is FME taking any risk with this rate design for the inclining block rates?

A17: FME feels that some risk does exist because the rate is designed for those consumers with usages of 500 kWh or less. In that circumstance, FME would receive less revenue from those customers that what it is currently receiving.

Q18: Why is FME making this unique proposal?

A18: FME has made this proposal to insure that it is making opportunities available to all of its customers. FME has many low usage consumers over the years who may have not really been major contributors to FME's increases in costs and its rates. This is FME's approach to provide them opportunities to reduce their electric bill. This Residential Inclining Block Rate is a part of the rate options that FME wishes to make available to all its consumers.

Q19: How will FME inform its members of these Rate Options?

A19 When the Commission approves these options, FME plans to set in motion an education program for its members which will include the following aspects:

- Inserts in *The Kentucky Living* magazine
- Development of pamphlets that will contain information on these options
- Contacting the local community action agencies

FME has presented this plan as a part of this application.

Q20: What else in rate design is FME proposing in this application?

R20. FME is proposing to better align its Large Industrial Service rates with the rates of its wholesale power. FME is proposing to increase its retail demand rates to match EKPC's demand rates applicable for these rate classes and to lower its energy rates for these same classes. These rates have had the same demand rates as EKPC's wholesale power rate schedule applicable to these rate classes. They became different in EKPC's last general rate application. The retail rate schedules for which this change is applicable include the following ones.

- LIS-4 – Large Industrial Service
- LIS-5 - Large Industrial Service
- LIS-6 - Large Industrial Service
- LIS-7 - Large Industrial Service
- LIS-4B - Large Industrial Service
- LIS-5B - Large Industrial Service
- LIS-68 - Large Industrial Service

Q21. Do you feel that these requested changes to the Large Industrial Service rate schedules to be an appropriate one?

R21. I sincerely feel that these proposed changes to the large industrial rates to be most appropriate because this has been the recommendation since these type of rates when into effect over twenty years ago.

Q22. Does this conclude your testimony?

R22. This concludes my testimony.

**FLEMING-MASON ENERGY COOPERATIVE
CASE NO. 2012-00369**

PREPARED TESTIMONY OF JAMES R. ADKINS

Residential and Small Power Rate Class

	<u>Classifi- cation</u>	<u>Rate 1 Residential & Small Power</u>	<u>Per Energy kWh</u>	<u>Per Customer</u>
Function				
Purchased Power	Demand	\$ 4,264,164	0.01470	15.21
Purchased Power	Energy	15,136,998	0.05219	53.98
Metering & Substation	Demand	360,749	0.00124	1.29
Stations	Demand			
Lines	Consumer	1,787,519	0.00616	6.37
Lines	Demand	2,975,164	0.01026	10.61
Transformers	Consumer	47,755	0.00016	0.17
Transformers	Demand	144,764	0.00050	0.52
Services	Consumer	143,609	0.00050	0.51
Meters	Consumer	661,153	0.00228	2.36
Consumer Services & Accounting	Consumer	3,092,155	0.01066	11.03
Lighting	Lighting			
Revenue Requirements		\$ 28,614,029	0.09866	102.05
Billing Units			290,026,106	280,401
Customer Related Costs				\$ 20.44

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF)	
FLEMING MASON ENERGY COOPERATIVE, INC)	CASE NO.
FOR ADJUSTMENT OF RATES)	2012-00369

PREPARED TESTIMONY OF JONI HAZELRIGG

Q1: Please state your name and business address.

A1: Joni Hazelrigg
Fleming-Mason Energy, P O Box 328, Flemingsburg, KY 41041

Q2: What is your occupation?

A2: Chief Financial Officer of Fleming-Mason Energy (FME)

Q3: How long have you been employed at Fleming Mason Energy?

A3: 27 years

Q4: What is your education and work experience?

A4: Received a Bachelor of Business Administration with an Accounting Option from Morehead State University. I have made a lifelong career at Fleming-Mason Energy beginning in the Cashiering Department, promoted to General Office Supervisor in 1992 then Sr. Accountant in 1999. I was promoted to Chief Financial Officer in 2006. As CFO, I manage the customer billing and collections, and the accounting functions of FME.

Q5: Are you familiar with accounting work and accounting procedures for rural electric cooperatives?

A5: I have either personally handled or supervised the accounting process at FME since January, 1999. This includes accounts payable, payroll, general journal entries, plant accounting, work order accounting, inventory management and cash management. I regularly attend various training and educational forums to stay up-to-date with current accounting and electric utility issues that could impact FME.

Q6: Did you prepare or assist in the preparation of the financial exhibits for Fleming-Mason Energy filed with its Notice Application in this case.

A6: Yes, I worked with the assistance of Jim Adkins, Consultant, in the preparation of the financial exhibits filed in this case.

- Q7: Please state whether the statements of facts contained in this Notice are true?
A7: Statements of facts contained in this notice are true to the best of my knowledge and belief.
- Q8: What is the purpose of this Notice of Application of Fleming-Mason Energy to this Commission?
A8: Fleming-Mason Energy is requesting PSC approval of a new rate design for its Residential & Small Power tariff and its Large Power tariffs. FME is also requesting two (2) new tariffs be approved which are: Time-Of-Use Rate and Inclining Block Rate. This application is revenue neutral and FME is not requesting additional revenue.
- Q9: What considerations were given to the rate design adjustment that Fleming-Mason is seeking?
A9: FME would like to stabilize its revenue by becoming less dependent on the amount of kilowatt hours sold by recovering more of its fixed costs through the monthly customer charge.
- FME would be less dependent on weather which is the primary driver of kilowatt hour sales.
 - Because energy efficiency programs that are of great assistance to our customers reduce the number of kilowatt hours used, they are also detrimental to FME's financial condition. By moving to an increased customer charge and lowering the kilowatt hour charge, FME can continue to promote and grow its energy efficiency programs with less erosion to revenue.
 - By offering Time-of-Use rates and an Inclining Block rate, FME can offer options to its customers to assist them in making cost effective decisions.
- In addition to increasing the customer charge, FME would like to adjust its demand rates on applicable tariffs to better align with the rates charged by its wholesale supplier, East Kentucky Power.
- Q10: What is the test year used by Fleming-Mason Energy for its financial data compiled to the Commission in the Application?
A10: The twelve months ending December 31, 2011.
- Q11: How was the proposed rate design developed?
A11: Fleming-Mason Energy and Jim Adkins prepared a Cost of Service Study and based its rate design on this study.
- Q13: What is the purpose of the education/communications plan developed by Fleming-Mason Energy?
A13: The education and communication plan was developed to provide guidance for implementing new tariffs as well as providing useful information on existing tariffs, DSM programs and Energy Efficiency tools. The plan encompasses educating both FME personnel as well as its members.
- Q14: What considerations were given to educate the membership of Fleming-Mason Energy?
A14: As Fleming-Mason offers rate options to its membership, education becomes increasingly important. Such information will allow our members to make informed decisions about which rate schedule(s) will assist them in managing their electric bill and encourage conservation.

Q15: How will the education/communications plan be implemented?

A15: Implementation will be two-fold:

1) FME personnel will be educated on the new tariffs and be trained to assist customers in choosing a rate schedule that will be in the customer's best interest. Customer Service Reps will be kept up-to-date on Energy Efficiency programs and tips to assist customers in lowering their usage and managing their monthly bill more efficiently.

2) FME will promote the new rate choices to its members using the many resources currently available including the Kentucky Living Magazine, FME website, Face book, bill messages, Twitter and the CEO Blog. Along with the rate choices, FME will continue to promote its energy efficiency programs including the Kentucky How\$mart pilot project.

Q16: Does this conclude your testimony in this case?

A16: Yes, this concludes my testimony.

**FLEMING MASON ENERGY COOPERATIVE
CASE NO. 2012-00369**

IMPACT ON REVENUES

The proposed rate designs have been constructed on the basis of revenue neutrality.

If all customers were placed on any of the rate designs where the customer charges have been changed and also on any of the time-of-day rates, the revenues would be the same as Owen would receive from the current rate design based on the test year billing determinants.

**FLEMING-MASAN ENERGY COOPERATIVE
CASE NO. 2012-00369**

IMPACT OF THE RATE PROPOSALS ON THE AVERAGE CONSUMER

**IMPACT OF RATE PROPOSALS UPON CONSUMERS
AT VARIOUS USAGE LEVELS**

<u>kWh Usage</u>	<u>Present Rates</u>	<u>2012 Rates</u>	<u>Inclining Block Rates</u>
0	\$ 10.83	\$ 15.00	\$ 15.00
50	\$ 15.25	\$ 19.22	\$ 18.34
100	\$ 19.66	\$ 23.43	\$ 21.68
150	\$ 24.08	\$ 27.65	\$ 25.02
200	\$ 28.49	\$ 31.86	\$ 28.36
250	\$ 32.91	\$ 36.08	\$ 31.70
300	\$ 37.33	\$ 40.29	\$ 35.04
350	\$ 41.74	\$ 44.51	\$ 38.88
400	\$ 46.16	\$ 48.72	\$ 42.72
450	\$ 50.57	\$ 52.94	\$ 46.56
500	\$ 54.99	\$ 57.15	\$ 50.40
600	\$ 63.82	\$ 65.58	\$ 61.08
700	\$ 72.65	\$ 74.01	\$ 71.76
800	\$ 81.49	\$ 82.45	\$ 82.45
900	\$ 90.32	\$ 90.88	\$ 93.13
1000	\$ 99.15	\$ 99.31	\$ 103.81
1100	\$ 107.98	\$ 107.74	\$ 114.49
1200	\$ 116.81	\$ 116.17	\$ 125.17
1300	\$ 125.65	\$ 124.60	\$ 135.85
1400	\$ 134.48	\$ 133.03	\$ 146.53
1500	\$ 143.31	\$ 141.46	\$ 157.21
1600	\$ 152.14	\$ 149.89	\$ 167.89
1700	\$ 160.97	\$ 158.32	\$ 178.57
1800	\$ 169.81	\$ 166.75	\$ 189.25
1900	\$ 178.64	\$ 175.18	\$ 199.93
2000	\$ 187.47	\$ 183.61	\$ 210.61
2250	\$ 209.55	\$ 204.69	\$ 237.31
2500	\$ 231.63	\$ 225.77	\$ 264.02
2750	\$ 253.71	\$ 246.84	\$ 290.72
3000	\$ 275.79	\$ 267.92	\$ 317.42

BILLING ANALYSIS FOR CURRENT RETAIL RATES

Residential and Small Power
and ETS Rate

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	280,401	\$3,036,743	\$10.83	\$3,036,743	\$15.00	\$4,206,015
Energy charge per kWh	291,344,174	26,488,271	\$0.08832	25,731,517	\$0.08431	24,563,227
Off peak energy charge	1,395,865	536	\$0.05299	73,970	\$0.05299	73,970
Total from base rates		29,525,550		<u>\$28,842,230</u>		<u>\$28,843,212</u>
Fuel adjustment		(1,156,126)				
Environmental surcharge		<u>2,603,232</u>				
Total revenues		<u>\$30,972,656</u>				
Amount				(\$683,320)		\$982
Percent				-2.3%		0.0%
Average monthly bill		\$105.30		\$102.86		\$102.86
Amount				(\$2.44)		\$0.00
Percent				-2.3%		0.0%

Small General Service

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	2,273	\$111,900	\$49.23	\$111,900	\$49.23	\$111,900
Demand charge	66,395	491,984	\$7.41	491,984	\$7.41	491,984
Energy charge	16,032,376	1,082,425	\$0.06516	1,044,670	\$0.06516	1,044,670
Total from base rates		1,686,308		<u>\$1,648,554</u>		<u>\$1,648,554</u>
Fuel adjustment		(64,947)				
Environmental surcharge		<u>142,915</u>				
Total revenues		<u>\$1,764,276</u>				
Amount				(\$37,755)		\$0
Percent				-2.2%		0.0%
Average monthly bill		\$741.89		\$725.28		\$725.28
Amount				(\$16.61)		\$0.00
Percent				-2.2%		0.0%

FLEMING-MASON ENERGY COOPERATIVE
CASE NO. 2012-00369

BILLING ANALYSIS FOR CURRENT RETAIL RATES

Large General Service						
Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	1,614	\$105,733	\$65.51	\$105,733	\$65.51	\$105,733
Demand Charge	300,043	2,079,299	\$6.93	2,079,299	\$6.93	2,079,299
Energy Charge	94,831,789	5,306,214	\$0.05381	5,102,899	\$0.05381	5,102,899
Total from base rates		7,491,246		<u>\$7,287,931</u>		<u>\$7,287,931</u>
Fuel adjustment		(379,880)				
Environmental surcharge		610,761				
Total revenues		<u>\$7,722,127</u>				
Amount				(\$203,316)		\$0
Percent				-2.7%		0.0%
Average monthly bill		\$4,641.42		\$4,515.45		\$4,515.45
Amount				(\$125.97)		\$0.00
Percent				-2.7%		0.0%

Large Industrial Service #6 and #7 Dravo and Guardian						
Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	24	\$29,322	\$1,221.76	\$29,322	\$1,221.76	\$29,322
Demand Charge	304,518	1,875,831	\$6.16	1,875,831	\$7.17	2,183,394
Secondary meter charge per kwh	193,299,465	9,539,576	\$0.04670	9,027,085	\$0.04511	8,719,739
						0
Total from base rates		11,444,729		<u>\$10,932,238</u>		<u>\$10,932,455</u>
Fuel adjustment		(793,278)				
Environmental surcharge		1,266,129				
Total revenues		<u>\$11,917,581</u>				
Amount				(\$512,491)		\$217
Percent				-4.5%		0.0%
Average monthly bill		\$476,863.73		\$455,509.92		\$455,518.97
Amount				(\$21,353.80)		\$9.04
Percent				-4.5%		0.0%

BILLING ANALYSIS FOR CURRENT RETAIL RATES

Special Contract - Tennessee Gas

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	12	\$136,200	\$11,350 00	\$136,200	\$11,350 00	\$136,200
Facilities Charge	12	3,516	\$293 00	3,516	\$293 00	3,516
Transmission Charge	300,000	525,000	\$1.75000	525,000	\$1.75000	525,000
Energy charge						
On Peak	6,249,028	223,965	0.03584	223,965	0.03584	223,965
Off Peak	7,150,568	395,949	0.03643	\$260,495	0.03643	\$260,495
Off Peak Adder	27,788	83,365	3	83,365	3	83,365
Total from base rates		1,367,995		1,232,541		1,232,541
Fuel adjustment		\$0				
Environmental surcharge		106,341				
Total revenues		1474336.23				
Amount				(\$135,453.87)		\$0.00
Percent				(\$0.10)		\$0.00
Average monthly bill		113999.6025		102711.7796		102711.7796
Amount				-11287.82285		0
Percent				-0.099016335		0

Special Contract - Inland Container

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
Customer Charge	12	\$65,448	\$5,454 00	\$65,448	\$5,454 00	\$65,448
Demand Charge	368,572	2,572,633	\$6.98	2,572,633	\$6.98	2,572,633
Energy charge	251,265,833	11,403,873	\$0.04285	10,766,741	\$0.04285	10,766,741
Total from base rates		14,041,954		\$13,404,822		\$13,404,822
Fuel adjustment		(867,717)				
Environmental surcharge		1,555,879				
Total revenues		\$14,730,116				
Amount				(\$637,132)		\$0
Percent				-4.5%		0.0%
Average monthly bill		\$1,170,162.82		\$1,117,068.46		\$1,117,068.46
Amount				(\$53,094.36)		\$0.00
Percent				-4.5%		0.0%

BILLING ANALYSIS FOR CURRENT RETAIL RATES

Schedule YL-1, Security Lights

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
			Mercury Vapor:			
7000 Lumen - Standard	23,870	213,159	\$8.93	213,159	\$8.93	213,159
- Ornamental	0	0	\$20.01	0	\$20.01	0
20000 Lumen - Standard	422	7,275	\$17.24	7,275	\$17.24	7,275
- Ornamental	0	0	\$26.85	0	\$26.85	0
High Pressure Sodium:						
9500 Lumen - Standard	67,362	580,793	\$8.62	580,660	\$8.62	580,660
- Ornamental	180	3,276	\$18.20	3,276	\$18.20	3,276
- Directional	2,632	22,925	\$8.71	22,925	\$8.71	22,925
22000 Lumen - Standard	756	9,321	\$12.33	9,321	\$12.33	9,321
- Ornamental	156	3,420	\$21.92	3,420	\$21.92	3,420
- Directional	1,113	13,467	\$12.10	13,467	\$12.10	13,467
50000 Lumen - Standard	12	224	\$18.68	224	\$18.68	224
- Ornamental	0	0	\$27.77	0	\$27.77	0
- Directional	2,632	48,192	\$18.31	48,192	\$18.31	48,192
kWh	<u>4,976,578</u>					
Billing adjustments						0
Total from base rates	902,053		<u>\$901,920</u>		<u>\$901,920</u>	
Fuel adjustment	(697)					
Environmental surcharge	<u>2,521</u>					
Total revenues	<u>\$903,877</u>					
Amount					(\$133)	\$0
Percent					-0.01%	0.00%

Envirowatts

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
			Envirowatts			
		938	\$0.02750	938	\$0.02750	938
kWh	<u>34,100</u>					
Billing adjustments						0
Total from base rates	938		<u>\$938</u>		<u>\$938</u>	
Fuel adjustment						
Environmental surcharge						
Total revenues	<u>\$938</u>					
Amount					\$0	\$0
Percent					0.0%	0.0%

BILLING ANALYSIS FOR CURRENT RETAIL RATES

Summary

Billing Determinants	Billing Determinants	Test Year Revenues	Normalized Case No. 2010-00511		Proposed	
			Rates	Revenues	Rates	Revenues
			Total from base rates	866,545,676	66,460,774	
Fuel adjustment		(3,262,645)				
Environmental surcharge		6,287,778				
Total revenues		69,485,907				
Per Form 7	865,159,408	69,485,874				
Difference	(1,386,268)	(33)				
Increase						
Amount				(2,209,601)		1,199
Percent				-3.3%		0.0%
						1,899,821
Power cost		69,228,966				
Fuel adjustment		(3,977,965)				
Environmental surcharge		7,866,717				

**FLEMING MASON ENERGY COOPERATIVE
CASE NO 2012-000369
PURCHASED POWER NORMALIZATION**

SUMMARY OF PURCHASED POWER COSTS - NORMALIZED					
	Metering Poi & Substation	Demand Charges	Energy Charges	Green Power	Total
Meter Pt & Subs	843,624				843,624
Schedule E		5,975,139	21,257,127	1,519	27,233,785
Schedule C					-
Guardian		\$ 735,979	\$ 2,655,227		3,391,206
Dravo		\$ 1,458,571.6	\$ 5,643,899		7,102,471
Inland Elec		\$ 2,637,965	\$ 10,774,867		13,412,832
Tennessee Gas		525,000	567,790		1,092,790
	<u>843,624</u>	<u>11,332,654</u>	<u>40,898,910</u>	<u>1,519</u>	<u>53,076,708</u>
					53,076,708
					53,076,708

FLEMING MASON RECC

COST OF SERVICE STUDY

CASE NO, 2012-00369

SUMMER 2012 - J. Adkins

FLEMING MASON RECC
CASE NO. 2012-00369

TEST YEAR REVENUE REQUIREMENTS WITH ADJUSTMENTS

TEST YEAR EXPENSES						
1	2	3	4	5	6	7
Acct	Description	Actual	Adjustments	Purchased	Total	Adjusted
No.		Test Year	9, 10, 11 12, 13, 1	Power	Amount of	Test Year
				(a)	Adjustments	
555	Purchased Power					
	Demand Charges					11,332,654
	Metering Point & Substations Charges					843,624
	Energy Charges				-	40,898,910
	Renewable				-	1,519
	Total Purchased Power	57,792,373		(4,715,665)	-	53,076,708
580	Operations Supv & Eng	127,504				127,504
581	Load Dispatching	-				-
582	Station Expense	-				-
583	Overhead Line Exp.	1,036,004				1,036,004
584	Underground Line Exp	10,366				10,366
585	Street Lights	-				-
586	Meter Expense	311,603				311,603
587	Consumer Installations	59,882				59,882
588	Misc. Distribution Exp	173,419				173,419
589	Rents	11,007			-	11,007
	Total Dist. Operations	1,729,787		-	-	1,729,787
590	Maint Supv & Eng	128,472				128,472
592	Maint of Station Equip	-				-
593	Maint. Overhead Lines	2,243,814			-	2,243,814
594	Maint of Underground Lines	18,398				18,398
595	Maint Line Transformers	120,456				120,456
596	Maint of Street Lights	-				-
597	Maintenance of Meters	7,486				7,486
598	Maintenance of Security Lights	231,614				231,614
598	Maint Misc Distrib Plant	-				-
	Total Dist. Maint.	2,750,240		-	-	2,750,240

FLEMING MASON RECC
CASE NO. 2012-00369

TEST YEAR REVENUE REQUIREMENTS WITH ADJUSTMENTS

TEST YEAR EXPENSES						
1	2	3	4	5	6	7
Acct No.	Description	Actual Test Year	Adjustments 9, 10, 11 12, 13, 14	Purchased Power Adjustment	Total Amount of Adjustments	Adjusted Test Year
						-
901	Supervision	73,393				73,393
902	Meter Reading Expense	396,207				396,207
903	Cons Recds & Collections	1,163,369				1,163,369
904	Uncollectible Accounts	141,096		-		141,096
	Total Consumer Accts	1,774,064		-	-	1,774,064
						-
907	Customer Information	45,482				45,482
908	Customer Accounting	23,917				23,917
909	Consumer Information	36,217				36,217
910	Mis. Customer Information	-				-
912	Key Accounts Expnses	91,926				91,926
	Total Customer Serv.	197,542		-	-	197,542
						-
920	Administrative Salaries	532,305				532,305
921	Office Supplies	167,674				167,674
923	Outside Services	65,177				65,177
924	Property Ins	-				-
925	Injuries & Damages	-				-
926	Employ Pensions & Benef	-				-
928	Regulatory Exp	-				-
929	Duplicate Charges	(54,052)				(54,052)
930	Misc General Exp	517,530				517,530
931	Rents	-				-
935	Maintenance of Gen. Plant	166,717				166,717
	Total Admin & General	1,395,351	-	-	-	1,395,351
						-
403.6	Deprec. Distribution Plant	2,630,609				2,630,609
403.7	Deprec. General Plant	215,353				215,353
	Total Depreciation	2,845,963		-	-	2,845,963

FLEMING MASON RECC
CASE NO. 2012-00369

TEST YEAR REVENUE REQUIREMENTS WITH ADJUSTMENTS

TEST YEAR EXPENSES						
1	2	3	4	5	6	7
Acct	Description	Actual	Adjustments	Purchased	Total	Adjusted
No.		Test Year	9, 10, 11 12, 13, 1	Power	Amount of	Test Year
				Adjustment	Adjusments	
62						-
	408.1 TAXES - PROPERTY	-				-
	408.2 TAXES - US SOC SEC - UNEMP	-				-
	408.3 TAXES-US SOC SEC-FICA	-				-
	408.4 TAXES-ST SOC SEC-UNEMP	-				-
	408.6 TAXES - CITY BUSINESS LICENSE	150				150
	408.7 TAXES - OTHER (PSC)	66,621				66,621
	408.8 TAXES - FED H/W USE	-				-
63	408.11 PSC Assessment & Sales Taxes	-				-
64	408.5 Miscellaneous Amortization	-				-
65	425-426 Contributions	20,715				20,715
66	Total Miscellaneous	87,486	-	-	-	87,486
67						-
68	427.1 INTEREST ON REA CONST LOAN	764,334				764,334
69	427.2 LONG TERM INTEREST-LBC	155,298				155,298
70	427.6 INTEREST ON CO-BANK	235,776				235,776
71	Total Interest on LTD	1,155,407		-	-	1,155,407
72						-
73	430 Other Interest Expense	145,417				145,417
74	431.1 Interest on Consumer Deposits	41,627				41,627
75						-
76	Total ST Interest	187,044		-	-	187,044
77						-
78	Total Costs	69,915,257		(4,715,665)	-	65,199,592
79	Margin Requirements	1,155,407		(994,776)	-	160,631
80	Total Revenue Require.	71,070,665	-	(5,710,441)	-	65,360,223

FLEMING MASON RECC
CASE NO. 2012-00369

TEST YEAR REVENUE REQUIREMENTS WITH ADJUSTMENTS

TEST YEAR EXPENSES						
1	2	3	4	5	6	7
Acct	Description	Actual	Adjustments	Purchased	Total	Adjusted
No.		Test Year	9, 10, 11 12, 13, 14	Power	Amount of	Test Year
				Adjustment	Adjusments	
81						
82		Less: Misc Income				-
83	450	Forfeited Discounts	445,158			445,158
84	451	Misc Service Revenue	145,363			145,363
85	452	Return Check Charge	-			-
86	454	Rent from Electric Prop.	393,736			393,736
	456	Other Electric Revenue	4,992			4,992
87		Total Misc Income	989,249	-	-	989,249
88						-
89		Less: Other Income				-
90	415	Net Revenue from Merchandising	26,621			26,621
	416	Cost of Merchandising	(30,341)			(30,341)
	417	Revenue from Non-utility Operations	-			-
	418	Revenue from Non-operating rentals	-			-
91	419	Interest Income	42,576			42,576
92	421	Misc. Non-operating Income	(21,566)			(21,566)
93	424	Other Capital Credits	102,512		-	102,512
		G&T Capital Credits	4,515,757	(4,515,757)	-	-
94		Total Other Income	4,635,559	(4,515,757)	-	119,802
95						-
96		Revenue Requirements				-
97		from Rates	65,445,857	4,515,757	(5,710,441)	(796,019)
98						64,251,173
99						

**FLEMING MASON RECC
CASE NO. 2012-00369**

Exhibit 11
Schedule 2
Page 6 of 32
Witness: Jim Adkins

FUNCTIONALIZATION SUMMARY

Expense	Purchased Power	Stations	Lines	Transformers	Services
Purchased Power	53,076,708				
Distribution Operations		-	1,198,456	-	78,118
Distribution Maintenance		-	2,373,064	126,359	-
Consumer Accounts		-	-	-	-
Customer Service		-	-	-	-
Administrative & General		-	772,444	27,329	16,895
Depreciation		-	1,575,479	55,740	34,460
Miscellaneous		-	48,431	1,713	1,059
Interest on Long Term Debt		-	639,615	22,629	13,990
Short Term Interest		-	103,545	3,663	2,265
Total Costs	53,076,708	-	6,711,034	237,433	146,787
Margin Requirements	-	-	-	-	-
Revenue Requirements	53,076,708	-	6,711,034	237,433	146,787

**FLEMING MASON RECC
CASE NO. 2012-00369**

Exhibit 11
Schedule 2
Page 7 of 32
Witness: Jim Adkins

FUNCTIONALIZATION SUMMARY

Expense	<u>Meters</u>	<u>Consumer Services & Accounting</u>	<u>Outdoor Lighting</u>	<u>Street Lighting</u>	<u>Total</u>
Purchased Power					53,076,708
Distribution Operations	380,157	13,174	59,882	-	1,729,787
Distribution Maintenance	7,853	11,350	231,614	-	2,750,240
Consumer Accounts	-	1,774,064	-	-	1,774,064
Customer Service	-	197,542	-	-	197,542
Administrative & General	83,918	431,721	63,045	-	1,395,351
Depreciation	171,160	880,538	128,586	-	2,845,963
Miscellaneous	5,262	27,068	3,953	-	87,486
Interest on Long Term Debt	69,488	357,482	52,203	-	1,155,407
Short Term Interest	11,249	57,871	8,451	-	187,044
Total Costs	729,086	3,750,810	547,734	-	65,199,592
Margin Requirements	-	-	-	-	-
Revenue Requirements	729,086	3,750,810	547,734	-	65,199,592
					65,199,592

FLEMING MASON RECC
CASE NO. 2012-00369
FUNCTIONALIZATION OF TEST YEAR EXPENSES

Acct No.	Description	Expenses			FUNCTIONALIZATION							Alloc. Basis	
		Actual Test Year	Adjustments	Adjusted Test Year	Purchased Power	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting		Total
555	Purchased Power												
	Demand Charges			11,332,654	11,332,654								11,332,654
	Metering Point & Substations Charges			843,624	843,624								843,624
	Energy Charges			40,898,910	40,898,910								40,898,910
	Renewable			1,519	1,519								1,519
	Total Purchased Power	57,792,373	(5,805,786)	53,076,708	53,076,708								53,076,708
580	Operations Supv & Eng	127,504	-	127,504		94,097	-	-	28,022	5,385	-	-	127,504
581	Load Dispatching	-	-	-									-
582	Station Expense	-	-	-									-
583	Overhead Line Exp.	1,036,004	-	1,036,004		958,660		77,344					1,036,004
584	Underground Line Exp	10,366	-	10,366		9,592		774					10,366
585	Street Lights	-	-	-									-
586	Meter Expense	311,603	-	311,603					311,603				311,603
587	Consumer Installations	59,882	-	59,882							59,882		59,882
588	Misc. Distribution Exp	173,419	-	173,419		127,983		-	38,113	7,324	-		173,419
589	Rents	11,007	-	11,007		8,123		-	2,419	465			11,007
	Total Dist. Operations	1,729,787	-	1,729,787		1,198,456	-	78,118	380,157	13,174	59,882		1,729,787
590	Maint Supv & Eng	128,472	-	128,472		110,853	5,903	-	367	11,350	-	-	128,472
592	Maint of Station Equip	-	-	-									-
593	Maint. Overhead Lines	2,243,814	-	2,243,814		2,243,814		-					2,243,814
594	Maint of Underground Lines	18,398	-	18,398		18,398		-					18,398
959	Maint Line Transformers	120,456	-	120,456			120,456						120,456
969	Maint of Street Lights	-	-	-									-
597	Maintenance of Meters	7,486	-	7,486					7,486				7,486
598	Maintenance of Security Lights	231,614	-	231,614							231,614		231,614
598	Maint Misc Distrib Plant	-	-	-									-
	Total Dist. Maint.	2,750,240	-	2,750,240		2,373,064	126,359	-	7,853	11,350	231,614		2,750,240
901	Supervision	73,393	-	73,393						73,393			73,393
902	Meter Reading Expense	396,207	-	396,207						396,207			396,207
903	Cons Recds & Collections	1,163,369	-	1,163,369						1,163,369			1,163,369
904	Uncollectible Accounts	141,096	-	141,096						141,096			141,096
	Total Consumer Accts	1,774,064	-	1,774,064						1,774,064			1,774,064
907	Customer Information	45,482	-	45,482						45,482			45,482
908	Customer Accounting	23,917	-	23,917						23,917			23,917
909	Consumer Information	36,217	-	36,217						36,217			36,217
910	Mis. Customer Information	-	-	-						-			-
912	Key Accounts Expnses	91,926	-	91,926						91,926			91,926
	Total Customer Serv.	197,542	-	197,542						197,542			197,542

FLEMING MASON RECC
CASE NO. 2012-00369
FUNCTIONALIZATION OF TEST YEAR EXPENSES

Exhibit 11
 Schedule 2.1
 Page 9 of 32
 Witness: Jim Adkins

Acct No.	Description	Expenses			FUNCTIONALIZATION								Alloc. Basis
		Actual Test Year	Adjustments	Adjusted Test Year	Purchased Power	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Total	
920	Administrative Salaries	532,305	-	532,305	-	294,676	10,425	6,445	32,014	164,695	24,051	532,305	7
921	Office Supplies	167,674	-	167,674	-	92,822	3,284	2,030	10,084	51,878	7,576	167,674	7
923	Outside Services	65,177	-	65,177	-	36,081	1,277	789	3,920	20,166	2,945	65,177	7
924	Property Ins	-	-	-	-	-	-	-	-	-	-	-	7
925	Injuries & Damages	-	-	-	-	-	-	-	-	-	-	-	7
926	Employ Pensions & Benef	-	-	-	-	-	-	-	-	-	-	-	7
928	Regulatory Exp	-	-	-	-	-	-	-	-	-	-	-	7
929	Duplicate Charges	(54,052)	-	(54,052)	-	(29,922)	(1,059)	(654)	(3,251)	(16,724)	(2,442)	(54,052)	7
930	Misc General Exp	517,530	-	517,530	-	286,496	10,136	6,266	31,125	160,123	23,383	517,530	7
931	Rents	-	-	-	-	-	-	-	-	-	-	-	7
935	Maintenance of Gen. Plant	166,717	-	166,717	-	92,292	3,265	2,019	10,027	51,582	7,533	166,717	4
	Total Admin & General	1,395,351	-	1,395,351	-	772,444	27,329	16,895	83,918	431,721	63,045	1,395,351	4 Gen Pl
403.6	Deprec. Distribution Plant	2,630,609	-	2,630,609	-	1,456,263	51,522	31,852	158,208	813,908	118,856	2,630,609	6
403.7	Deprec. General Plant	215,353	-	215,353	-	119,216	4,218	2,608	12,952	66,630	9,730	215,353	6
	Total Depreciation	2,845,963	-	2,845,963	-	1,575,479	55,740	34,460	171,160	880,538	128,586	2,845,963	
408.1	TAXES - PROPERTY	-	-	-	-	-	-	-	-	-	-	-	
408.2	TAXES - US SOC SEC - UNEMP	-	-	-	-	-	-	-	-	-	-	-	
408.3	TAXES-US SOC SEC-FICA	-	-	-	-	-	-	-	-	-	-	-	
408.4	TAXES-ST SOC SEC-UNEMP	-	-	-	-	-	-	-	-	-	-	-	
408.6	TAXES - CITY BUSINESS LICENSE	150	-	150	-	83	3	2	9	46	7	150	
408.7	TAXES - OTHER (PSC)	66,621	-	66,621	-	36,880	1,305	807	4,007	20,613	3,010	66,621	
408.8	TAXES - FED H/W USE	-	-	-	-	-	-	-	-	-	-	-	
408.1	PSC Assessment & Sales Taxes	-	-	-	-	-	-	-	-	-	-	-	
408.5	Miscellaneous Amortization	-	-	-	-	-	-	-	-	-	-	-	
425-42	Contributions	20,715	-	20,715	-	11,467	406	251	1,246	6,409	936	20,715	
	Total Miscellaneous	87,486	-	87,486	-	48,431	1,713	1,059	5,262	27,068	3,953	87,486	Tot Plt
427.1	INTEREST ON REA CONST LOAN	764,334	-	764,334	-	423,123	14,970	9,255	45,968	236,484	34,534	764,334	
427.2	LONG TERM INTEREST-LBC	155,298	-	155,298	-	85,970	3,042	1,880	9,340	48,049	7,017	155,298	
427.6	INTEREST ON CO-BANK	235,776	-	235,776	-	130,522	4,618	2,855	14,180	72,949	10,653	235,776	
	Total Interest on LTD	1,155,407	-	1,155,407	-	639,615	22,629	13,990	69,488	357,482	52,203	1,155,407	5
430	Other Interest Expense	145,417	-	145,417	-	80,501	2,848	1,761	8,746	44,992	6,570	145,417	
431.1	Interest on Consumer Deposits	41,627	-	41,627	-	23,044	815	504	2,504	12,879	1,881	41,627	
	Total ST Interest	187,044	-	187,044	-	103,545	3,663	2,265	11,249	57,871	8,451	187,044	Rate Base
	Total Costs	69,915,257	(5,805,786)	65,199,592	53,076,708	6,711,034	237,433	146,787	729,086	3,750,810	547,734	65,199,592	
	Margin Requirements	5,195,424	-	5,195,424	-	-	-	-	-	-	-	5,195,424	
	Total Revenue Require.	75,110,681	(5,805,786)	70,395,016	53,076,708	6,711,034	237,433	146,787	729,086	3,750,810	547,734	70,395,016	
												65,199,592	

FLEMING MASON RECC
CASE NO. 2012-00369
FUNCTIONALIZATION OF TEST YEAR EXPENSES

FOOTNOTES							
1 Line Expenses are Allocated between Lines and Services Based on Plant Investment.							
	\$\$\$	%					
Poles and Conductor	69,476,017	92.53%					
Services	5,605,274	7.47%					
Total	75,081,291	100.00%					
2 Allocation of Dist. Oper. Supervision & Miscellaneous Expenses							
	Actual	%	Superv	Exp.	Rents		
Load Dispatching	-	0.00%	-	-	-		
Stations	-	0.00%	-	-	-		
Lines	1,046,370	73.80%	94,097	127,983	8,123.44		
Transformer	-	0.00%	-	-	-		
Services	-	0.00%	-	-	-		
Meters	311,603	21.98%	28,022	38,113	2,419.12		
Consumer Installation	59,882	4.22%	5,385	7,324	464.89		
Street Lighting	-	0.00%	-	-	-		
Rent	-	0.00%	-	-	-		
	1,417,856	1	127,504	173,419	11,007		
			127,504	173,419	11,007		
3 Allocation of Dist. Maint. Supervision & Miscellaneous Expenses							
	Actual	%	Superv	Misc. Exp.			
Stations	-	0.00%	-	-			
Lines	2,262,211	86.29%	110,853	-			
Transformers	120,456	4.59%	5,903	-			
Services	-	0.00%	-	-			
Meters	7,486	0.29%	367	-			
Cust Service	231,614	8.83%	11,350	-			
Security Lighting	-	-	-	-			
Street Lighting	-	0.00%	-	-			
	2,621,768	100%	128,472	-			
4 General Plant Allocation Comes From the Rate Base Schedule Line General Plant Percent							
			128,472	-			
5 Rate Base Allocation Comes from the Rate Base Schedule Line Rate Base Percent.							
6 Depreciation Expense Allocation Comes from the Net Plant Percent in Rate Base							
Rate Base Data	Total	Lines	Services	Outdoor Lighting	Lines	Services	Outdoor Lighting
Poles, Towers and Fixtures	22,030,030	22,030,030	-	-	100.0%	-	0.0%
Overhead Conductor	1,349,817	1,349,817	-	-	100.0%	-	-
Services	5,605,274	-	5,605,274	-	-	100.0%	0.0%
	28,985,121	23,379,847	5,605,274	-	80.7%	19.3%	0.0%

FLEMING MASON RECC
CASE NO. 2012-00369
FUNCTIONALIZATION OF TEST YEAR EXPENSES

FOOTNOTES										
Total Customer Serv.										
7	Admin & General Expense Allocation except General Plant						Consumer	Security	Street	
Acct.	Description	Stations	Lines	Trans- formers	Services	Meters	Services & Accounting	Lighting	Lighting	Total
580	Operations Supv & Eng	-	94,097	-	-	28,022	5,385	-	-	127,504
581	Load Dispatching	-	-	-	-	-	-	-	-	-
582	Station Expense	-	-	-	-	-	-	-	-	-
583	Overhead Line Exp.	-	958,660	-	77,344	-	-	-	-	1,036,004
584	Underground Line Exp	-	9,592	-	774	-	-	-	-	10,366
585	Street Lights	-	-	-	-	-	-	-	-	-
586	Meter Expense	-	-	-	-	311,603	-	-	-	311,603
587	Consumer Installations	-	-	-	-	-	-	59,882	-	59,882
588	Misc. Distribution Exp	-	127,983	-	-	38,113	7,324	-	-	173,419
589	Rents	-	8,123	-	-	2,419	465	-	-	11,007
		-	1,198,456	-	78,118	380,157	13,174	59,882	-	1,729,787
590	Maint Supv & Eng	-	110,853	5,903	-	367	11,350	-	-	128,472
592	Maint of Station Equip	-	-	-	-	-	-	-	-	-
593	Maint. Overhead Lines	-	2,243,814	-	-	-	-	-	-	2,243,814
594	Maint of Underground Lines	-	18,398	-	-	-	-	-	-	18,398
959	Maint Line Transformers	-	-	120,456	-	-	-	-	-	120,456
969	Maint of Street Lights	-	-	-	-	-	-	-	-	-
597	Maintenance of Meters	-	-	-	-	7,486	-	-	-	7,486
598	Maintenance of Security Lights	-	-	-	-	-	-	231,614	-	231,614
598	Maint Misc Distrib Plant	-	-	-	-	-	-	-	-	-
0	Total Dist. Maint.	-	2,373,064	126,359	-	7,853	11,350	231,614	-	2,750,240
901	Supervision	-	-	-	-	-	73,393	-	-	73,393
902	Meter Reading Expense	-	-	-	-	-	396,207	-	-	396,207
903	Cons Recds & Collections	-	-	-	-	-	1,163,369	-	-	1,163,369
904	Uncollectible Accounts	-	-	-	-	-	141,096	-	-	141,096
	Total Consum Accts	-	-	-	-	-	1,774,064	-	-	1,774,064
907	Customer Information	-	-	-	-	-	45,482	-	-	45,482
908	Customer Accounting	-	-	-	-	-	23,917	-	-	23,917
909	Consumer Information	-	-	-	-	-	36,217	-	-	36,217
910	Mis. Customer Information	-	-	-	-	-	-	-	-	-
914	Expense from Contracting	-	-	-	-	-	91,926	-	-	91,926
	Total Customer Serv.	-	-	-	-	-	197,542	-	-	197,542
	Total all Expenses	-	3,571,520	126,359	78,118	388,009	1,996,130	291,497	-	6,451,632
	Functions as % of Total	0.00%	55.36%	1.96%	1.21%	6.01%	30.94%	4.52%	0.00%	100.00%

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SUMMARY OF CLASSIFICATION OF EXPENSES

	<u>Consumer Related Costs</u>	<u>Demand Related Costs</u>	<u>Energy Related Costs</u>	<u>Security Lighting</u>	<u>Street Lighting</u>	<u>Total</u>
Purchased Power		12,176,278	40,900,429	-	-	53,076,708
Stations		-				-
Lines	1,824,614	4,886,420	-	-	-	6,711,034
Transformers	64,602	172,832	-	-	-	237,433
Services	146,787	-	-	-	-	146,787
Meters	729,086	-		-	-	729,086
Consumer Services & Accounting	3,750,810	-	-			-
Lighting				547,734		547,734
	6,515,898	17,235,530	40,900,429	547,734	-	65,199,592

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CLASSIFICATION OF EXPENSES

<u>Expense</u>	<u>2 Lines</u>	<u>Consumer Related Costs</u>	<u>Demand Related Costs</u>	<u>Total</u>
Purchased Power				
Distribution Operations	1,198,456	325,839	872,616	1,198,456
Distribution Maintenance	2,373,064	645,195	1,727,869	2,373,064
Consumer Accounts	-	-	-	-
Customer Service	-	-	-	-
Administrative & General	772,444	210,014	562,430	772,444
Depreciation	1,575,479	428,346	1,147,134	1,575,479
Miscellaneous	48,431	13,168	35,263	48,431
Interest on Long Term Debt	639,615	173,900	465,715	639,615
Short Term Interest	103,545	28,152	75,393	103,545
Total Costs	<u>6,711,034</u>	<u>1,824,614</u>	<u>4,886,420</u>	<u>6,711,034</u>
Margin Requirements	-	-	-	-
Revenue Requirements	<u>6,711,034</u>	<u>1,824,614</u>	<u>4,886,420</u>	<u>6,711,034</u>
<u>Expense</u>	<u>3 Transformers</u>	<u>Consumer Related Costs</u>	<u>Demand Related Costs</u>	<u>Total</u>
Purchased Power	#REF!	#REF!	#REF!	#REF!
Distribution Operations	-	-	-	-
Distribution Maintenance	126,359	34,380	91,979	126,359
Consumer Accounts	-	-	-	-
Customer Service	-	-	-	-
Administrative & General	27,329	7,436	19,893	27,329
Depreciation	55,740	15,166	40,574	55,740
Miscellaneous	1,713	466	1,247	1,713
Interest on Long Term Debt	22,629	6,157	16,472	22,629
Short Term Interest	3,663	997	2,667	3,663
Total Costs	<u>237,433</u>	<u>64,602</u>	<u>172,832</u>	<u>237,433</u>
Margin Requirements	-	-	-	-
Revenue Requirements	<u>237,433</u>	<u>64,602</u>	<u>172,832</u>	<u>237,433</u>
		<u>Energy Related Costs</u>	<u>Demand Related Costs</u>	
Purchased Power	53,076,708	40,900,429	12,176,278	53,076,708

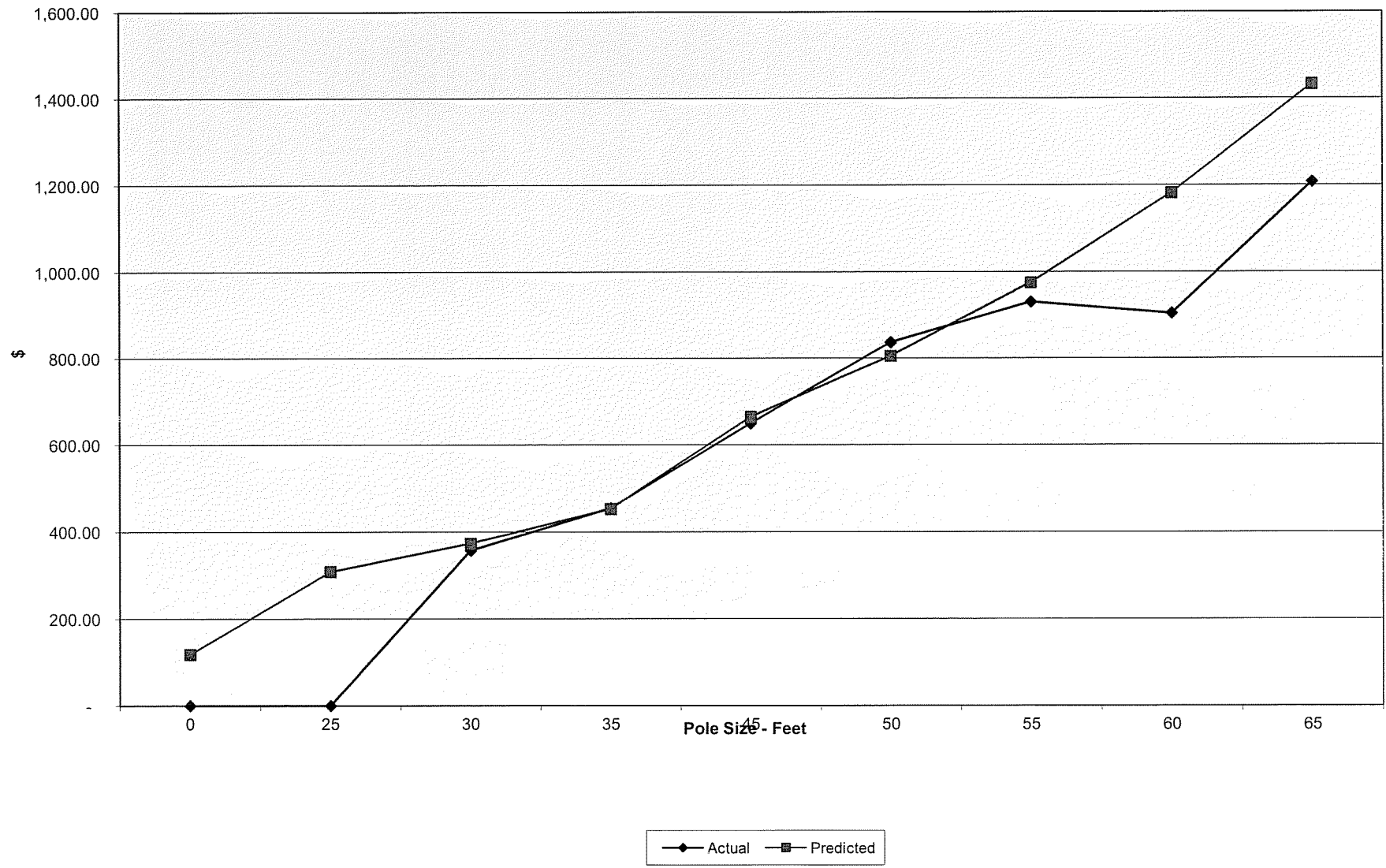
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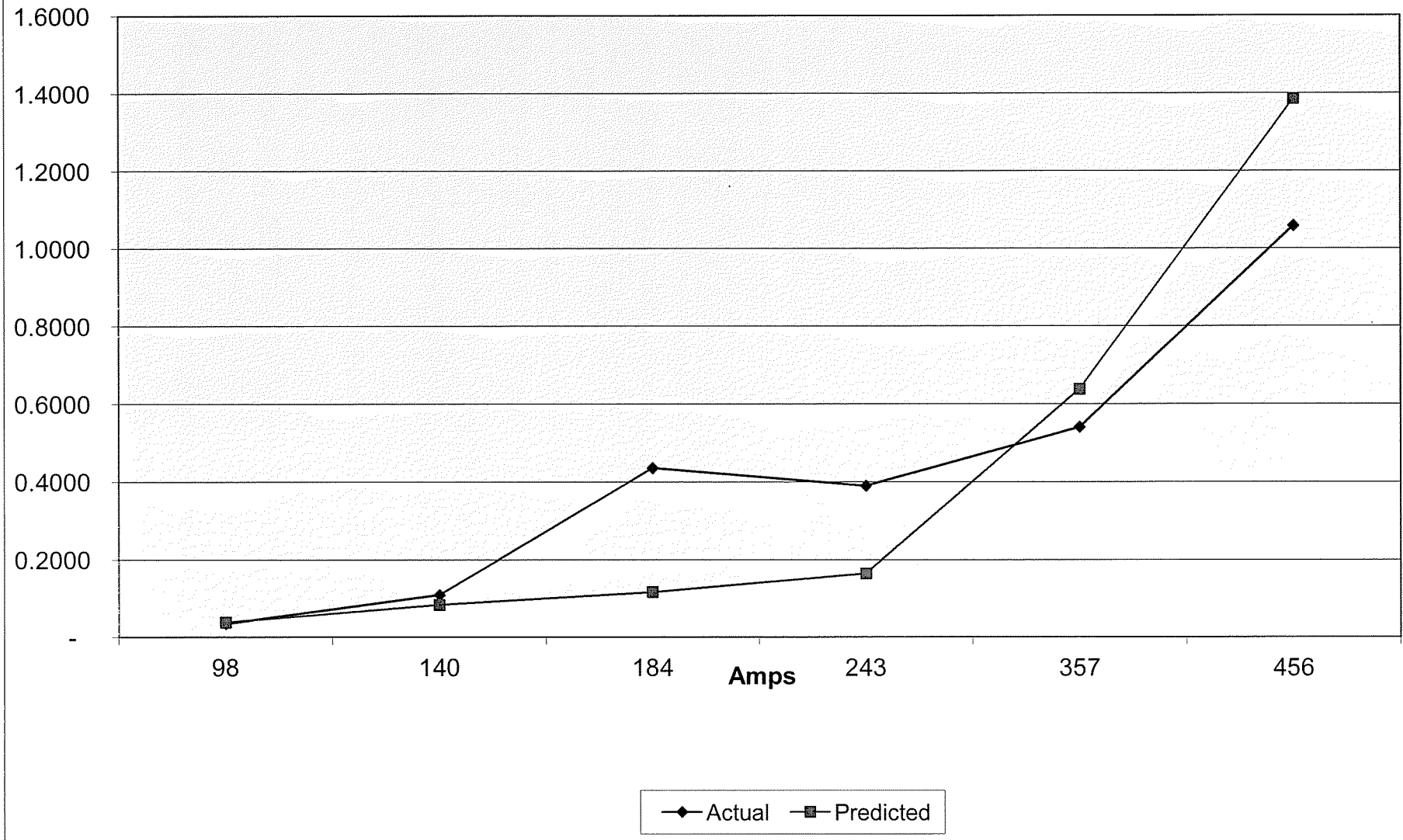
CLASSIFICATION OF EXPENSES

Consumer Related Costs				
Expense	<u>Services</u>	<u>Meters</u>	<u>Consumer Services & Accounting</u>	<u>Total</u>
Purchased Power				-
Distribution Operations	78,118	380,157	13,174	471,449
Distribution Maintenance	-	7,853	11,350	19,202
Consumer Accounts	-	-	1,774,064	1,774,064
Customer Service	-	-	197,542	197,542
Administrative & General	16,895	83,918	431,721	532,534
Depreciation	34,460	171,160	880,538	1,086,158
Miscellaneous	1,059	5,262	27,068	33,389
Interest on Long Term Debt	13,990	69,488	357,482	440,960
Short Term Interest	2,265	11,249	57,871	71,385
Total Costs	146,787	729,086	3,750,810	4,626,683
Margin Requirements	-	-	-	-
Revenue Requirements	146,787	729,086	3,750,810	4,626,683
6				
	<u>Stations</u>	<u>Lighting</u>		
Expense				
Purchased Power				
Distribution Operations	-	59,882		
Distribution Maintenance	-	231,614		
Consumer Accounts	-	-		
Customer Service	-	-		
Administrative & General	-	63,045		
Depreciation	-	128,586		
Miscellaneous	-	3,953		
Interest on Long Term Debt	-	52,203		
Short Term Interest	-	8,451		
Total Costs	-	547,734		
Margin Requirements	-	-		
Revenue Requirements	-	547,734		

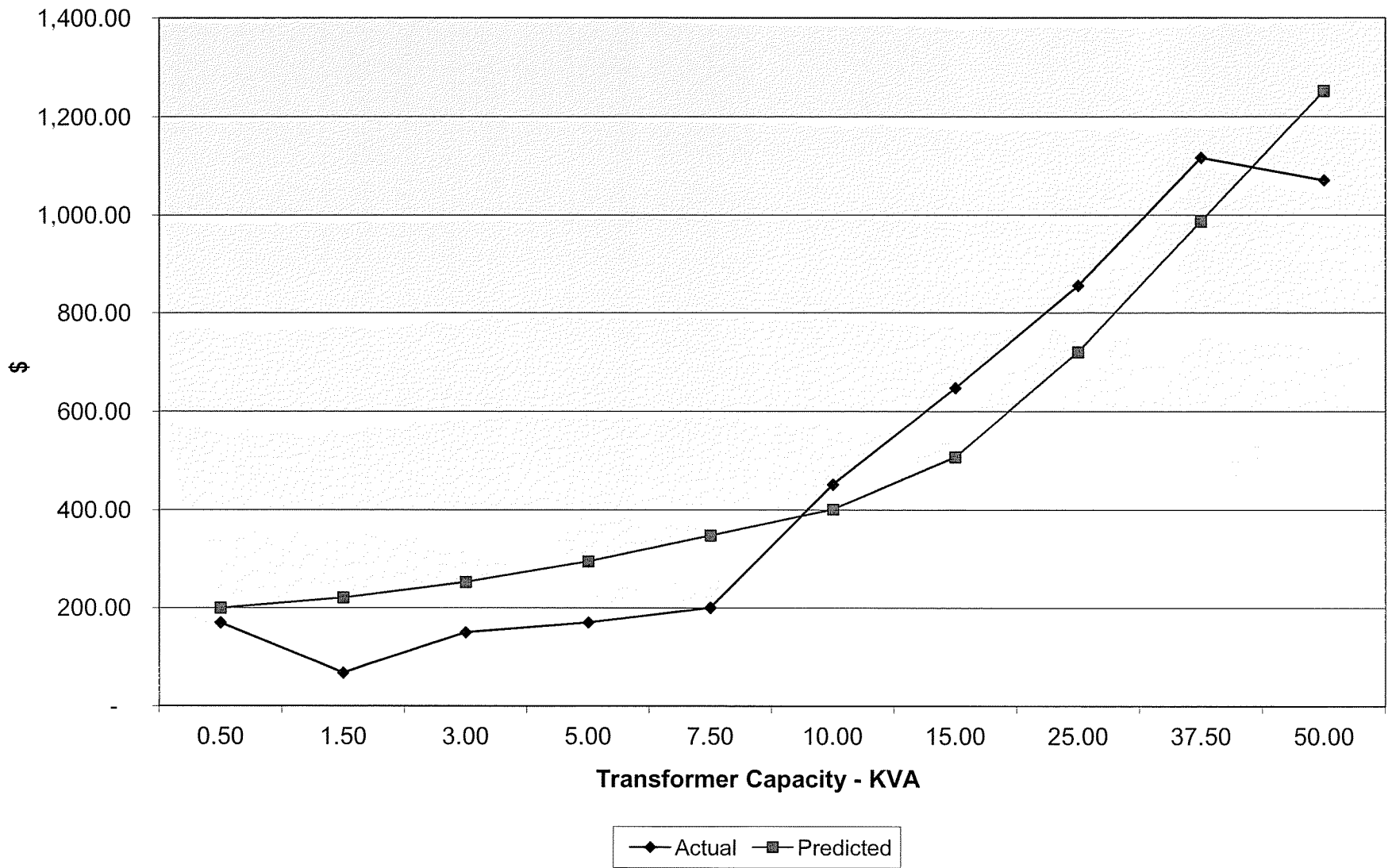
ACCOUNT 364 - POLES



Account 365 - Overhead Conductor



ACCOUNT 368 - TRANSFORMERS



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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 364 - POLES

1. Actual Data				
Poles	Size	Investment	Number of Units	Unit Cost
35' Pole and under	25	4,506,810.98	24,126	
40' to 45' Pole	30	13,533,467.84	31,778	\$ 357.00
50' Pole and over	35	810,737.45	1,158	\$ 454.00
	40			\$ 590.00
	45			\$ 649.50
	50			\$ 836.50
	55			\$ 930.50
	60			\$ 904.00
	65			\$ 1,207.50
		-		
Subtotal		18,851,016	57,062	
All other items		0		
Total Investment in Poles		18,851,016		

2. Determination of Demand and Consumer Related Investment

	Formula	Slope	Y intercept
Exponential Curve	$y=b*m^x$	1.039	118.037
Use y-intercept			118.0369
Number of poles			57,062
Consumer Related Investment			6,735,419
Total Investment in poles			18,851,016
Percent Customer Related			35.73%
Percent Demand Related			64.27%

Data for Graph		Relevant Data		
Used Exponential Curve		Size of Pole	Average Cost Per Unit	Predicted Cost
since regression analysis		0	-	\$ 118.04
provide a y intercept with a		25		308.25
negative value		30	\$ 357.00	373.49
		35	\$ 454.00	452.54
		45	\$ 649.50	664.37
		50	\$ 836.50	804.99
		55	\$ 930.50	975.36
EXPONENTIAL CURVE DATA		60	\$ 904.00	1,181.80
Formula	$y=b*m^x$	65	\$ 1,207.50	1,431.92
SLOPE - m	Intercept = b			
1.039143244	118.0368585			
REGRESSION LINE DATA	SLOPE - b = \$1.05	ZERO INTERCEPT - Y =65.60		

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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 365 - CONDUCTOR					
1. Actual Data					
Conductor	Investment	Number of Units	Unit Cost	Amps	
AAAC4	1,917,242	17,588,465	\$ 0.1090	140	
AAAC2	3,406,787	7,820,898	\$ 0.4356	184	
AAAC1/0	1,727,944	4,431,628	\$ 0.3899	243	
AAAC2/0	3,540	66,000	\$ 0.0536	276	
AAAC3/0	160	2,000	\$ 0.0798	315	
AAC4/0	984,647	1,821,300	\$ 0.5406	357	
AAAC397.5	88,137	104,000	\$ 0.8475		
HDC2	3,944	37,000	\$ 0.1066		
1/0 7 STR CU	75,141	513205	\$ 0.1464		
2-3 STR CU	4,376	44,390	\$ 0.0986		
ACWC8	142,534	4,084,053	\$ 0.0349	98	
ACWC6	86,478	1,714,836	\$ 0.0504	128	
ACWC4	1,092	19,875	\$ 0.0549		
STEEL6	2,986	104,185	\$ 0.0287		
336.4AL	1,369,522	1,294,150	\$ 1.0582	456	
336 25KV	69,734	42,380	\$ 1.6455		
052 AWA MESSENGER	14,358	13,900	\$ 1.0330		
556 ACSR	62,771	28,710	\$ 2.1864		
	9,961,394	39,730,975			
All other OH Conductor Invest.	-				
TOTAL	9,961,394				

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DEMAND AND CONSUMER RELATED INVESTMENTS

2. Demand and Consumer Investment Percents

linest resulted in neg intercept	
Formula	$y=bm^x$
Intercept	0.038861165
SLOPE	1.007868181
Use zero intercept	0.052523661
Amount of Conduit	39,730,975
Consumer Related Investment	2,086,816
Total Investment in conductor	9,961,394
Percent Customer Related	20.95%
Percent Demand Related	79.05%

CONDUCTOR DATA FOR GRAPH PURPOSES

Data for Graph			
Conuctor	Per Unit Cost	Wire Size	Predict Valeu
	0.0349	98	\$ 0.0389
	0.1090	140	\$ 0.0838
	0.4356	184	\$ 0.1164
2 ACSR	0.3899	243	\$ 0.1644
336.4 ACSR	0.5406	357	\$ 0.6377
	1.0582	456	\$ 1.3855
#REF!	#REF!	#REF!	

Breakdown of Lines into Demand Related and Consumer Related Components

Acct No.	Total Investment	Consumer-Related		Demand-Related	
		Percent	Amount	Percent	Amount
364.00	30,158,970	20.95%	6,318,013.92	79.05%	23,840,956
365.00	22,030,030	35.73%	7,871,272.56	64.27%	14,158,757
	52,189,000		14,189,286.49		37,999,713
%	100.00%		27.19%		72.81%

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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 368 - TRANSFORMERS				
Type of Transformer	Size In KVA	Number of Transformers	Total Cost	Per Unit Cost
.5 KVA OVERHEAD	0.5	4	679	169.69
1.5 KVA OVERHEAD	1.5	369	24,856.82	67.36
3 KVA OVERHEAD	3	16	2,398	149.88
5 KVA OVERHEAD	5	258	43,970	170.42
5 KVA	5	33	25,808	782.06
7.5 KVA OVERHEAD	7.5	31	6,208	200.25
10 KVA OVERHEAD	10	4,144	1,343,987	324.32
10 KVA DUEL	10	2,674	1,738,498	650.15
15 KVA OVERHEAD	15	3,169	1,518,339	479.12
15 KVA DUEL PADMOUNT	15	12	22,160	1,846.67
15 KVA DUEL	15	5,243	3,912,974.91	746.32
25 KVA OVERHEAD	25	1,213	684,584.46	564.37
25 KVA DUEL	25	2,037	1,829,249.45	898.01
25 KVA DUEL PADMOUNT	25	327	545,633.59	1,668.60
37.5 KVA OVERHEAD	37.5	113	62,153.68	550.03
37.5 KVA PADMOUNT	37.5	32	62,977.71	1,968.05
37.5 KVA DUEL	37.5	291	342,184.95	1,175.89
37.5 DUEL PADMOUNT	37.5	33	56,316.07	1,706.55
25 KVA PADMOUNT	25	11	9,764.93	887.72
50 KVA OVERHEAD	50	111	80,713.65	727.15
50 KVA DUEL	50	120	160,479.27	1,337.33
50 KVA PADMOUNT	50	22	25,949.52	1,179.52
50 KVA DUEL PADMOUNT	50	6	10,123.27	1,687.21
75 KVA OVERHEAD	75	56	56,261.78	1,004.67
75 KVA PADMOUNT	75	16	25,625.00	1,601.56
75 KVA DUEL	75	58	100,137.51	1,726.51
75 KVA DUEL PADMOUNT	75	3	7,355.59	2,451.86
100 KVA OVERHEAD	100	39	44,525.83	1,141.69
100 KVA PADMOUNT	100	10	14,195.46	1,419.55
100 KVA DUEL	100	66	127,305.86	1,928.88
100 KVA DUEL PADMOUNT	100	3	28,295.00	9,431.67
100 KVA DUEL PADMOUNT	100	2	7,513.00	3,756.50
167 KVA AUTO	167	36	86,638.74	2,406.63
167 KVA OVERHEAD	167	20	31,900.49	1,595.02
167 KVA PADMOUNT	167	4	9,109.00	2,277.25
167 KVA DUAL	167	44	99,451.00	2,260.25
225 KVA PADMOUNT	225	5	39,678.00	7,935.60
150 KVA DUAL PADOUNT	150	3	15,355.00	5,118.33

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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 368 - TRANSFORMERS CONTINUED

Type of Transformer	Size In KVA	Number of Transformers	Total Cost	Per Unit Cost
150 KVA PADMOUNT	150	4	20,196.00	5,049.00
250 KVA OVERHEAD	250	7	14,026.41	2,003.77
250 KVA DUEL	250	21	64,673.32	3,079.68
300 KVA PADMOUNT	300	8	64506	8,063.25
333 KVA OVERHEAD	333	4	10675.6	2,668.90
333 KVA AUTO	333	113	370798.45	3,281.40
333 KVA DUAL	333	19	91250	4,802.63
750 KVA PADMOUNT	750	4	38295	9,573.75
500 KVA OVERHEAD	500	4	17976	4,494.00
500 KVA 3PH PADMOUNT	500	2	13417	6,708.50
500 KVA	500	11	55354.6	5,032.24
500 KVA DUEL	500	4	17908	4,477.00
2500 KVA PADMOUNT	2500	3	62262.76	20,754.25
1000 KVA 3 PH PADMOUNT	1000	6	74,769.00	12,461.50
1000 KVA AUTO	1000	44	243,983.81	5,545.09
1500 KVA PADMOUNT	1500	8	112,507.10	14,063.39
2000 KVA 3PH PAOUDMOUNT	2000	1	16,130.00	16,130.00
Total		20,897	14,492,085	

2. Demand and Consumer Investment Percents

Regression Equation	
Intercept	188.6897175
slope	21.27840667
Use Intercept	188.69
Number of Transformers	20,897
Consumer Related Investment	3,943,049
Total Investment in transformers	14,492,085.12
Percent Customer Related	27.21%
Percent Demand Related	72.79%

ACCOUNT 368 - TRANSFORMERS

Data for Graph	Transformer Size	Actual Cost Per Un	Predicted Cost
	0.50	169.69	199.33
	1.50	67.36	220.61
	3.00	149.88	252.52
	5.00	170.42	295.08
	7.50	200.25	348.28
	10.00	452.11	401.47
	15.00	647.37	507.87
	25.00	855.42	720.65
	37.50	1,116.49	986.63
	50.00	1,070.52	1,252.61
EXPONENTIAL CURVE DATA			
Formula	$y=mx+b$		
SLOPE - m	Intercept = b		
	21.27840667	188.6897175	
REGRESSION LINE DATA	SLOPE - b = \$22.80	ZERO INTERCEPT - Y = \$136.56	

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ALLOCATION OF EXPENSES TO RATE CLASSES								
Function	Classifi- cation	Amount	Green Power	Rate 1 Residential & Small Power	Off-Peak Marketing ETS	Rate 2 Small General Serv.	Rate 3 & 7 Large General Serv.	Outdoor Lighting
Purchased Power	Demand	40,898,910		4,264,164	-	444,006	1,227,934	39,036
Purchased Power	Energy	40,900,429	1,519	15,136,998	72,870	836,956	4,950,610	259,693
Metering & Substation Stations	Demand Demand	843,624 -		360,749	-	37,563	103,883	3,302
Lines	Consumer	1,824,614		1,787,519	6,055	14,562	10,577	5,825
Lines	Demand	4,886,420		2,975,164	25,020	324,688	1,070,390	53,948
Transformers	Consumer	64,602		47,755	-	-	12,253	4,594
Transformers	Demand	172,832		144,764	408	6,568	20,277	815
Services	Consumer	146,787		143,609	49	2,426	653	50
Meters	Consumer	729,086		661,153	2,239	30,895	22,440	12,358
Consumer Services & Accounting	Consumer	3,750,810		3,092,155	25,190	45,740	37,785	546,361
Lighting	Lighting	547,734						547,734
Revenue Requirements		94,765,847	1,519	28,614,029	131,831	1,743,404	7,456,803	1,473,715
SUMMARY								
				Rate 1		Rate 2	Rate 3 & 7	
				Residential		Small	Small	
		Amount		& Small Power		General Serv.	General Serv.	
Consumer Related		6,515,898	-	5,732,191	33,533	93,624	83,708	569,187
Demand Related		46,801,785	-	7,744,840	25,428	812,824	2,422,485	97,102
Energy Related		40,900,429	1,519	15,136,998	72,870	836,956	4,950,610	259,693
Lighting		547,734						547,734
Revenue Requirements		94,765,847	1,519	28,614,029	131,831	1,743,404	7,456,803	1,473,715

**FLEMING MASON RECC
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ALLOCATION OF EXPENSES TO RATE CLASSES							
Function	Classifi- cation	TOTAL EKPC Sched E Whls Rates	Dravo	Guardian	Special Contract Inland	Special Contract Tenn Gas	TOTAL Wholesale Power
Purchased Power	Demand	5,975,139	1,458,572	735,979	2,637,965	525,000	11,332,654
Purchased Power	Energy	21,257,127	5,643,899	2,655,227	10,774,867	567,790	40,900,429
Metering & Substation Stations	Demand	505,498	93,906	45,737	183,440	15,043	843,624
Lines	Consumer	1,824,537	-	77	-	-	1,824,614
Lines	Demand	4,449,210	-	437,209	-	-	4,886,420
Transformers	Consumer	64,602	-	-	-	-	64,602
Transformers	Demand	172,832	-	-	-	-	172,832
Services	Consumer	146,787	-	-	-	-	146,787
Meters	Consumer	729,086	-	-	-	-	729,086
Consumer Services & Accounting	Consumer	3,747,230	795	795	1,193	795	3,750,810
Lighting	Lighting	547,734	-	-	-	-	547,734
Revenue Requirements		39,421,302	7,197,172	3,875,025	13,597,465	1,108,628	65,199,592
SUMMARY							
					Special Contract	Special Contract	
			Dravo	Guardian	Inland	Power	Total
Consumer Related		6,512,242	795	872	1,193	795	6,515,898
Demand Related		11,102,679	1,552,478	1,218,925	2,821,405	540,043	17,235,530
Energy Related		21,258,646	5,643,899	2,655,227	10,774,867	567,790	40,900,429
Lighting		547,734	-	-	-	-	547,734
Revenue Requirements		39,421,302	7,197,172	3,875,025	13,597,465	1,108,628	65,199,592

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CASE NO. 2012-00369**

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

Month	Envirowatts Green Power	Rate 1	Off-Peak	Rate 2	Rate 3 & 7	-	TOTAL			Special	Special	TOTAL
		Residential & Small Power	Marketing ETS	Small General Serv.	Large General Serv	Outdoor Lighting	EKPC Sched E Whls Rates	Dravo	Guardian	Contract Inland	Contract Tenn Gas	for Whole- sale Power
January	2,600	37,733,265	220,091	1,477,448	8,115,724	415,264	47,961,792	11,783,410	4,941,813	21,388,627	26,061	86,101,703
February	2,600	31,412,810	187,590	1,346,612	7,937,553	413,706	41,298,271	11,025,112	4,691,031	19,368,818	18,962	76,402,194
March	2,400	26,240,154	148,519	1,285,214	8,237,385	416,755	36,328,027	10,294,988	5,480,143	21,312,494	14,112	73,429,764
April	2,400	19,036,106	108,202	1,205,253	7,185,767	413,021	27,948,349	11,384,710	4,812,835	20,625,826	11,948	64,783,668
May	2,400	17,899,905	74,432	1,175,497	7,377,054	416,224	26,943,112	11,570,006	5,324,633	21,125,915	12,362	64,976,028
June	3,100	21,986,988	102,523	1,478,280	8,239,482	415,200	32,222,473	10,701,677	5,673,715	21,268,456	106,335	69,972,656
July	3,100	25,396,917	51,463	1,562,325	8,307,302	415,112	35,733,119	11,673,378	4,862,666	21,445,400	25,268	73,739,831
August	3,100	23,327,926	74,320	1,420,131	8,689,160	413,801	33,925,338	11,173,990	5,780,305	21,613,099	13,942	72,506,674
September	3,100	19,160,419	69,730	1,382,484	8,475,225	414,204	29,502,062	10,450,355	5,274,008	21,320,050	448,388	66,994,863
October	3,100	16,921,371	77,586	1,166,275	7,435,278	413,132	26,013,642	10,977,201	5,300,516	21,440,746	3,357,025	67,089,130
November	3,100	21,505,124	115,098	1,217,098	7,420,284	413,302	30,670,906	9,446,105	5,035,272	19,036,476	4,485,325	68,674,084
December	3,100	29,336,921	166,311	1,315,759	7,411,575	414,839	38,645,405	10,899,150	4,742,446	21,319,926	4,879,868	80,486,795
	34,100	289,957,906	1,395,865	16,032,376	94,831,789	4,974,560	407,192,496	131,380,082	61,919,383	251,265,833	13,399,596	865,157,390
% Whsl Power % Lines	Direct	71.21%	0.34%	3.94%	23.29%	1.22%	100.00%	Direct	Direct	Direct	Direct	
% Transformers		#DIV/0!		#DIV/0!	#DIV/0!			#DIV/0!	0.00%	0.00%	#DIV/0!	#DIV/0!

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

Month	Envirowatts Green Power	Rate 1 Residential & Small Power	Off-Peak Marketing ETS	Rate 2 Small General Serv.	Rate 3 & 7 Large General Serv	0 Outdoor Lighting	TOTAL EKPC Sched E Whls Rates	Dravo	Guardian	Special Contract Inland	Special Contract Tenn Gas	TOTAL for Whole- sale Power
January	-	76,060	518	6,986	22,159	1,059	106,782	18,010	8,820	30,785	81	164,478
February	-	78,541	525	7,506	23,010	1,225	110,806	18,530	8,884	30,665	81	168,967
March	-	54,612	525	6,177	22,037	1,290	84,641	18,010	8,890	31,467	60	143,068
April	-	50,429	532	6,985	21,593	1,264	80,803	17,758	9,264	31,089	60	138,974
May	-	59,784	525	7,397	23,895	1,062	92,663	17,674	9,657	31,304	40	151,338
June	-	62,958	525	7,374	23,106	1,058	95,021	17,606	9,698	30,953	7,157	160,435
July	-	72,276	525	7,113	23,582	1,059	104,555	17,203	9,504	30,975	7,177	169,414
August	-	61,551	525	7,455	24,513	1,062	95,106	17,102	9,675	31,125	40	153,048
September	-	69,931	525	7,795	24,852	1,067	104,170	16,951	9,537	31,672	7,197	169,527
October	-	49,766	546	5,630	21,127	1,059	78,128	17,338	9,402	30,851	14,273	149,992
November	-	59,795	553	6,254	21,649	1,322	89,573	16,716	9,093	31,484	15,584	162,450
December	-	62,587	553	6,082	21,291	1,223	91,736	17,237	9,009	31,118	14,172	163,272
	-	758,290	6,377	82,754	272,814	13,750	1,133,985	210,134	111,433	373,488	65,922	1,894,963
	No Dist Invest	60.89%	0.51%	6.64%	21.91%	1.10%	1,245,418	No Dist Invest	8.95%	No Dist Invest	No Dist Invest	No Dist Invest

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

Month	Envirowatts Green Power	Rate 1 Residential & Small Power	Off-Peak Marketing ETS	Rate 2 Small General Serv.	Rate 3 & 7 Large General Serv	0 Outdoor Lighting	TOTAL EKPC Sched E Whls Rates	Dravo	Guardian	Special Contract Inland	Special Contract Tenn Gas	TOTAL for Whole- sale Power
January	-	185,574	518	8,574	25,634	1,059	221,359	18,010	8,820	30,785	81	279,055
February	-	205,089	525	8,770	26,279	1,060	241,723	18,530	8,884	30,665	81	299,883
March	-	202,955	525	8,199	25,323	1,060	238,062	18,010	8,890	31,467	60	296,489
April	-	186,934	532	8,243	25,022	1,062	221,793	17,758	9,264	31,089	60	279,964
May	-	196,540	525	8,907	27,401	1,062	234,435	17,674	9,667	31,304	40	293,120
June	-	174,887	525	8,629	26,366	1,058	211,465	17,606	9,698	30,953	7,157	276,879
July	-	180,860	525	8,680	26,709	1,059	217,833	17,203	9,504	30,975	7,177	282,692
August	-	171,660	525	8,989	28,156	1,062	210,392	17,102	9,675	31,125	40	268,334
September	-	172,398	525	8,687	27,648	1,067	210,325	16,951	9,537	31,672	7,197	275,682
October	-	187,760	546	8,278	25,601	1,059	223,244	17,338	9,402	30,851	14,273	295,108
November	-	197,562	546	8,602	27,246	1,056	235,012	16,716	9,093	31,484	15,584	307,889
December	-	196,822	546	7,931	25,045	1,058	231,402	17,237	9,009	31,118	14,172	302,938
	-	2,259,041	6,363	102,489	316,430	12,722	2,697,045	210,134	111,443	373,488	65,922	3,458,032
Allocation %	No Dist Invest	83.76%	0.24%	3.80%	11.73%	0.47%	2,808,488	No Dist Invest	4.13%	No Dist Invest	No Dist Invest	No Dist Invest

FLEMING- MASON ENERGY COOPERATIVE
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A. Lines (poles and conduit)		1	2	3	4	5	6
					Number of Consumers	Relative Weight	Allocation Percent
Rate 1	Residential				23,323	-	97.97%
Rate 11	RSP - ETS				79		0.33%
Rate 2	Small Commercial				190	-	0.80%
Rate 3 & 7	Large General Service				138	-	0.58%
Rate 20	SecurityLights				76		0.32%
Rate 6	Dravo				-	-	0.00%
Rate 12	Guardian				-		0.00%
Rate 16	Inland				1		0.004%
rate 17	TN Gas				-		0.00%
YL-1							
					23,807	0.0%	100.0%

B. Transformers

		1	2	3	4	5	6
		Minimum Size Transform.	Cost of Minimum Transform.	Weighted Cost Min = 1	Number of Customers	Relative Weight	Allocation Percent
Rate 1	Residential	10 KVA	\$ 324.32	1.00	23,323	23,323	73.92%
Rate 11	RSP - ETS	-	-	-	79	-	0.00%
Rate 2	Small Commercial	37.5 KVA	-	-	190	-	0.00%
Rate 3 & 7	Large General Service	125 KVA	14,064.12	43.36	138	5,984	18.97%
Rate 20	SecurityLights	5 KVA	9,573.75	29.52	76	2,243	7.11%
Rate 6	Dravo	10000 KVA	-	-	1	-	0.00%
Rate 12	Guardian	10000 KVA	-	-	1	-	0.00%
Rate 16	Inland	5000 KVA	-	-	1	-	0.00%
rate 17	TN Gas	5000 KVA	-	-	1	-	0.00%
					23,810.00	31,550.81	100.00%

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C. Services								
		1	2	3	4	5	6	
		Minimum Size Service	Cost Per Unit	Average Length of Service	Cost of Service	Number of Customers	Relative Weight	Allocation Percent
Rate 1	Residential	2 Tpx	\$ 1.23	100	123.21	23,323	2,873,627	97.84%
Rate 11	RSP - ETS	2 Tpx	1.23	10	12.32	79.00	973	0.03%
Rate 2	Small Commercial	1/0 ACSR	1.89	135	255.53	190	48,551	1.65%
Rate 3 & 7	Large General Service	1/0 Quad	1.89	50	94.64	138	13,061	0.44%
Rate 20	SecurityLights	6 Tpx	0.37	35	13.04	76	991	0.03%
Rate 6	Dravo							
Rate 12	Guardian							
Rate 16	Inland							
rate 17	TN Gas							
						23,806.00	2,937,203	100.00%

D. Meters							
		1	2	3	4	5	6
		Minimum Size Meter	Cost of Minimum Meter	Weighted Cost Meter	Number of Customers	Relative Weight	Allocation Percent
Rate 1	Residential	Single Phase	73.69	1.00	23,323	23,323.00	90.682%
Rate 11	RSP - ETS	Single Phase	73.69	1.00	79	79.00	0.307%
Rate 2	Small Commercial	3 Phase	422.70	5.74	190	1,089.88	4.238%
Rate 3 & 7	Large General Service	3 Phase	422.70	5.74	138	791.59	3.078%
Rate 20	SecurityLights	NA	422.70	5.74	76	435.95	1.695%
Rate 6	Dravo	EKPC Pays	-	-	-	-	0.000%
Rate 12	Guardian	EKPC Pays	-	-	-	-	0.000%
Rate 16	Inland	EKPC Pays	-	-	-	-	0.000%
rate 17	TN Gas	EKPC Pays	-	-	-	-	0.000%
					23,806.00	25,719.42	100.0%

E. Consumer & Accounting Services		1	2	3	4	5	6
Rate Class		Billing Factor	Multiplier	1 x 2 Records	Number of Customers	3 x 4 Total	Allocation Percent
Rate 1	Residential	4	1.00	4.00	23,323	93,292	82.44%
Rate 11	RSP - ETS	4	1.00	4.00	190	760	0.67%
Rate 2	Small Commercial	5	2.00	10.00	138	1,380	1.22%
Rate 3 & 7	Large General Service	5	3.00	15.00	76	1,140	1.01%
Rate 20	SecurityLights	4	0.50	2.00	8,242	16,484	14.57%
Rate 6	Dravo	6	4.00	24.00	1	24	0.02%
Rate 12	Guardian	6	4.00	24.00	1	24	0.02%
Rate 16	Inland	6	6.00	36.00	1	36	0.03%
rate 17	TN Gas	6	4.00	24.00	1	24	0.02%
					31,973	113,164	100%

Kentucky 52
Fleming-Mason Energy Cooperative
Flemingsburg, Kentucky

Audited Financial Statements
December 31, 2011 and 2010

Alan M. Zumstein
Certified Public Accountant
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• TENNESSEE STATE BOARD OF
ACCOUNTANCY

To the Board of Directors
Fleming Mason Energy Cooperative

I have audited the financial statements of Fleming Mason Energy Cooperative for the year ended December 31, 2011, and have issued my report thereon dated March 21, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on audits of the Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of the Cooperative for the year ended December 31, 2011, I considered its internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting that I consider to be a material weakness.

7 CFR Part 1773.3 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions and other additional matters. I have grouped my comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, I performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, material control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.3(d)(1) related transactions, depreciation rates, a schedule of deferred debits and credits and a schedule of investments, upon which I express an opinion. In addition, my audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. My Objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, I express no opinion thereon.

No reports, other than my independent auditor's report, and my independent auditor's report on internal control over financial reporting and compliance and other matters, all dated March 21, 2012, or summary of recommendations related to my audit have been furnished to management.

To the Board of Directors
Fleming Mason Energy Cooperative – 2

My comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Comments on Certain Specific Aspects of the Internal Control Over Financial Reporting

I noted no matters regarding the Cooperative's internal control over financial reporting and its operation that I consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- the process for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement, and maintenance and other expense accounts, and;
- the material controls.

Comments on Compliance with Specific RUS Loan and Security Instrument Provisions

At your request, I have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures I performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended December 31, 2011, of the Cooperative.
 1. The Cooperative has not entered into any contract during the year for the operation or maintenance of its property, or for the use of its property by others as defined in 1773.33(e)(1)(i).
- Procedures performed with respect to the requirement to submit RUS *Financial and Operating Report Electric Distribution* to RUS:
 1. Agreed amounts reported in RUS *Financial and Operating Report Electric Distribution* to the Cooperative's records as of December 31, 2011.

The results of my tests indicate that, with respect to the items tested, the Cooperative complied in all material respects, with the specific RUS loan and security instrument provisions referred to below. With respect to items not tested, nothing came to my attention that caused me to believe that the Cooperative had not complied, in all material respects, with those provisions. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has submitted its RUS *Financial and Operating Report Electric Distribution* to RUS and the *Financial and Operating Report Electric Distribution*, as of December 31, 2011, represented by the borrower as having been submitted to RUS appears to be in agreement with its audited records in all material respects.
- During the period of this review, the Cooperative received no long term advances from CFC on loans controlled by the RUS/CFC Mortgage and Loan Agreement.

Comments on Other Additional Matters

In connection with my audit of the Cooperative, nothing came to my attention that caused me to believe that the Cooperative failed to comply with respect to:

- The reconciliation of continuing property records to controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);

To the Board of Directors
Fleming Mason Energy Cooperative - 3

- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standard No. 57, Related party Transactions, for the year ended December 31, 2011, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773(h) and provided below is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The deferred credits are as follows:

Consumer advances for construction	\$10,407
Deferred meter installations	<u>4,597</u>
	<u>\$15,004</u>

Fleming Mason has a wholly-owned subsidiary, Fleming Mason Service Corporation, which owns the rights to a Local Multipoint Distributions Serviced (LMDS) in areas in Kentucky where the license has been purchased. The investment is accounted for using the equity method of accounting. There was no original investment in capital stock. There is neither an investment nor profits to report.

This report is intended solely for the information and use of the Board of Directors, management, RUS, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Alan M. Zumstein

Alan M. Zumstein, CPA
March 21, 2012

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ACCOUNTANCY

Independent Auditor's Report

To the Board of Directors
Fleming Mason Energy Cooperative

I have audited the accompanying balance sheets of Fleming Mason Energy Cooperative, as of December 31, 2011 and 2010, and the related statements of income and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of Fleming Mason Energy Cooperative's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fleming Mason Energy Cooperative as of December 31, 2011 and 2010, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 21, 2012, on my consideration of Fleming Mason Energy Cooperative's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audits.

Alan M. Zumstein

Alan M. Zumstein, CPA
March 21, 2012

ALAN M. ZUMSTEIN
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MEMBER
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ACCOUNTANCY

To the Board of Directors
Fleming Mason Energy Cooperative

I have audited the financial statements of Fleming Mason Energy Cooperative as of and for the years ended December 31, 2011 and 2010, and have issued my report thereon dated March 21, 2012. I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Cooperative's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

To the Board of Directors
Fleming Mason Energy Cooperative
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fleming Mason's financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Alan M. Zumstein

Alan M. Zumstein, CPA
March 21, 2012

Fleming-Mason Energy Cooperative
Balance Sheets, December 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Electric Plant, at original cost:		
In service	\$ 88,733,590	\$ 86,671,705
Under construction	679,769	532,915
	89,413,359	87,204,620
Less accumulated depreciation	25,964,288	24,176,136
	63,449,071	63,028,484
Investments in Associated Organizations	24,039,793	19,458,512
Current Assets:		
Cash and cash equivalents	270,762	556,587
Accounts receivable, less allowance for 2011 of \$98,276 and 2010 of \$66,747	7,362,056	7,386,047
Other receivables	1,351,297	1,424,449
Material and supplies, at average cost	371,076	355,725
Other current assets	119,131	122,462
	9,474,322	9,845,270
Total	\$ 96,963,186	\$ 92,332,266
<u>Members' Equities and Liabilities</u>		
Members' Equities:		
Memberships	\$ 231,010	\$ 232,168
Patronage capital	38,480,487	33,525,189
Other equities	(3,287,928)	(3,332,588)
Accumulated other comprehensive income	(4,600,499)	(4,339,718)
	30,823,070	26,085,051
Long Term Liabilities:		
Long term debt	44,374,386	44,566,341
Accumulated operating provisions	7,291,827	6,872,726
	51,666,213	51,439,067
Current Liabilities:		
Short term borrowings	4,700,000	5,000,000
Accounts payable	6,105,909	6,196,968
Current portion of long term debt	2,125,000	1,925,000
Consumer deposits	738,156	712,085
Accrued expenses	789,834	861,236
	14,458,899	14,695,289
Deferred Credits	15,004	112,859
Total	\$ 96,963,186	\$ 92,332,266

The accompanying notes are an integral part of the financial statements.

Statements of Revenue and Patronage Capital
for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues	<u>\$ 70,475,122</u>	<u>\$ 67,143,177</u>
Operating Expenses:		
Cost of power	57,792,373	53,534,623
Distribution - operations	1,729,787	1,522,939
Distribution - maintenance	2,750,240	2,635,800
Consumer accounts	1,774,064	1,779,564
Customer services	105,616	105,444
Sales	91,926	90,978
Administrative and general	1,395,351	1,403,023
Depreciation, excluding \$214,280 in 2011 and \$181,715 in 2010 charged to clearing account	2,845,963	2,742,464
Taxes, other than income	66,771	63,759
Other deductions	20,715	25,392
	<u>68,572,806</u>	<u>63,903,986</u>
Operating margins before interest charges	<u>1,902,316</u>	<u>3,239,191</u>
Interest Charges:		
Long-term debt	1,155,407	1,288,218
Other	187,044	186,415
	<u>1,342,451</u>	<u>1,474,633</u>
Operating margins after interest charges	<u>559,865</u>	<u>1,764,558</u>
Nonoperating Margins		
Interest income	42,576	43,719
Others	(25,286)	(18,524)
	<u>17,290</u>	<u>25,195</u>
Patronage Capital Credits	<u>4,618,269</u>	<u>2,533,088</u>
Net Margins	5,195,424	4,322,841
Patronage Capital, beginning of year	33,525,189	29,418,846
Refunds to estates of deceased members	(196,410)	(165,125)
Transfers to prior year's deficits and other equities	(43,716)	(51,373)
Patronage Capital, end of year	<u>\$ 38,480,487</u>	<u>\$ 33,525,189</u>

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows
for the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Net margins	\$ 5,195,424	\$ 4,322,841
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation:		
Charged to expense	2,845,963	2,742,464
Charged to clearing accounts	214,280	181,715
Patronage capital credits assigned	(4,618,269)	(2,533,088)
Accumulated postretirement benefits	158,320	165,847
Change in assets and liabilities:		
Receivables	97,143	(618,843)
Material and supplies	(15,351)	33,800
Other assets	3,331	(10,351)
Payables	(91,059)	744,415
Consumer deposits and advances	(71,784)	94,700
Accrued expenses	(71,402)	(285,090)
	<u>3,646,596</u>	<u>4,838,410</u>
Cash Flows from Investing Activities:		
Plant additions	(3,287,692)	(4,147,769)
Plant removal costs	(203,846)	(280,882)
Salvage recovered from retired plant	10,708	1,417
Receipts from other investments, net	36,988	31,624
	<u>(3,443,842)</u>	<u>(4,395,610)</u>
Cash Flows from Financing Activities:		
Net increase in memberships	(1,158)	(1,705)
Refund of patronage capital to members	(196,410)	(165,125)
Increase in other equities	944	2,018
Advances of long term debt	2,000,000	2,000,000
Payments on long term debt	(1,991,955)	(1,802,429)
Short term borrowings	(300,000)	(342,042)
Capital leases	-	(21,839)
	<u>(488,579)</u>	<u>(331,122)</u>
Net increase in cash	(285,825)	111,678
Cash and cash equivalents, beginning of year	<u>556,587</u>	<u>444,909</u>
Cash and cash equivalents, end of year	<u>\$ 270,762</u>	<u>\$ 556,587</u>
Supplemental cash flows information:		
Interest paid on long-term debt	\$ 1,211,953	\$ 1,327,755

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Fleming Mason Energy Cooperative (“Fleming Mason”) maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission (“PSC”) and the United States Department of Agriculture, Rural Utilities Service (“RUS”), which conform in all material respects with generally accepted accounting principles. The more significant of these policies are as follows:

Electric Plant Electric plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the year.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Electric plant consists of:

	<u>2011</u>	<u>2010</u>
Distribution plant	\$79,177,840	\$77,222,863
General plant	<u>9,555,750</u>	<u>9,448,842</u>
Total	<u><u>\$88,733,590</u></u>	<u><u>\$86,671,705</u></u>

Depreciation Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Depreciation rates range from 1.44% to 10.0%, with a composite rate of 3.62% for distribution plant. General plant rates are as follows:

Structures and improvements	2.5%
Transportation equipment	10% - 20%
Other general plant	5% - 10%

Cash and Cash Equivalents Fleming Mason considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Off Balance Sheet Risk Fleming Mason has off-balance sheet risk in that they maintain cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2011, the financial institutions reported deposits in excess of the \$250,000 FDIC insured limit several times during the audit period.

Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

Revenue Fleming Mason records revenue as billed to its consumers based on monthly meter-reading cycles. All consumers are required to pay a refundable deposit that may be waived under certain circumstances. Fleming Mason’s sales are concentrated in an eight county area of eastern Kentucky. Consumers must pay their bill within 20 days of billing, at which time a disconnect notice is sent with payment to be within 10 days. If not paid, then consumers are subject to disconnect. Accounts are written off when they are deemed to be uncollectible. The allowance for uncollectible accounts is based on the aging of receivables. There was one customer whose individual account balance exceeded 10% of outstanding accounts receivable at December 31, 2011 and 2010. See Note 9 for additional information.

Note 1. Summary of Significant Accounting Policies, continued

Cost of Power Fleming Mason is one of sixteen (16) members of East Kentucky Power Cooperative (“East Kentucky”). Under a wholesale power agreement, Fleming Mason is committed to purchase its electric power and energy requirements from East Kentucky until 2051. The rates charged by East Kentucky are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky. There are certain surcharges, clauses, and credits that East Kentucky includes to Fleming Mason that are passed on to consumers using a methodology prescribed by the Commission.

Fair Value Measurements The Fair Value Measurements and Disclosures Topic of the FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset or liability in an orderly transaction between market participants at the measurement date. The Fair Values Measurements Topic establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs when possible. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices of similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an organization’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The carrying amounts of Fleming Mason’s cash and cash equivalents, other receivables, investments, inventories, other assets, trade accounts payable, accrued expenses and liabilities, and other liabilities approximate fair value due to their short maturity. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations. Other assets are not considered financial instruments because they represent activities specifically related to Fleming Mason. Long term debt can not be traded in the market, and is specifically for electric cooperatives and, therefore, a value other than its outstanding principal cannot be determined.

Fleming Mason may, and also does, invest idle funds in local banks and in National Rural Utilities Cooperative Finance Corporation (“CFC”) commercial paper. These investments are classified as held-to-maturity in accordance with provisions of the *Financial Instruments Topic* of FASB ASC 320. Held-to-maturity securities are presented at amortized cost. The fair value of held-to-maturity securities approximates cost at 2011 and 2010.

Principles of Consolidation Fleming Mason has a wholly-owned subsidiary, Fleming Mason Service Corporation (“Service Corporation”). Since there is no significant activity in the subsidiary, consolidated financial statements are not prepared.

The Service Corporation has purchased Local Multipoint Distribution Services (“LMDS”) licenses in central and western Kentucky. This gives the Service Corporation the franchise to serve LMDS to the areas purchased. The licenses can be renewed with a minimum of application. The management of the Service Corporation has indicated this minimum will be met, and the license will have an indefinite life, therefore, there is no amortization of the license.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies, continued

Advertising Fleming Mason expenses advertising costs as incurred.

Income Tax Status Fleming Mason is exempt from federal and state income taxes under provisions of Section 501(c)(12). Accordingly, the financial statements include no provision for income taxes.

The Service Corporation is a "C" Corporation for income tax purposes. No taxes are due for 2010 or 2009.

Effective January 1, 2008, Fleming Mason adopted the provisions of the *Income Taxes Topic* of the FASB ASC that pertains to accounting for uncertainty in income taxes. Fleming Mason had no prior unrecognized tax benefits as a result of the implementation. Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. There are no tax positions for which the ultimate deductibility is highly uncertain included in the accompanying financial statements. Fleming Mason recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Fleming Mason did not recognize any interest or penalties during the years ended December 31, 2011 or 2010.

Risk Management Fleming Mason is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

Subsequent Events Management has evaluated subsequent events through March 21, 2012, the date the financial statements were available to be issued. There were no significant subsequent events to report.

Note 2. Investments in Associated Organizations

Investments in associated organizations consist of:

	<u>2011</u>	<u>2010</u>
East Kentucky, patronage capital	\$22,157,682	\$17,641,925
CFC, CTC's	858,625	859,574
CFC, patronage capital	249,216	212,442
Others	774,270	744,571
Total	<u>\$24,039,793</u>	<u>\$19,458,512</u>

Fleming Mason records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates ("CTCs") of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 3% and 5% and are scheduled to mature at varying times from 2020 to 2080.

Note 3. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25% of the net margins for the next preceding year, Fleming Mason may distribute the difference between 25% and the payments made to such estates. The equity at December 31, 2011 was 32% of total assets. Included in other equities is \$3,369,902 of losses from prior years' that is being carried forward to be offset with future years' non operating margins.

Notes to Financial Statements

Note 3. Patronage Capital, continued

Patronage capital consists of:

	<u>2011</u>	<u>2010</u>
Assigned to date	\$37,961,492	\$33,682,368
Assignable margins	5,195,424	4,322,841
Retirements to date	<u>(4,676,429)</u>	<u>(4,480,020)</u>
Total	<u>\$38,480,487</u>	<u>\$33,525,189</u>

Note 4. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income, which includes the recording of unfunded pension costs and accumulated postretirement benefits, is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning	(\$4,339,718)	(\$4,484,849)
Pension plan, amortize and adjust	(228,847)	168,309
Postretirement benefits, amortize and adjust	<u>(31,934)</u>	<u>(23,178)</u>
Balance, ending	<u>(\$4,600,499)</u>	<u>(\$4,339,718)</u>

The ending balance is comprised of the following:

	<u>2011</u>	<u>2010</u>
Pension plan	(\$4,028,475)	(\$3,735,760)
Postretirement benefits	<u>(572,024)</u>	<u>(603,958)</u>
Total	<u>(\$4,600,499)</u>	<u>(\$4,339,718)</u>

Note 5. Long Term Debt

All assets, except vehicles, are pledged as collateral on the long term debt to RUS, Federal Financing Bank (“FFB”), CFC, and National Bank for Cooperative (“CoBank”) under a joint mortgage agreement. Long term debt consists of:

	<u>2011</u>	<u>2010</u>
RUS, 3.92 to 5.18%	\$15,351,932	\$15,621,156
RUS, Economic Development Loan, 0%	561,157	635,161
FFB, 0.22% (0.132% in 2010)	21,901,391	20,757,515
CFC, 4.05% to 5.95%	2,785,468	3,011,925
CoBank, 3.73%	<u>5,899,438</u>	<u>6,465,584</u>
	46,499,386	46,491,341
Less current portion	<u>2,125,000</u>	<u>1,925,000</u>
Long term portion	<u>\$44,374,386</u>	<u>\$44,566,341</u>

The interest rates on the notes to CFC are subject to change every seven years from the repricing date for each individual note. The long term debt is due in quarterly and monthly installments of varying amounts through 2039. Fleming Mason has a loan funds available from FFB in the amount of \$4,334,000. RUS assess 12.5 basis points to administer the FFB loans. During October, 2010, Fleming Mason refinanced \$6,649,662 of RUS 5% loans with 3.73% notes from CoBank.

Notes to Financial Statements

Note 5. Long Term Debt, continued

Fleming Mason is participating in a RUS sponsored program which provides economic development funds to businesses in Fleming Mason's service area. Fleming Mason serves as a conduit for these funds and is contingently liable if the recipient fails to repay the loan.

As of December 31, 2011, the annual principal payments for the next five years are as follows: 2012 - \$2,125,000; 2013 - \$2,190,000; 2014 - \$2,300,000; 2015 - \$2,400,000; 2016 - \$2,500,000.

Note 6. Short Term Borrowings

At December 31, 2011, Fleming Mason had a short term line of credit of \$10,000,000 available from CFC. The outstanding balance under the line of credit at December 31, 2011 and 2010 was \$4,700,000 and \$5,000,000, respectively. The interest rate at December 31, 2011 and 2010 was 3.20% and 4.25%, respectively. Fleming-Mason also has a line of credit with CoBank in the amount of \$10,000,000. There were no advances against this line of credit during the audit period.

Note 7. Pension Plan

Fleming Mason has a noncontributory defined benefit pension plan covering substantially all employees who meet minimum age and service requirements. The plan has pay-related pension benefit formula. Fleming Mason's policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act ("ERISA") of 1974. The plan is measured as of December 31, 2011 and 2010. Effective January 1, 2010, the benefit level will change from 2.0 to 1.8 and lump-sum payments will be discontinued. Benefits accrued prior to January 1, 2010 will not be affected.

The following is an assessment of the noncontributory defined benefit plan:

Change in Benefit Obligation:

Beginning of year	\$6,266,400	\$5,950,704
Service cost	348,313	370,915
Interest cost	332,039	357,150
Actuarial (gain)/loss	250,824	274,607
Benefits paid	-	(686,976)
End of year	<u>7,197,576</u>	<u>6,266,400</u>

Change in Plan Assets:

Beginning of year	2,136,280	1,682,270
Actual return on assets	9,396	208,986
Employer contributions	769,868	932,000
Benefits paid	-	(686,976)
End of year	<u>2,915,544</u>	<u>2,136,280</u>

Funded status of plan	<u>(\$4,282,032)</u>	<u>(\$4,130,120)</u>
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Accumulated benefit obligation in plan	<u>\$4,293,406</u>	<u>\$3,466,688</u>
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Notes to Financial Statements

Note 7. Pension Plan

The amounts recognized in the statement of financial position are as follows:

	<u>2011</u>	<u>2010</u>
Accumulated operating provisions	(\$4,028,475)	(\$3,735,760)
Accrued benefit liability	<u>(253,557)</u>	<u>(394,360)</u>
Amount recognized in financial statements	<u><u>(\$4,282,032)</u></u>	<u><u>(\$4,130,120)</u></u>

The net periodic pension benefit cost was calculated as follows:

	<u>2011</u>	<u>2010</u>
Service cost	\$348,313	\$370,915
Interest cost	332,039	357,150
Expected return on plan assets	(219,016)	(200,627)
Amortization of actuarial (gain)/loss	<u>167,729</u>	<u>205,887</u>
Net periodic benefit cost	<u><u>\$629,065</u></u>	<u><u>\$733,325</u></u>

Assumptions used to develop the projected benefit obligation are as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	5.75%	5.75%
Rate of increase in compensation level	4.50%	4.50%
Expected long-term rate of return on assets	8.00%	8.00%

The expected long term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen from the best range determined by applying anticipated long term returns for various asset categories to the target asset allocation of the plan, as well as taking into account historical returns.

The general investment objectives are to invest in a diversified portfolio, comprised of debt investments, equity investments, and fixed income investments. The diversification is designed to minimize the risk of large losses while maximizing total return within reasonable and prudent levels of risk. The investment objectives specify a targeted investment allocation for the pension plan of approximately 50% equities. The remaining may be allocated among fixed income or cash equivalent investments.

Expected retiree pension benefit payments are projected to be as follows: 2012 - \$63,000; 2013 - \$65,000; 2014 - \$69,000; 2015 - \$73,000; 2016 - \$77,000.

Fleming Mason expects to contribute approximately \$750,000 during 2012. However, Fleming Mason reserves the right to contribute more or less depending on other considerations and circumstances.

Note 8. Postretirement Benefits

Fleming Mason sponsors a defined benefit plan that provides medical insurance coverage to retired employees, directors and attorney. The plan calls for benefits to be paid at retirement based primarily upon years of service with Fleming Mason. The following is a reconciliation of the postretirement obligation.

Notes to Financial Statements

Note 8. Postretirement Benefits, continued

The status of the unfunded postretirement benefit plan is as follows:

	<u>2011</u>	<u>2010</u>
Change in Benefit Obligation:		
Beginning of year	\$3,136,966	\$2,994,297
Service cost	95,029	136,532
Interest cost	192,010	183,938
Actuarial (gain)/loss	-	-
Benefits paid	<u>(160,653)</u>	<u>(177,801)</u>
End of year	3,263,352	3,136,966
Plan assets	<u>-</u>	<u>-</u>
Funded status of plan	<u><u>(\$3,263,352)</u></u>	<u><u>(\$3,136,966)</u></u>

Projected retiree benefit payments for the next five years are expected to be as follows: 2012 - \$106,000; 2013 - \$112,000; 2014 - \$98,000; 2015 - \$96,000; 2016 - \$92,000.

The discount rate used in determining the APBO was 6.0% for 2011 and 2010. The health care cost trend rate used to compute the APBO in an 8% annual rate of increase for 2011, and decreasing gradually to 5.5%, then remain at that level thereafter.

Note 9. Significant Patron Information

Operating revenues, cost of power, and accounts receivable as of December 31, 2011 and 2010, resulting from the sale of electric energy to the single industrial customer as shown below. In addition, Fleming Mason bills and collects steam and facility charges for East Kentucky to the industrial customer. There are no margins realized from this arrangement with East Kentucky, therefore, the amounts are not reflected in operating revenues or cost of power. The amount for steam was \$14,333,054 for 2011 and \$11,523,125 for 2010. The facility charge was \$992,292 for 2011 and \$1,089,708 for 2010.

Operating revenue, cost of power, and accounts receivable as of December 31, 2011 and 2010, resulting from the sale of electricity to the single industrial customers, are as follows:

	<u>2011</u>	<u>2010</u>
Operating revenues	\$14,730,116	\$13,110,602
Cost of power	14,227,092	12,600,552
Accounts receivable	2,850,320	2,575,076

Note 10. Related Party Transactions

Several of the Directors of Fleming Mason, its President & CEO, and another employee are on the boards of directors of various associated organizations.

Notes to Financial Statements

Note 11. Commitments

Fleming Mason is contingently liable as guarantor for approximately \$181,000 of long term obligations of East Kentucky to RUS, CFC, and institutional investors. Substantially all assets of Fleming Mason are pledged as collateral for this guarantee, in addition to the pledge in the mortgage agreement referred to in Note 5. This contingent liability was part of an overall financing plan for the construction of a generating facility near Maysville, Kentucky.

Fleming Mason has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain meter reading, construction, and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to three years.

Note 12. Rate Matters

East Kentucky increased its base rates to Fleming Mason during August 2007, by 2%, in April 2009, by 7%, and in January 2011 by another 5%. Fleming Mason passes East Kentucky's increases on to its customers using the methodology prescribed by the PSC.

* * * * *



Steve L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission

211 Sower Blvd.
P. O. Box 615
Frankfort Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James Gardner
Vice Chairman

Linda Breathitt
Commissioner

August 17, 2012

Chris Perry, President and CEO
Fleming-Mason Energy Cooperative, Inc.
1449 Elizaville Road
P. O. Box 328
Flemingsburg, KY 41041

RE: Case No. **2012-00369**

Fleming-Mason Energy Cooperative, Inc.
(General Rates)
Notice of Intent to File General Rate Application Based on Historical Test Year

This letter is to acknowledge receipt of notice of intent to file an application in the above case. The notice was date-stamped received August 17, 2012 and has been assigned Case No. 2012-00369. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

Jeff Derouen
Executive Director

JD/rs

Fleming-Mason Energy
Communication and Education Plan

Mission

It is the goal of Fleming-Mason Energy Cooperative, Inc. (FME) to educate, build trust and loyalty, and increase satisfaction by effectively conveying important Cooperative information to its members and employees in a timely and efficient manner.

The audiences we are targeting include our residential members, commercial & industrial accounts, employees, local communities, and media. Print, internet, and personal appearances are all venues to be used to communicate and converse with our members, in an effort to reach as many as possible.

Methods

FME plans to utilize a broad array of media to communicate its messages, including printed media; the Internet; and through local speaking engagements and opportunities.

Print:

Kentucky Living Magazine

Print Advertising

Member Bill Messages

Drive Thru/Lobby Displays

Internet:

FME Web Site

Social Networking

-Twitter

-Facebook

-CEO Blog

Speaking Engagements/Opportunities:

School Groups

Civic Clubs

Community Action Groups

Member Advisory Meetings

Kentucky Living

FME's member newsletter is sent to all members within the *Kentucky Living* magazine.

- Frequency:** 12 months/year
- Content:** Follows communications calendar produced by National Rural Electric Association (NRECA); East Kentucky Power Cooperative (EKPC); Kentucky Statewide Assoc.; and relevant Cooperative/industry news as pertinent and timely.
- Focus:** Coop/Industry news; Climate Legislation; Energy Efficiency; Safety

Print Advertisements

Printed advertisements will be utilized to further the mission and maintain the image of the Cooperative. This will include local newspapers that are distributed within our service territory.

- Frequency:** As needed or as opportunities arise
- Audience:** Whole membership/regional membership
- Focus/Content:** School, community support; energy efficiency and education; safety.

Member Bill Messages

Printed messages on FME member bills on a semi-regular basis to promote new efficiency/education programs or as otherwise needed.

- Frequency:** Quarterly or as needed
- Audience:** Entire membership
- Focus/Content:** Energy efficiency tips, technology/programs that encourage and promote energy efficiency and thus lower utility bills for members

Drive-Thru/Lobby Displays

Printed drive-thru posters and banner-ups for the lobby display matching, colorful promotional messages each month to Headquarters and branch office visitors.

- Frequency:** Displays year-round; message changes monthly
- Audience:** Membership, visitors
- Focus/Content:** Based on Kentucky Touchstone Energy Cooperatives marketing calendar for the current year. Promotes various Cooperative programs, efficiency, CFLs, etc

Web Site

The FME Web site is designed to include outage updates; home energy audit tools; bill payment; contact information; community/school involvement by the Cooperative and/or employees; and other information of interest.

- Frequency:** Updated immediately as needed for emergency updates.
- Audience:** Membership—especially those with Internet access from home, office, or other devices.
- Focus:** Outage or safety updates; energy efficiency and education; Cooperative/community news features; industry news.

Social Networking

Social networking such as Facebook, Twitter and the CEO Blog is being used to post articles of interest, video, photos, important Cooperative announcements and updates, and solicit feedback and casual, friendly interaction from members.

- Frequency:** Daily or as needed.
- Audience:** Followers, including members and local media.
- Content:** Outage updates; energy efficiency and education; Safety tips; energy related articles of interest

Speaking Engagements/Opportunities

Opportunities and invitations to speak to school groups, civic clubs, community action groups, regulators, and/or to participate on task forces and legislative groups will be graciously accepted in order to further FME's interest in promoting energy education and efficiency.

- Frequency:** As opportunities arise and are sought
- Audience:** Members, youth, community leaders, regulators, legislators
- Content:** Energy innovation, safety, FME programs, current energy issues.

Member Advisory Meetings

FME has established four (4) regional Member Advisory Committees that meet once a year. Each committee is comprised of 12-16 FME members each from one of four geographic regions. The purpose of the committees is to educate and inform the members of FME's cooperative principals, goals and strategies. In turn, FME asks the committee members to be community advocates and be willing to pass along useful and unbiased information to other FME members in their area.

- Frequency:** Meet annually.
- Audience:** 12 – 16 FME members
- Content:** FME goals, energy efficiency programs, strategic plans, basic cooperative principals, Q & A time.

Key Accounts Communications

FME reaches out to both its small and large commercial accounts as often as practical to offer energy audits, billing analysis and energy efficiency tips,

- Frequency:** Annually
- Audience:** Commercial and Industrial membership
- Content:** Energy efficiency; Rising costs; Best practices; etc.

Employee Training

FME firmly believes that well-informed employees are the cornerstone to a successful communications program. Employees in every position at the Cooperative need to understand the basics of safety, basic cooperative principals, rate choices, and energy efficiency programs. All employees interact with FME customers at some level, therefore it is imperative that each employee be informed and well-versed in engaging in helpful and meaningful conversations. In an on-going effort to keep all employees at the Coop well informed, the following training agenda has been developed.

- Departmental meetings held at least twice monthly. Employees in each department meet with their Department Head to discuss any new or current issues.
- Staff meetings held at least twice monthly. All Department Heads meet with the CEO to discuss overall Coop issues and/or concerns. Strategic planning, budgeting, new programs, financial updates, current energy issues are all discussed at length.
- All FME employees meet as a group at least quarterly for an update by the CEO.
- All FME employees attend a full day of in-house training normally held on Columbus Day of each year. A full agenda is planned around training and updating employees by both in-house and outsourced speakers.
- CEO meets individually with each employee at least annually to educate and interact one-on-one in an effort to make certain employees are receiving the training and assistance needed to be good stewards of the Cooperative.

A POWERFUL HISTORY

A future built on a strong foundation



Fleming-Mason Energy
2011 ANNUAL REPORT

THE BUSINESS OF RELIABLE AND AFFORDABLE ELECTRICITY

CO-OPRY

The annual report for 2011 finds Fleming-Mason Energy in a strong position to continue the business of providing reliable and affordable electricity.

That kind of success has come as a result of the traditions and values that first started the co-op in 1940.

Fleming-Mason was not founded to make money for shareholders.

Instead, the grandparents and great-grandparents of our community joined together for the sole purpose of bringing affordable electricity to the countryside.

To achieve that goal, they used a unique business model that matched their mission—a not-for-profit co-op owned by the members it served.

And they worked with other electric co-ops forming around the country to develop innovative technical solutions—the little-known job of distributing electricity into rural America required creative engineering work.

In 2011, Fleming-Mason employed those techniques of technical and organizational innovation to meet today's requirements.

Rising costs are at the top of most of our minds these days, so that guides the focus of Fleming-Mason Energy. The high-tech present and future of the smart grid promises more efficient management of the flow and delivery of electricity. Fleming-Mason has been keeping its system up to date with new outage management systems.

Savings are also available right in your own home through a variety of energy-efficient home improvements. Every month, *Kentucky Living* magazine delivers, right to your mailbox, numerous tips to save money on electricity. You can get specific questions answered about the best steps to take in your own house, by calling Fleming-Mason.

Two major factors causing higher electricity costs are the addition of

electric generating capacity to meet growing demand, and increasing environmental rules for cleaner and greener energy.

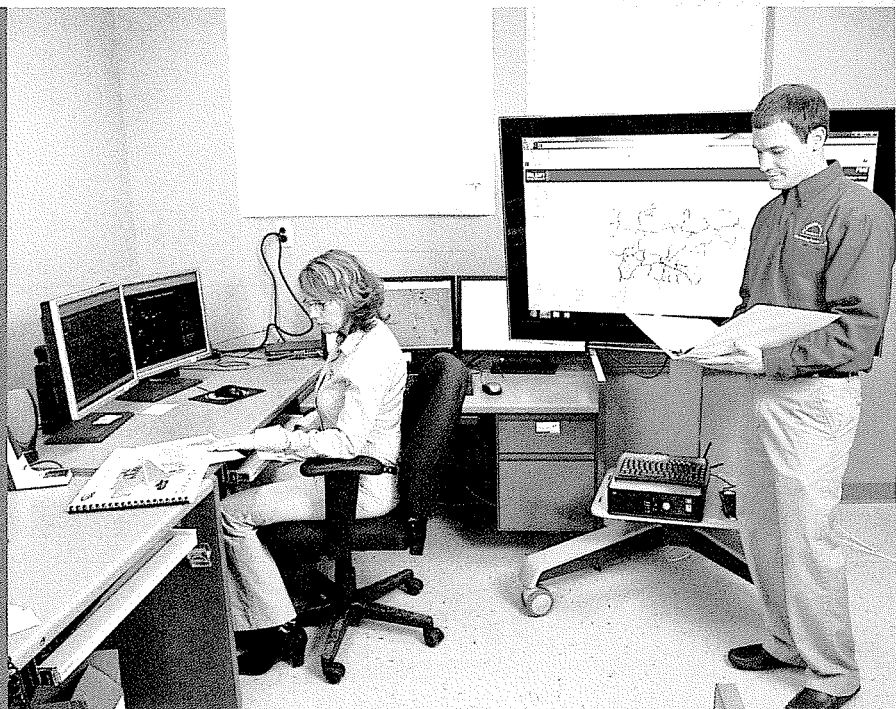
Last year, Fleming-Mason Energy continued to meet these goals head-on. Home energy efficiency not only saves you money in your house, but can also slow the need for expensive new power plants. Fleming-Mason has also worked to explore all available sources of energy. Coal will continue to generate nearly all our electricity at rates that are among the lowest in the nation. But green power, produced by burning landfill gas, is also available—just call and ask about the EnviroWatts program.

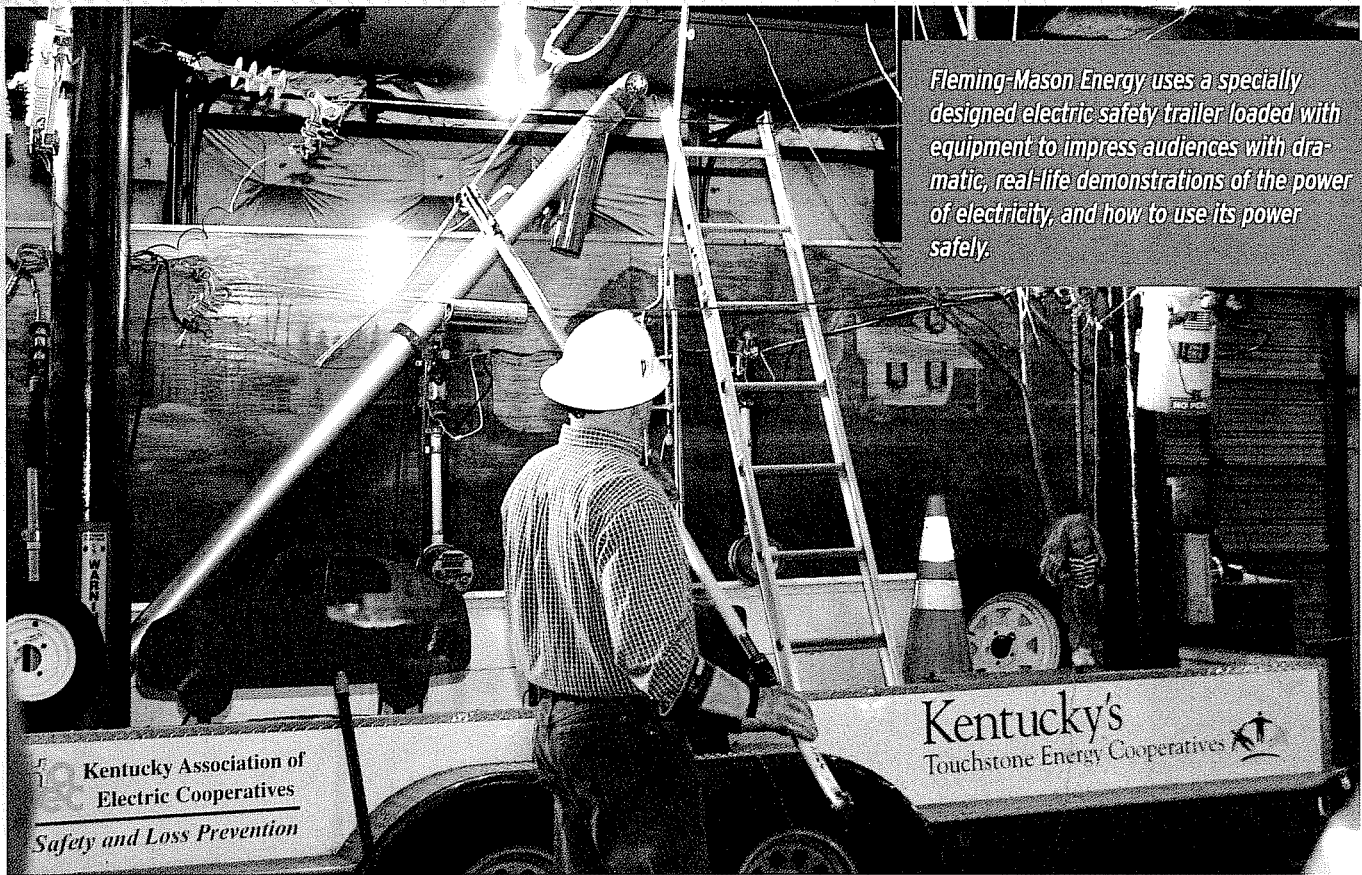
In today's economy, Fleming-Mason finds success in relying on its historic values of dedication, first and foremost, to providing reliable and affordable electricity to the co-op members and our community.

ON THE COVER

The progression of Fleming-Mason Energy Cooperative's powerful history is shown from its annual meeting in 1950 to the activities of today's annual membership meetings. To the left, raising utility poles has come a long way. It can still be hard work, but these days it's aided by trucks with specially designed hoists.

RIGHT Fleming-Mason Energy Co-op's historic values mean operating the utility with the latest technology, including global satellite mapping, computer-based communications, and automated electric metering systems. Photo: Tim Webb





KEEPING SAFETY TRADITIONS UP TO DATE

With reliable and affordable electricity, the centerpiece of what Fleming-Mason Energy does, safety is the top and constant concern of how that electricity gets delivered.

Electricity's power also makes it dangerous, even deadly, when it's misused.

So Fleming-Mason continued in 2011 to keep its members aware of the importance of using electricity safely.

Regular safety notices, ads, and articles appeared in the pages of *Kentucky Living* about how to avoid electricity's hazards. Safety advice was also broadcast on the radio, and more detailed information is always available through the Internet on the

Fleming-Mason Web site, www.fme.coop. Electric safety also gets up close and personal through presentations to school groups, and at other locations where co-op linemen use a trailer loaded with small power lines and model houses, to dramatize the dangers of electricity in everyday life.

And if electric safety around the home deserves our respect and caution, the threats are even greater for Fleming-Mason linemen, whose job it is to work every day maintaining the powerful equipment to keep it humming with electric current. That's why Fleming-Mason pays special attention to the safety of the linemen doing this important and dangerous work.

That attention starts with hiring

the most qualified linemen, with high levels of technical knowledge as well as a feeling for the co-op members and attention to the details of safe work habits and practices, for their sake and the sake of their fellow workers.

Fleming-Mason Energy follows through on that start by providing continuing training to stay up to date with technical knowledge, practice to keep skills sharp, and programs to keep safety at the top of the mind at all times.

In 2011 and into the future, Fleming-Mason Energy continues to write a history of the safe use of electricity for members and employees.

ALWAYS A PART OF OUR COMMUNITY

MORE THAN 70 YEARS OF PROUD HISTORY

In 1937, a small group of our parents and grandparents came together at the Fleming County Court House to begin the planning that led to a loan application to the Rural Electrification Administration for \$220,000 to build 97.9 miles of line to serve 320 members. In 1938 Fleming-Mason Rural Electric Cooperative was formally incorporated.

Today, Fleming-Mason Energy Cooperative serves 23,798 members in all or parts of eight counties, over 3,526 miles of line.

The world headquarters for Fleming-Mason Energy is located right here in our community.

It always has been and it always will be.

That's because all its customers live here. And since all of those customers are also all of the owners, Fleming-Mason is as much a part of our community as the community itself.

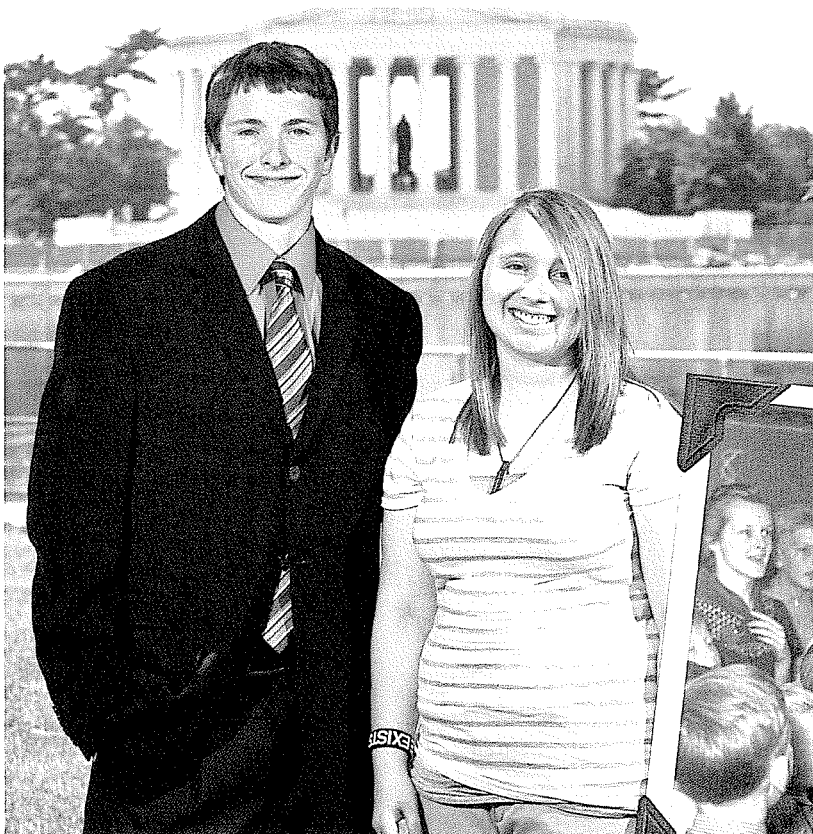
That means that for Fleming-Mason to thrive, the community must thrive. You see the results of that local concern in the importance the co-op places on providing reliable and affordable electricity for all its members. You see it in the support the

co-op gives to area student scholarship and education programs. You see it after a storm when Fleming-Mason crews work through the night, weekends, and bad weather to restore your electricity. You see it in the activities of the co-op employees, who spend time outside of work volunteering in a wide variety of local groups and activities working to improve life in our community.

Few businesses have annual meetings like this one. Every customer is invited, because they're all owners, and each has a vote for a director, who must be a member-customer of the co-op.

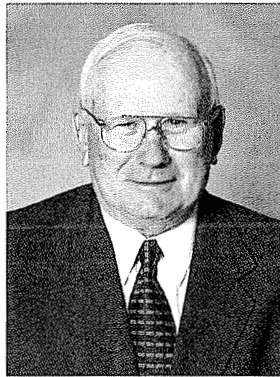
That's the way it's been since the beginning of Fleming-Mason Energy. It's a powerful history of success since its beginning, through 2011, and far into the future.

From teaching schoolchildren about light bulbs when co-ops first started, to sponsoring scholarship visits to the World War II Memorial and other educational and historical sites in Washington, D.C., Fleming-Mason continues its proud historical traditions.





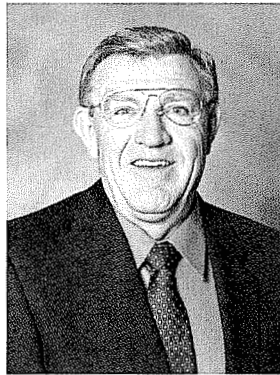
Chris Perry
President and CEO



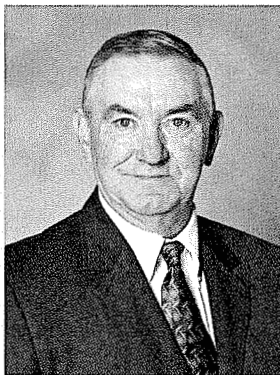
J.E. Smith Jr.
Chairman



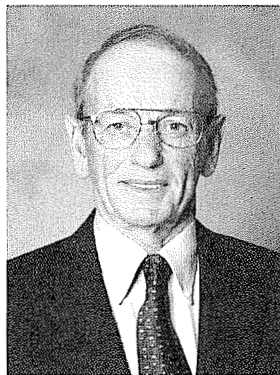
Timothy S. Eldridge
Vice Chairman



Lonnie C. Vice
Secretary-Treasurer



William Cooper



Elmer Foxworthy



John Roe



Tom Saunders

Official Business Meeting Agenda
ANNUAL MEETING
OF MEMBERS
Fleming-Mason Energy

Where: Fleming-Mason Energy Grounds

When: May 24, 2012

Registration Time: 4:30 p.m.-6:00 p.m.

Business Meeting Time: 6:00 p.m.

The annual membership meeting of this co-op organizes to take action on the following matters:

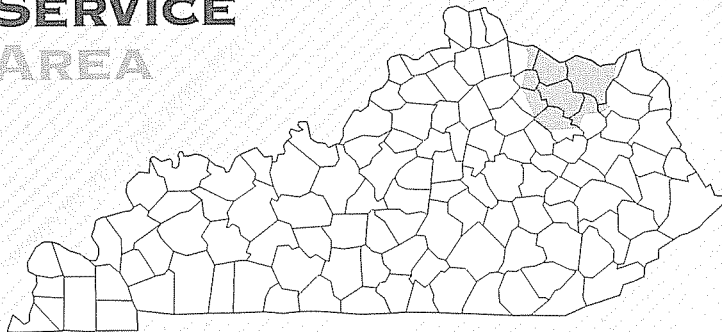
1. Report on the number of members present in person in order to determine the existence of a quorum
2. Report on number of members represented by proxy and the names of their respective proxies
3. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or waiver or waivers of notice of the meeting as the cases may be
4. Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon
5. Presentation and consideration of reports of officers, directors, and committees
6. Election of directors
7. Unfinished business
8. New business
9. Adjournment

REPORT OF THE NOMINATING COMMITTEE

Having been appointed as a nominating committee to nominate candidates for directors of Fleming-Mason Energy Cooperative, Inc. to be voted on at the 74th Annual Meeting to be held May 24, 2012, we the undersigned nominate the following candidates:

Tim Eldridge	Nominating Committee Members
J.E. Smith	Minnie Doyle
Elmer Foxworthy	Michael P. Gray
	John P. Northcutt
	Charles Spann
	Regina Jaynes

SERVICE AREA



MEMBERS SERVED IN 2011

Bath County.....	2,655
Bracken County.....	802
Fleming County.....	6,666
Lewis County.....	4,895
Mason County.....	2,967
Nicholas County.....	855
Robertson County.....	840
Rowan County.....	4,109
Total.....	23,789

ACCOUNTS BILLED

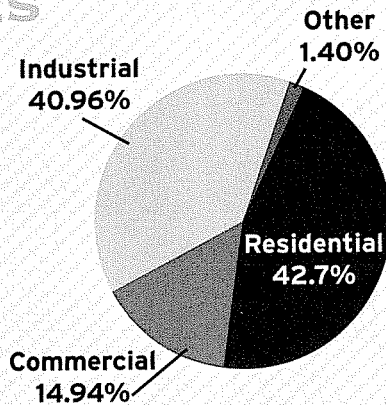
2011..... 23,789

Average Kilowatt-hour Use
(Residential per month)
2011..... 1,053

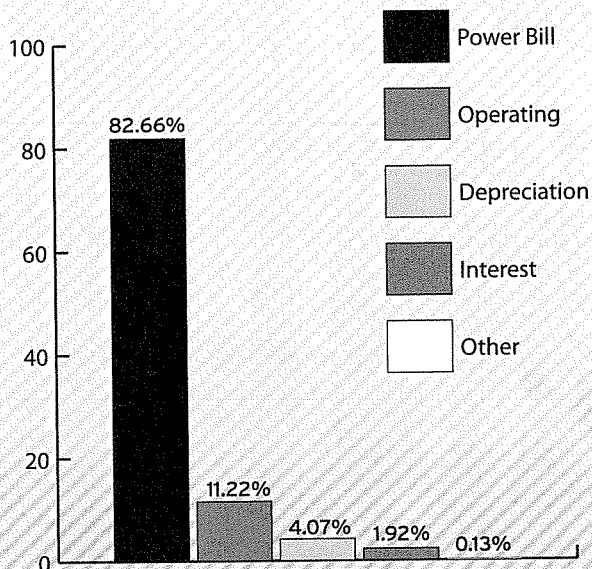
Miles of Line
2011..... 3,550

Consumers Per Mile
2011..... 6.70

REVENUE SOURCES



MAJOR COSTS



STATEMENT OF OPERATIONS

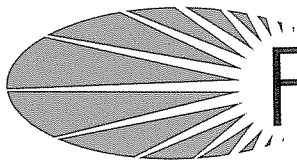
For the Year Ending December 31, 2011

Operating Revenue	\$70,475,122
Operating Expense	
Purchased Power	\$57,792,373
Operating System	7,846,984
Depreciation	2,845,963
Interest on Loans	1,342,451
Other Deductions	87,486
Total Cost of Electric Service	\$69,915,257
Operating Margins	559,865
Non-Operating Margins	17,289
G & T Capital Credits	4,515,757
Other Capital Credits	102,513
Patronage Capital and Margins	5,195,424


BALANCE SHEET

For the Year Ending December 31, 2011

ASSETS	
Total Utility Plant	\$89,413,359
Less Depreciation	25,964,288
Net Utility Plant	\$63,449,071
Investment in Assoc. Organization	\$22,942,871
Cash & Investments	1,367,684
Accounts Receivable	8,713,353
Inventory	371,076
Expenses Paid in Advance	104,869
Deferred Debits and Other Assets	14,262
Total Assets	\$96,963,186
LIABILITIES	
Consumer Deposits	738,156
Membership and Other Equities	30,823,070
Long-Term Debt	46,499,386
Notes and Accounts Payable	18,097,736
Other Current Liabilities	804,838
Total Liabilities	\$96,963,186



Fleming-Mason Energy

A Touchstone Energy Cooperative 

ANNUAL MEETING THURSDAY MAY 24

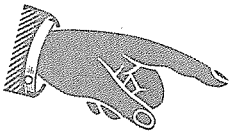
2012

Fleming-Mason Energy Grounds
Registration: 4:30-6:00 p.m.
Business meeting: 6:00 p.m.



Featured Entertainment

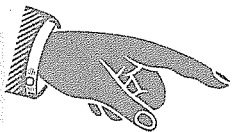
Dove Brothers Band



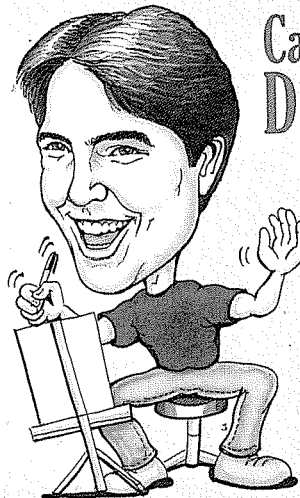
FREE!



for members who attend!

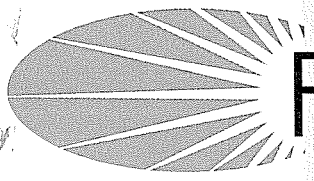


- ☉ Free Food
- ☉ Bucket of Bulbs
- ☉ Scholarship Awards
- ☉ Kids Activities
- ☉ Safety & Energy Saving Information



Caricaturist
Denny Whalen

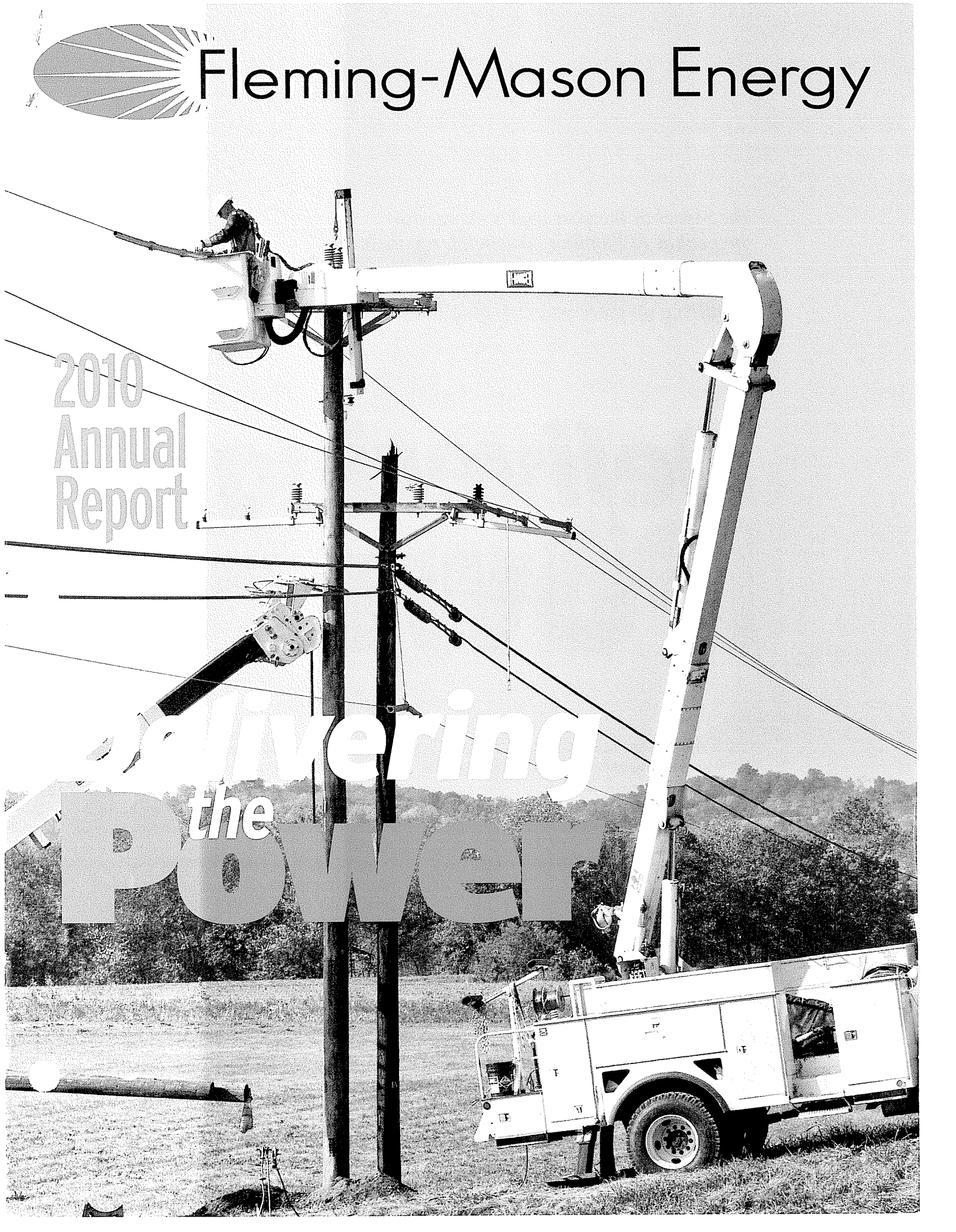
Special Guest
**FLEMING COUNTY
HIGH SCHOOL
FFA TALENT**



Fleming-Mason Energy

2010
Annual
Report

Delivering
the
Power



The report of the past year's successful operations at Fleming-Mason Energy includes attention to the latest utility technology, as well as the hard, dangerous, physical labor of putting up poles and stringing lines

Delivering *the* **Power**

IT'S A HIGH-TECH, PUSH-BUTTON WORLD.

TV remotes change channels with hardly a twitch of our hand. Tiny phones bring the world to our fingertips. The microwave heats the soup and the fridge cools the soda without striking a match or hauling a block of ice.

These everyday amazements come so easily we forget how they get to us.

To string the power lines, wood poles, 1,200 pounds, need to be raised every 100-300 feet. Before that, a hole needs to be drilled, 5-7 feet deep, through whatever clay or rock the ground offers. Transformers, weighing 400 pounds each, need to be hoisted to the top of the 40-foot-high poles so the high-voltage current can be stepped down to make it usable in your house.

All this lifting and hauling happens in most any weather—especially if a storm knocks out your power. Then, fallen trees must be cleared, poles put back up, and lines restrung no matter how many are down, no

matter if there's a bone-chilling blizzard, or a down-pour on a hot, steamy day.

Add to all that the constant hazard of working around electricity, where skipping even the smallest safety procedure can result in permanent injury, or death.

This year's annual report on Fleming-Mason pays tribute to the hard-working crews who keep our lights on day and night. It also serves as a reminder that even as Fleming-Mason implements the latest technology, from satellite-based system monitoring to smart grid energy management systems, it is also taking care of the side of the business that calls for old-fashioned dedication to the tough, physical work of keeping your electricity reliable and affordable.

Delivering local values

Keeping your electricity reliable and affordable means running an extremely complex business at a high level at all times. In 2010, Fleming-Mason



Keeping your electricity flowing means year-round trimming of vegetation that could damage power lines. Here, a contractor working for Fleming-Mason Energy Co-op uses a pole saw to remove threatening branches.

posted another successful year.

Credit for that outstanding performance goes to a world-class staff. Maintaining the highest-quality electric service calls for competence, dedication, and constant attention to the co-op members. That consistent level of excellence is achieved in a variety of functions, from the people who greet you at the door and on the phone, to the billing, accounting, and member services staffs, technology experts, energy advisors, and administrative personnel, as well as the linemen, dispatchers, and other “outside” crews.

In addition to placing a priority on first-rate employees, in 2010 safety continued to be a fundamental value for Fleming-Mason. Safety is a well-promoted watchword around the office. It’s a list of strictly enforced procedures for lineworkers on the job. Those regular reminders get reinforced with instruction, classwork, and training using local, state, and even national resources.

And Fleming-Mason safety sense doesn’t stop

with its employees. Part of recognizing the power of electricity includes keeping co-op members and the general public safe as well. In the past year, Fleming-Mason, working with co-ops all across Kentucky, launched a strengthened safety awareness program that includes coordinated statewide announcements on radio stations and advertisements in *Kentucky Living* magazine.

A great staff and safety for employees and members will continue to be trademarks of the values of Fleming-Mason Energy.

On the cover

Replacing an old distribution line pole, like this Fleming-Mason Energy Co-op project, involves several hours of preparation, especially to make sure strict safety procedures are followed. This photo shows 1st class lineman Kevin McCarty working from the bucket at the top of the pole. Photos by Tim Webb.

Harnessing state and national strength

The extreme complexity of generating and delivering reliable and affordable electric power calls for Fleming-Mason Energy to channel the resources of several state and national groups to our own community.

Your local co-op has great connections.

As one of the national Touchstone Energy co-ops, Fleming-Mason can access a strong national network of high standards and expertise that directly benefits our community.

Fleming-Mason Energy's regional electric generation and transmission power provider ensures a stable supply of electricity at the best possible price, and supports a wide range of home energy-efficiency programs.

State and national electric co-op organizations supplement that network. The Kentucky Association of Electric Cooperatives offers a clearinghouse of information, safety training and consultation, and *Kentucky Living* magazine. The National Rural Electric

Cooperative Association provides similar support, plus employee benefits programs and a technical research and development program to improve the quality of electric service.

These state and national organizations also play effective roles in representing your interests before elected officials and policy makers in Frankfort and Washington, D.C. As energy and environmental issues become front-page news more regularly, it's important that you have a voice to help make sure that electricity in Kentucky is reliable and affordable. Through Fleming-Mason Energy, your interests are heard at the highest levels.

Replacing an old electric pole, as in this Fleming-Mason Energy Co-op project, can involve several hours of drilling a replacement hole, removing the old pole, hoisting the new pole, and securing the new pole, from the hardware like transformers and insulators at the top, to filling and packing the ground that supports it.



of Board Directors

Official Business Meeting Agenda Annual Meeting of Members

Fleming-Mason Energy

Where: Fleming-Mason Energy Grounds
Flemingsburg, Ky.

When: May 26, 2011

Registration Time: 4:30-6:00 pm

Business Meeting Time: 6:00 pm

The annual membership meeting of this co-op organizes to take action on the following matters:

1. Report on the number of members present in person in order to determine the existence of quorum.
2. Report on number of members represented by proxy and the names of their respective proxies.
3. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or waiver or waivers of notice of the meeting as the cases may be.
4. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
5. Presentation and consideration of reports of officers, directors, and committees.
6. Election of directors
7. Unfinished business
8. New business
9. Adjournment

Report of the Nominating Committee

Having been appointed as a nominating committee to nominate candidates for directors of Fleming-Mason Energy Cooperative, Inc. to be voted on at the 73 Annual Meeting to be held May 26, 2011, we the undersigned nominate the following candidates:

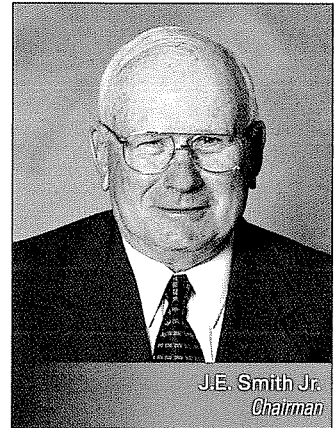
William Cooper
Tom Saunders

Nominating Committee Members

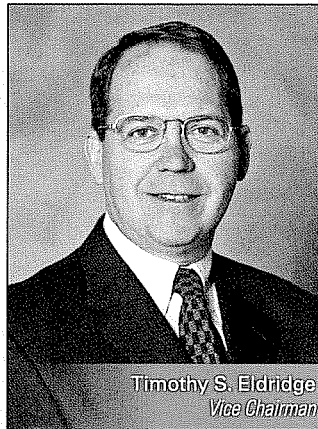
Noah Logan
Carl Dickson
Ferman Perkins
Oney Gifford Jr.
Donnie Christman



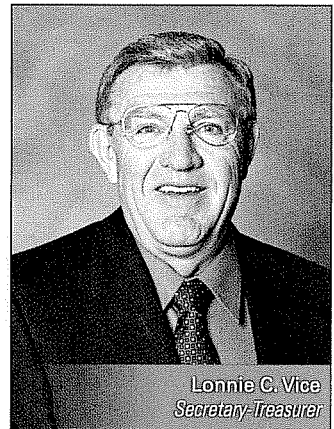
Chris Perry
CEO



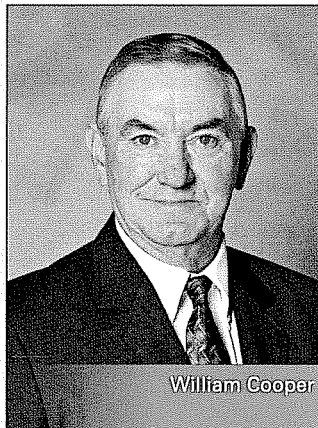
J.E. Smith Jr.
Chairman



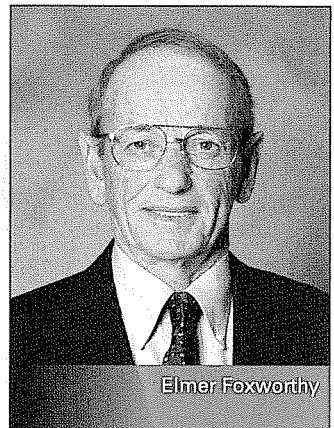
Timothy S. Eldridge
Vice Chairman



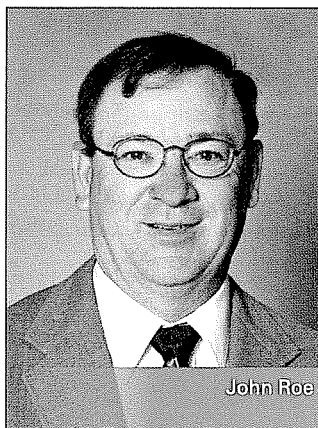
Lonnie C. Vice
Secretary-Treasurer



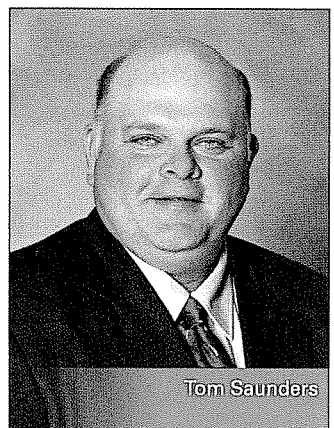
William Cooper



Elmer Foxworthy

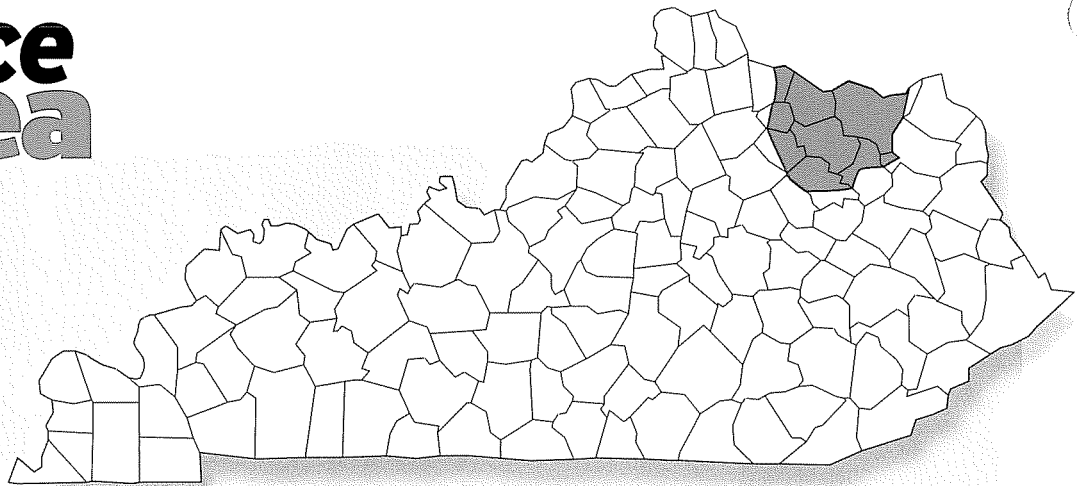


John Roe

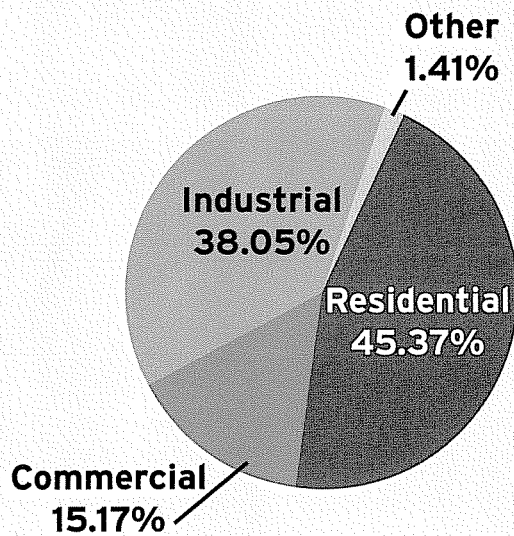


Tom Saunders

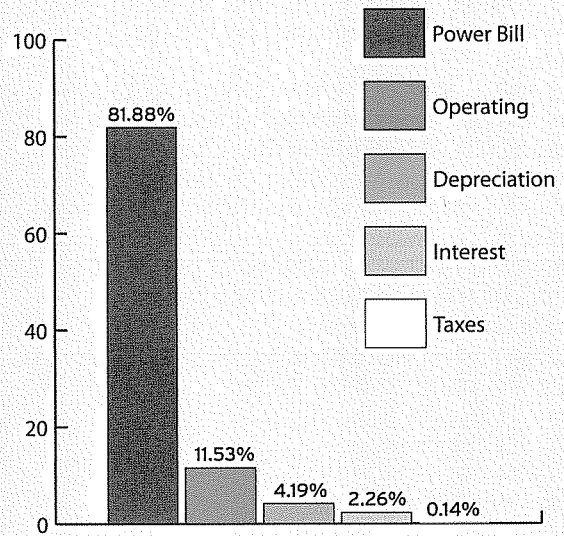
Service Area



Revenue Sources



Major Costs



Members Served in 2010

Bath	2,665
Bracken	808
Fleming	6,673
Lewis	4,895
Mason	2,967
Nicholas	848
Robertson	839
Rowan	4,052
Total	23,747

Accounts Billed

2010	23,747
------------	--------

Average Kilowatt-hour Use

(Residential per month)

2010	1,139
------------	-------

Miles of Line

2010	3,537
------------	-------

Consumers Per Mile

2010	6.71
------------	------

of **Statement** **Operations**

For the Year Ending December 31, 2010

Operating Revenue.....	\$67,143,177
Operating Expense	
Purchased Power	\$53,534,623
Operating System.....	7,537,748
Depreciation.....	2,742,464
Interest on Loans	1,474,633
Other Deductions	89,151
Total Cost of Electric Service	\$65,378,619
Operating Margins.....	1,764,558
Non-Operating Margins	25,195
G & T Capital Credits	2,437,198
Other Capital Credits.....	95,889
Patronage Capital and Margins	4,322,840

Balance **Sheet**

For the Year Ending December 31, 2010

ASSETS

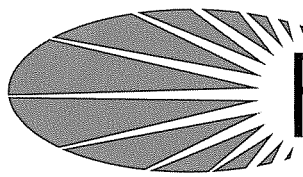
Total Utility Plant	\$87,204,620
Less Depreciation.....	24,176,136
Net Utility Plant	\$63,028,484

Investment in

Assoc. Organization.....	\$18,400,590
Cash & Investments.....	1,614,510
Notes & Accounts Receivable	8,810,496
Inventory.....	355,725
Expenses Paid in Advance	105,237
Deferred Debits and Other Assets	17,225
Total Assets.....	\$92,332,267

LIABILITIES

Consumer Deposits	712,085
Membership and Other Equities	26,085,051
Long-Term Debt	46,491,341
Notes and Accounts Payable	18,069,694
Other Current Liabilities.....	974,096
Total Liabilities.....	\$92,332,267



Fleming-Mason Energy

Annual Meeting

2011

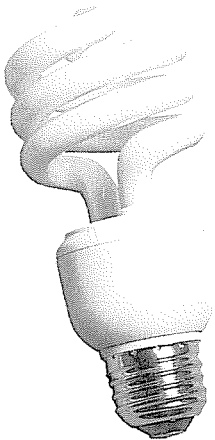
Thursday, May 26

Fleming-Mason Energy Grounds

Flemingsburg, KY

Registration: 4:30 p.m.

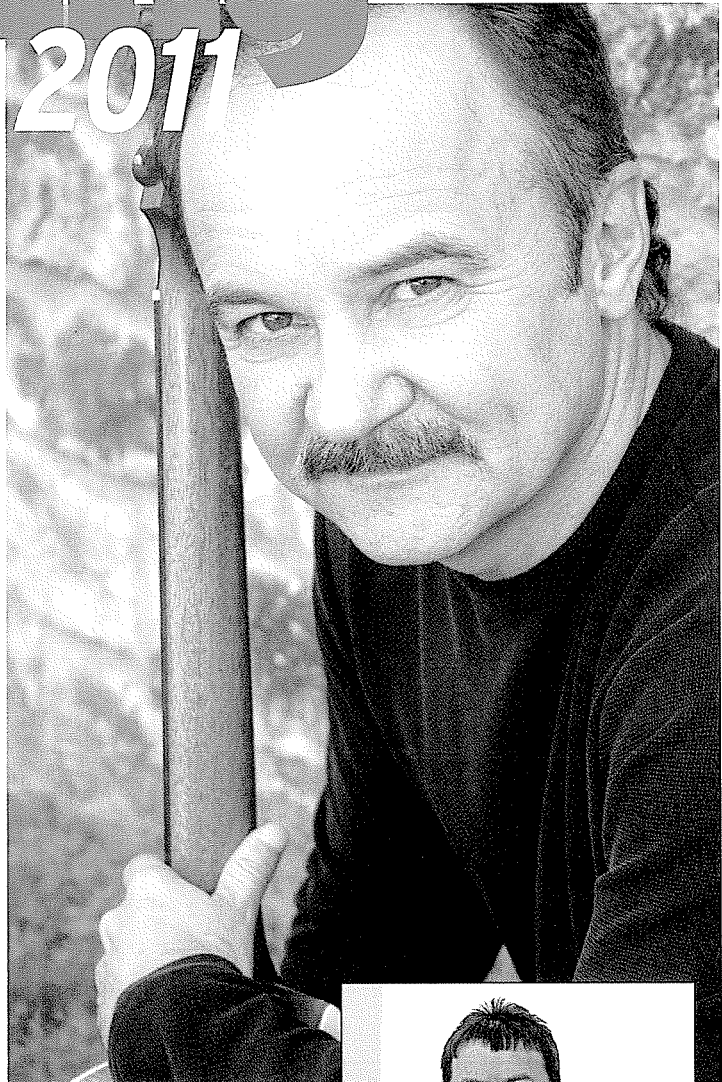
Business meeting: 6:00 p.m.



**Free!
Energy-saving
light bulbs**

for members who
attend!

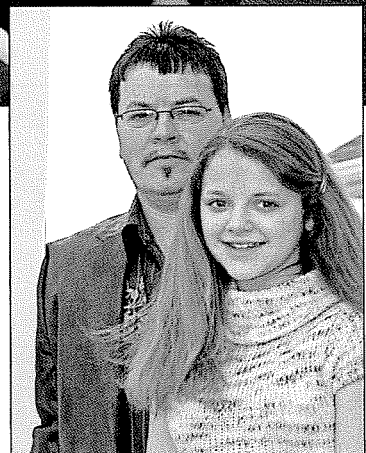
- *entertainment*
- *free food*
- *buckets and bulbs*
- *scholarship awards*
- *kids activities*
- *door prizes*



Featured Entertainment
Jimmy Fortune

Children's Entertainment
Jumping Jimmy'z Inflatables

Special Guest
Vice Family Singers
Robbie & Brandi Rae



According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION KY0052

PERIOD ENDED December, 2011 (Prepared with Audited Data)

BORROWER NAME Fleming-Mason Energy Cooperative, Inc.

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Christopher Perry

3/22/2012
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	67,143,177	70,475,122	71,930,158	6,909,662
2. Power Production Expense				
3. Cost of Purchased Power	53,534,623	57,792,373	57,725,209	5,542,935
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	1,522,939	1,729,787	1,588,381	178,502
7. Distribution Expense - Maintenance	2,635,800	2,750,240	2,955,738	279,539
8. Customer Accounts Expense	1,779,564	1,774,064	1,916,741	133,237
9. Customer Service and Informational Expense	105,444	105,616	128,013	6,618
10. Sales Expense	90,978	91,926	119,812	9,931
11. Administrative and General Expense	1,403,023	1,395,351	1,505,245	123,289
12. Total Operation & Maintenance Expense (2 thru 11)	61,072,371	65,639,357	65,939,139	6,274,051
13. Depreciation and Amortization Expense	2,742,464	2,845,963	2,818,002	238,711
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	63,759	66,771	68,083	5,220
16. Interest on Long-Term Debt	1,288,218	1,155,407	1,410,001	96,608
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	186,415	187,044	192,999	14,351
19. Other Deductions	25,392	20,715	30,001	250
20. Total Cost of Electric Service (12 thru 19)	65,378,619	69,915,257	70,458,225	6,629,191
21. Patronage Capital & Operating Margins (1 minus 20)	1,764,558	559,865	1,471,933	280,471
22. Non Operating Margins - Interest	43,719	42,576	39,999	4,991
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	(18,524)	(25,286)	(201)	(13,489)
26. Generation and Transmission Capital Credits	2,437,199	4,515,757		4,515,757
27. Other Capital Credits and Patronage Dividends	95,889	102,512	80,000	26,312
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	4,322,841	5,195,424	1,591,731	4,814,042

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0052
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application	

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	426	327	5. Miles Transmission		
2. Services Retired	26	89	6. Miles Distribution – Overhead	3,394.00	3,401.00
3. Total Services in Place	25,847	25,482	7. Miles Distribution - Underground	143.00	149.00
4. Idle Services (Exclude Seasonals)	2,100	1,693	8. Total Miles Energized (5 + 6 + 7)	3,537.00	3,550.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	88,733,590	30. Memberships	231,010
2. Construction Work in Progress	679,769	31. Patronage Capital	33,285,063
3. Total Utility Plant (1 + 2)	89,413,359	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	25,964,288	33. Operating Margins - Current Year	5,178,135
5. Net Utility Plant (3 - 4)	63,449,071	34. Non-Operating Margins	17,289
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	(7,888,427)
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	30,823,070
8. Invest. in Assoc. Org. - Patronage Capital	22,942,871	37. Long-Term Debt - RUS (Net)	15,094,028
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	21,045,391
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	870,583	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	7,891,406
12. Other Investments	226,339	41. Long-Term Debt - RUS - Econ. Devel. (Net)	487,153
13. Special Funds	0	42. Payments – Unapplied	12,096
14. Total Other Property & Investments (6 thru 13)	24,039,793	43. Total Long-Term Debt (37 thru 41 - 42)	44,505,882
15. Cash - General Funds	270,762	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	7,291,827
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	7,291,827
18. Temporary Investments	0	47. Notes Payable	4,700,000
19. Notes Receivable (Net)	0	48. Accounts Payable	6,105,909
20. Accounts Receivable - Sales of Energy (Net)	7,362,056	49. Consumers Deposits	738,156
21. Accounts Receivable - Other (Net)	1,351,297	50. Current Maturities Long-Term Debt	1,919,500
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	74,004
23. Materials and Supplies - Electric & Other	371,076	52. Current Maturities Capital Leases	0
24. Prepayments	104,869	53. Other Current and Accrued Liabilities	789,834
25. Other Current and Accrued Assets	6,985	54. Total Current & Accrued Liabilities (47 thru 53)	14,327,403
26. Total Current and Accrued Assets (15 thru 25)	9,467,045	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	15,004
28. Other Deferred Debits	7,277	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	96,963,186
29. Total Assets and Other Debits (5+14+26 thru 28)	96,963,186		

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p style="text-align: center;">FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION</p> <p style="text-align: center;">KY0052</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED</p> <p style="text-align: center;">December, 2011</p>
<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	
Empty space for notes	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0052
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION KY0052

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	77,207,229	2,797,411	842,434		79,162,206
2. General Plant	3,910,769	460,552	388,277		3,983,044
3. Headquarters Plant	5,538,073	34,633			5,572,706
4. Intangibles	15,634				15,634
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	0				0
8. Total Utility Plant in Service (1 thru 7)	86,671,705	3,292,596	1,230,711		88,733,590
9. Construction Work in Progress	532,915	146,854			679,769
10. Total Utility Plant (8 + 9)	87,204,620	3,439,450	1,230,711		89,413,359

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	355,725	860,450	9,084	856,182	110	2,109	371,076
2. Other	0						0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
Present Year	52.510	52.500	15.620	127.900	248.530
Five-Year Average	29.660	857.540	7.820	69.440	964.460

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	52	4. Payroll - Expensed	2,439,707
2. Employee - Hours Worked - Regular Time	108,089	5. Payroll - Capitalized	634,434
3. Employee - Hours Worked - Overtime	7,050	6. Payroll - Other	166,499

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements		
	b. Special Retirements	196,410	4,676,429
	c. Total Retirements (a + b)	196,410	4,676,429
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	25,717	
	c. Total Cash Received (a + b)	25,717	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 9,974	2. Amount Written Off During Year	\$ 164,519
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0052
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011
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PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	East Kentucky Power Coop, Inc (KY0059)	5580			892,217,345	57,791,560	6.48	(3,054,011)	6,906,302
2	East Kentucky Power Coop, Inc (KY0059)	5580	Green Power	Methane - landfill gas	34,100	813	2.38		
	Total				892,251,445	57,792,373	6.48	(3,054,011)	6,906,302

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KY0052	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2011	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			
2			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KY0052	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KY0052	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2011	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 5/26/2011	2. Total Number of Members 17,500	3. Number of Members Present at Meeting 433	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 139,504	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION KY0052		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2011		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	15,094,028	723,466	269,169	992,635
2	National Rural Utilities Cooperative Finance Corporation	2,558,968	155,298	226,458	381,756
3	CoBank, ACB	5,332,438	235,776	566,145	801,921
4	Federal Financing Bank	21,045,391	40,867	856,124	896,991
5	RUS - Economic Development Loans	487,153		74,004	74,004
6	Payments Unapplied	12,096			
	TOTAL	44,505,882	1,155,407	1,991,900	3,147,307

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0052		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2011		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1 Residential Sales (excluding seasonal)	a. No. Consumers Served	17,652	17,693	
	b. kWh Sold			267,170,425
	c. Revenue			28,199,358
2 Residential Sales - Seasonal	a. No. Consumers Served	4,526	4,518	
	b. kWh Sold			12,773,875
	c. Revenue			1,893,977
3 Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4 Comm and Ind. 1000 KVA or Less	a. No. Consumers Served	1,602	1,607	
	b. kWh Sold			116,771,794
	c. Revenue			10,514,973
5 Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	5	5	
	b. kWh Sold			468,436,094
	c. Revenue			28,863,107
6 Public Street & Highway Lighting	a. No. Consumers Served	4	4	
	b. kWh Sold			75,420
	c. Revenue			14,459
7 Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8 Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9 Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		23,789	23,827	
11. Total kWh Sold (lines 1b thru 9b)				865,227,608
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				69,485,874
13. Transmission Revenue				
14. Other Electric Revenue				989,249
15. kWh - Own Use				595,191
16. Total kWh Purchased				892,251,445
17. Total kWh Generated				0
18. Cost of Purchases and Generation				57,792,373
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input type="checkbox"/> Coincident <input checked="" type="checkbox"/>				164,413

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION KY0052

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1 Residential Sales (excluding seasonal)	1,439	19,814	623			
2 Residential Sales - Seasonal						
3 Irrigation Sales						
4 Comm. and Ind. 1000 KVA or Less	2	18,000	1,540			
5 Comm. and Ind. Over 1000 KVA						
6 Public Street and Highway Lighting						
7 Other Sales to Public Authorities						
8 Sales for Resale - RUS Borrowers						
9 Sales for Resale - Other						
10. Total	1,441	37,814	2,163			

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0052 PERIOD ENDED December, 2011
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	EAST KY POWER		22,157,682		
	KAEC	65,430			
	UUS	462,060			
	CFC - CTC's		858,626		
	KAEC DEBENTURE	2,000			
	EKP - MEMBERSHIP	100			
	CFC - MEMBERSHIP		1,000		
	NRTC - MEMBERSHIP	1,000			
	NCSC - MEMBERSHIP	100			
	NAT'L FOOD & ENERGY COUNCIL - MEMBERSHIP	1,700			
	CFC PATRONAGE CAPITAL	254,573			
	CRC	3,126			
	COBANK - MEMBERSHIP	1,000			
	CO BANK PATRONAGE CAPITAL	5,057			
	Totals	796,146	23,017,308		
4	Other Investments				
	FEDERATED RE INSURANCE	77,682			
	BUSINESS DEVELOPMENT	2,500			
	NICHOLAS COUNTY	200			
	KAEC DETOX CD	5,000			
	CRC MEMBERSHIP	2,500			
	CRC	10,000			
	SEDC PATRONAGE	128,357			
	SEDC MEMBERSHIP	100			
	Totals	226,339			
6	Cash - General				
	CASH OPERATIONS	269,172			
	CASH - WORKING FUNDS	1,590			
	Totals	270,762			
9	Accounts and Notes Receivable - NET				
	OTHER ACCOUNTS RECEIVABLE	478,285			
	STOBER DRIVE RDLG LOAN	561,157			
	OTHER ACCTS REC - MEMBERSHIP	250			
	ACCOUNTS RECEIVABLE				
	RESERVE FOR UNCOLLECTIBLE	0			
	MISC OTHER RECEIVABLE	(810)			
	OTHER ACCOUNTS RECEIVABLE 146.00	312,415			
	Totals	1,351,297			
11	TOTAL INVESTMENTS (1 thru 10)	2,644,544	23,017,308		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0052
	PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0052
	PERIOD ENDED December, 2011

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SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	2.96%
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	TOTAL				

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
November-11

BORROWER NAME AND ADDRESS
FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

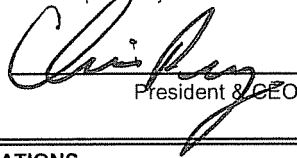
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

1/3/2012
Date


President & CEO

1/3/2012
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
Operating Revenue and Patronage Capital	60,267,146	63,565,460	65,564,092	5,696,762
2. Power Production Expense				
3. Cost of Purchased Power	47,748,496	52,249,438	52,513,595	4,886,325
4. Transmission Expense				
5. Distribution Expense - Operation	1,367,173	1,551,285	1,380,130	132,338
6. Distribution Expense - Maintenance	2,416,049	2,470,700	2,659,740	238,032
7. Customer Accounts Expense	1,626,750	1,640,827	1,754,048	162,631
8. Customer Service and Informational Expense	100,396	98,998	118,555	8,715
9. Sales Expense	79,324	81,994	106,634	8,846
10. Administrative and General Expense	1,292,229	1,272,062	1,396,632	123,746
11. Total Operations & Maintenance Expense (2 thru 10)	54,630,417	59,365,304	59,929,334	5,560,632
12. Depreciation and Amortization Expense	2,509,049	2,607,252	2,578,622	238,948
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	57,802	61,552	62,041	5,037
15. Interest on Long-Term Debt	1,164,431	1,058,800	1,302,335	89,247
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	162,787	172,693	179,112	12,865
18. Other Deductions	24,892	20,465	29,333	1,725
19. Total Cost of Electric Service (11 thru 18)	58,549,377	63,286,065	64,080,777	5,908,456
20. Patronage Capital & Operating Margins (1 minus 19)	1,717,769	279,395	1,483,315	(211,694)
21. Non Operating Margins - Interest	37,604	37,585	35,140	3,327
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(17,757)	(11,798)	(451)	(2,314)
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	81,268	76,200	(38,580)	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,818,883	381,383	1,479,424	(210,682)

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED November-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	405	286	5. Miles Transmission		
2. Services Retired	19	80	6. Miles Distribution-Overhead	3,394	3,399
3. Total Services in Place	25,707	26,053	7. Miles Distribution-Underground	143	148
4. Idle Services <i>(Exclude Seasonals)</i>	2,028	2,307	8. Total Miles Energized <i>(5+6+7)</i>	3,537	3,547
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	88,836,660		29. Memberships	230,905	
2. Construction Work in Progress	586,645		30. Patronage Capital	33,304,699	
3. Total Utility Plant (1 + 2)	89,423,305		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	26,144,243		32. Operating Margins - Current Year	355,595	
5. Net Utility Plant (3 - 4)	63,279,062		33. Non-Operating Margins	25,787	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,627,646)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,289,340	
8. Invest. In Assoc Org-Patronage Capital	18,427,114		36. Long-Term Debt - RUS (Net)	15,373,631	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	22,128,352	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	8,732,894	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	567,324	
14. Total Other Property & Investments (6 thru 13)	19,497,724		41. Total Long-Term Debt (36 thru 40)	46,802,201	
15. Cash - General Funds	247,262		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	7,018,021	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	7,018,021	
18. Temporary Investments	0		45. Notes Payable	3,950,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	5,438,280	
20. Accounts Receivable-Sales of Energy (Net)	6,010,105		47. Consumers Deposits	732,990	
21. Accounts Receivable - Other (Net)	971,440		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	498,534		49. Current Maturities Long-Term Debt	0	
23. Prepayments	339,308		- Economic Development	0	
24. Other Current and Accrued Assets	361,528		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	8,428,178		51. Other Current and Accrued Liabilities	950,541	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	11,071,811	
27. Other Deferred Debits	7,704		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+ 14+25 thru 27)	91,212,668		54. Other Deferred Credits	31,295	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	91,212,668	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

November-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	17,603
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,847,425	16,411,096	19,991,929
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	1,867,144
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	4,510
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	1,077,207
	c. Revenue	207,767	183,929	175,251	103,984	134,041	145,306
3 Comm and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	1,598
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	10,214,852
	c. Revenue	966,036	955,585	812,555	774,810	836,346	733,569
4 Comm and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	38,688,583
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	2,239,776
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	6,285
	c. Revenue	1,243	1,250	1,062	1,141	1,238	1,133
TOTAL No. Consumers		23,855	23,899	23,765	23,853	23,839	23,720
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,788,468	64,981,933	69,978,856
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	4,986,928
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	76,688
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	28,479
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	70,468,148
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	4,740,829
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	133,873

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

November-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Residential Sales	17,730	17,689	17,737	17,690	17,605		194,665
	23,244,904	21,241,061	17,422,079	15,433,922	19,852,640		239,901,546
	2,545,537	2,262,599	1,916,555	1,668,601	2,151,746		25,171,607
2 Residential Sales Seasonal	4,522	4,520	4,519	4,537	4,541		49,695
	1,067,434	1,058,209	948,557	837,956	958,998		11,525,690
	165,608	158,170	148,746	134,063	150,225		1,707,090
3 Comm and Ind. 1000 kVa or Less	1,614	1,623	1,622	1,622	1,591		17,679
	10,461,608	10,673,183	10,240,942	8,908,879	9,043,183		107,466,738
	973,882	956,323	931,077	808,332	849,445		9,597,960
4 Comm. and Ind. Over 1000 kVa	5	5	5	5	5		55
	38,966,712	39,534,136	38,383,201	41,908,288	38,819,178		425,771,504
	2,456,420	2,502,129	2,487,211	2,565,269	2,475,623		26,159,710
5 Public Street and Hwy Lighting	4	4	4	4	4		
	6,285	6,285	6,285	6,285	6,285		69,135
	1,258	1,216	1,223	1,187	1,226		13,177
6. TOTAL No. Consumers	23,875	23,841	23,887	23,858	23,746		
7. TOTAL kWh Sold	73,746,943	72,512,874	67,001,064	67,095,330	68,680,284		784,734,613
8. TOTAL Revenue Received From Sales of Electric Energy	6,142,704	5,880,436	5,484,811	5,177,452	5,628,266		62,649,544
9. Other Electric Revenue	71,362	85,356	88,108	79,524	68,496		915,916
10. kWh - Own Use	31,888	30,689	26,637	34,925	56,808		512,711
11. TOTAL kWh purchased	78,569,583	75,337,465	65,869,355	71,250,953	71,224,411		808,749,747
12. Cost of Purchases and Generation	5,130,132	5,036,394	4,457,338	4,525,815	4,886,325		52,249,438
13. Peak - Sum All kW Input Coincident	139,794	137,129	137,980	120,694	137,243		1,523,466

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION

KY 052

PERIOD ENDED

October-11

FINANCIAL AND STATISTICAL REPORT

BORROWER NAME AND ADDRESS

FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

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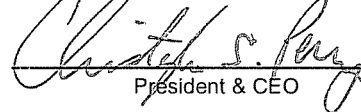
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There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

11/28/2011
Date


President & CEO

11/28/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
Operating Revenue and Patronage Capital	55,501,895	57,868,698	60,295,795	5,256,977
2. Power Production Expense				
3. Cost of Purchased Power	43,829,731	47,363,113	48,436,884	4,525,815
4. Transmission Expense				
5. Distribution Expense - Operation	1,238,430	1,418,947	1,244,018	176,586
6. Distribution Expense - Maintenance	2,206,154	2,232,668	2,443,437	215,562
7. Customer Accounts Expense	1,464,159	1,478,196	1,594,574	140,483
8. Customer Service and Informational Expense	93,436	90,283	106,562	7,660
9. Sales Expense	73,423	73,148	97,789	7,689
10. Administrative and General Expense	1,183,582	1,148,316	1,280,361	104,860
11. Total Operations & Maintenance Expense (2 thru 10)	50,088,915	53,804,672	55,203,625	5,178,655
12. Depreciation and Amortization Expense	2,276,174	2,368,303	2,340,648	238,461
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	51,844	56,514	56,074	5,252
15. Interest on Long-Term Debt	1,089,436	969,552	1,190,195	97,741
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	151,085	159,827	164,328	12,776
18. Other Deductions	24,392	18,740	28,665	814
19. Total Cost of Electric Service (11 thru 18)	53,681,846	57,377,609	58,983,535	5,533,699
20. Patronage Capital & Operating Margins (1 minus 19)	1,820,049	491,089	1,312,260	(276,723)
21. Non Operating Margins - Interest	34,284	34,258	31,336	4,347
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(16,625)	(9,483)	308	(22)
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	81,268	76,200	(38,580)	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,918,976	592,064	1,305,324	(272,398)

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED October-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	405	264	5. Miles Transmission		
2. Services Retired	19	75	6. Miles Distribution-Overhead	3,394	3,399
3. Total Services in Place	25,786	26,036	7. Miles Distribution-Underground	143	148
4. Idle Services <i>(Exclude Seasonals)</i>	1,730	2,178	8. Total Miles Energized <i>(5+6+7)</i>	3,537	3,547
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	88,643,966		29. Memberships	230,595	
2. Construction Work in Progress	553,446		30. Patronage Capital	33,319,269	
3. Total Utility Plant (1 + 2)	89,197,412		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	25,908,139		32. Operating Margins - Current Year	567,289	
5. Net Utility Plant (3 - 4)	63,289,272		33. Non-Operating Margins	24,775	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,627,646)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,514,282	
8. Invest. In Assoc Org-Patronage Capital	18,427,114		36. Long-Term Debt - RUS (Net)	15,397,356	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	22,128,352	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	8,839,288	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	573,491	
14. Total Other Property & Investments (6 thru 13)	19,497,724		41. Total Long-Term Debt (36 thru 40)	46,938,487	
15. Cash - General Funds	621,446		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	7,004,824	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	7,004,824	
18. Temporary Investments	0		45. Notes Payable	3,900,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	4,930,219	
20. Accounts Receivable-Sales of Energy (Net)	5,584,672		47. Consumers Deposits	732,720	
21. Accounts Receivable - Other (Net)	1,004,360		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	478,208		49. Current Maturities Long-Term Debt	0	
23. Prepayments	330,882		- Economic Development	0	
24. Other Current and Accrued Assets	325,832		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	8,345,400		51. Other Current and Accrued Liabilities	1,137,410	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	10,700,349	
27. Other Deferred Debits	8,131		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	91,140,527		54. Other Deferred Credits	(17,416)	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	91,140,527	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

October-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1. Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	17,603
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,847,425	16,411,096	19,991,929
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	1,867,144
2. Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	4,510
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	1,077,207
	c. Revenue	207,767	183,929	175,251	103,984	134,041	145,306
3. Comm. and Ind. 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	1,598
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	10,214,852
	c. Revenue	966,036	955,585	812,555	774,810	836,346	733,569
4. Comm. and Ind. Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	38,688,583
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	2,239,776
5. Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	6,285
	c. Revenue	1,243	1,250	1,062	1,141	1,238	1,133
TOTAL No. Consumers		23,855	23,899	23,765	23,853	23,839	23,720
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,788,468	64,981,933	69,978,856
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	4,986,928
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	76,688
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	28,479
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	70,468,148
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	4,740,829
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	133,873

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

October-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Residential Sales	17,730	17,689	17,737	17,690			177,060
	23,244,904	21,241,061	17,422,079	15,433,922			220,048,906
	2,545,537	2,262,599	1,916,555	1,668,601			23,019,861
2. Residential Sales Seasonal	4,522	4,520	4,519	4,537			45,154
	1,067,434	1,058,209	948,557	837,956			10,566,692
	165,608	158,170	148,746	134,063			1,556,865
3. Comm. and Ind. 1000 kVa or Less	1,614	1,623	1,622	1,622			16,088
	10,461,608	10,673,183	10,240,942	8,908,879			98,423,555
	973,882	956,323	931,077	808,332			8,748,514
4. Comm. and Ind. Over 1000 kVa	5	5	5	5			50
	38,966,712	39,534,136	38,383,201	41,908,288			386,952,326
	2,456,420	2,502,129	2,487,211	2,565,269			23,684,087
5. Public Street and Hwy Lighting	4	4	4	4			
	6,285	6,285	6,285	6,285			62,850
	1,258	1,216	1,223	1,187			11,951
6. TOTAL No. Consumers	23,875	23,841	23,887	23,858			
7. TOTAL kWh Sold	73,746,943	72,512,874	67,001,064	67,095,330			716,054,329
8. TOTAL Revenue Received From Sales of Electric Energy	6,142,704	5,880,436	5,484,811	5,177,452			57,021,278
9. Other Electric Revenue	71,362	85,356	88,108	79,524			847,420
10. kWh - Own Use	31,888	30,689	26,637	34,925			455,903
11. TOTAL kWh purchased	78,569,583	75,337,465	65,869,355	71,250,953			737,525,336
12. Cost of Purchases and Generation	5,130,132	5,036,394	4,457,338	4,525,815			47,363,113
13. Peak - Sum All kW Input Coincident	139,794	137,129	137,980	120,694			1,386,223

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

September-11

BORROWER NAME AND ADDRESS

FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.


Chief Financial Officer

11/1/2011
Date


President & CEO

11/1/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
Operating Revenue and Patronage Capital	50,936,545	52,611,722	54,951,802	5,572,919
2. Power Production Expense				
3. Cost of Purchased Power	40,320,171	42,837,298	44,242,841	4,457,338
4. Transmission Expense				
5. Distribution Expense - Operation	1,137,932	1,242,361	1,126,631	135,367
6. Distribution Expense - Maintenance	2,020,746	2,017,107	2,185,024	189,922
7. Customer Accounts Expense	1,304,161	1,337,713	1,437,769	151,821
8. Customer Service and Informational Expense	84,061	82,623	97,228	9,372
9. Sales Expense	64,258	65,459	86,616	7,679
10. Administrative and General Expense	1,065,756	1,043,456	1,170,399	125,295
11. Total Operations & Maintenance Expense (2 thru 10)	45,997,086	48,626,017	50,346,508	5,076,794
12. Depreciation and Amortization Expense	2,043,995	2,129,842	2,103,222	238,448
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	45,968	51,263	50,107	5,145
15. Interest on Long-Term Debt	981,900	871,811	1,074,665	95,424
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	140,414	147,052	150,813	6,532
18. Other Deductions	21,352	17,926	25,760	(923)
19. Total Cost of Electric Service (11 thru 18)	49,230,715	51,843,911	53,751,075	5,421,419
20. Patronage Capital & Operating Margins (1 minus 19)	1,705,831	767,811	1,200,727	151,500
21. Non Operating Margins - Interest	30,140	29,911	27,736	3,162
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(16,429)	(9,461)	308	220
25. Generation and Transmission Capital Credits	0	0	0	0
i. Other Capital Credits and Patronage Dividends	81,268	76,200	(38,580)	32,650
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,800,809	864,462	1,190,191	187,533

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED September-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	291	219	5. Miles Transmission		
2. Services Retired	16	71	6. Miles Distribution-Overhead	3,391	3,399
3. Total Services in Place	25,675	25,995	7. Miles Distribution-Underground	141	146
4. Idle Services <i>(Exclude Seasonals)</i>	1,730	2,108	8. Total Miles Energized <i>(5+6+7)</i>	3,532	3,545
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	88,489,979		29. Memberships	230,740	
2. Construction Work in Progress	504,872		30. Patronage Capital	33,328,438	
3. Total Utility Plant (1 + 2)	88,994,851		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	25,698,215		32. Operating Margins - Current Year	844,011	
5. Net Utility Plant (3 - 4)	63,296,636		33. Non-Operating Margins	20,450	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,627,646)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,795,993	
8. Invest. In Assoc Org-Patronage Capital	18,427,114		36. Long-Term Debt - RUS (Net)	15,418,878	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	22,128,352	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	8,886,980	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	579,658	
14. Total Other Property & Investments (6 thru 13)	19,497,724		41. Total Long-Term Debt (36 thru 40)	47,013,867	
15. Cash - General Funds	708,028		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,991,626	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,991,626	
18. Temporary Investments	0		45. Notes Payable	3,800,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	5,031,143	
20. Accounts Receivable-Sales of Energy (Net)	6,045,498		47. Consumers Deposits	723,060	
21. Accounts Receivable - Other (Net)	1,002,593		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	478,943		49. Current Maturities Long-Term Debt	0	
23. Prepayments	363,302		- Economic Development	0	
24. Other Current and Accrued Assets	309,193		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	8,907,558		51. Other Current and Accrued Liabilities	1,372,211	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	10,926,414	
27. Other Deferred Debits	8,558		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	91,710,474		54. Other Deferred Credits	(17,426)	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	91,710,474	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

BORROWER DESIGNATION

KY 052

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED

August-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	17,603
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,678,777	16,411,096	19,991,929
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	1,867,144
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	4,510
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	1,077,207
	c. Revenue	207,767	183,929	175,251	103,984	134,041	145,306
3 Comm and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	1,598
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	10,214,852
	c. Revenue	966,036	955,585	812,555	774,810	836,346	733,569
4 Comm and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	38,688,583
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	2,239,776
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	6,285
	c. Revenue	1,243	1,250	1,062	1,141	1,238	1,133
TOTAL No. Consumers		23,855	23,899	23,765	23,853	23,839	23,720
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,619,820	64,981,933	69,978,856
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	4,986,928
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	76,688
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	28,479
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	70,468,148
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	4,740,829
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	133,873

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
September-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Residential Sales	17,730	17,689	17,737				159,370
	23,244,904	21,241,061	17,422,079				204,446,336
	2,545,537	2,262,599	1,916,555				21,351,260
2. Residential Sales Seasonal	4,522	4,520	4,519				40,617
	1,067,434	1,058,209	948,557				9,728,736
	165,608	158,170	148,746				1,422,802
3. Comm and Ind. 1000 kVa or Less	1,614	1,623	1,622				14,466
	10,461,608	10,673,183	10,240,942				89,514,676
	973,882	956,323	931,077				7,940,182
4. Comm and Ind Over 1000 kVa	5	5	5				45
	38,966,712	39,534,136	38,383,201				345,044,038
	2,456,420	2,502,129	2,487,211				21,118,818
5. Public Street and Hwy Lighting	4	4	4				
	6,285	6,285	6,285				56,565
	1,258	1,216	1,223				10,763
6. TOTAL No. Consumers	23,875	23,841	23,887				
7. TOTAL kWh Sold	73,746,943	72,512,874	67,001,064				648,790,351
8. TOTAL Revenue Received From Sales of Electric Energy	6,142,704	5,880,436	5,484,811				51,843,826
9. Other Electric Revenue	71,362	85,356	88,108				767,896
10. kWh - Own Use	31,888	30,689	26,637				420,978
11. TOTAL kWh purchased	78,569,583	75,337,465	65,869,355				666,274,383
12. Cost of Purchases and Generation	5,130,132	5,036,394	4,457,338				42,837,298
13. Peak - Sum All kW Input Coincident	139,794	137,129	137,980				1,265,529

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
August-11

BORROWER NAME AND ADDRESS
FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

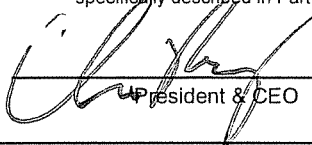
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

9/27/2011
Date


President & CEO

9/27/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
Operating Revenue and Patronage Capital	45,579,704	47,038,802	49,843,406	5,965,792
2. Power Production Expense				
3. Cost of Purchased Power	36,176,242	38,379,960	40,120,938	5,036,394
4. Transmission Expense				
5. Distribution Expense - Operation	1,020,034	1,106,994	1,031,093	134,004
6. Distribution Expense - Maintenance	1,770,449	1,827,185	1,912,031	209,995
7. Customer Accounts Expense	1,156,975	1,185,892	1,288,246	145,522
8. Customer Service and Informational Expense	73,897	73,251	84,917	8,593
9. Sales Expense	56,405	57,780	77,539	7,664
10. Administrative and General Expense	957,472	918,161	1,044,758	118,607
11. Total Operations & Maintenance Expense (2 thru 10)	41,211,476	43,549,223	45,559,522	5,660,778
12. Depreciation and Amortization Expense	1,812,770	1,891,395	1,866,503	238,121
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	39,930	46,118	44,140	5,145
15. Interest on Long-Term Debt	872,927	776,387	954,340	114,935
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	124,066	140,519	137,783	16,343
18. Other Deductions	18,783	18,850	18,984	3,589
19. Total Cost of Electric Service (11 thru 18)	44,079,952	46,422,492	48,581,272	6,038,911
20. Patronage Capital & Operating Margins (1 minus 19)	1,499,752	616,310	1,262,134	(73,119)
21. Non Operating Margins - Interest	27,119	26,749	24,571	3,159
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(16,621)	(9,681)	308	(43)
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	40,370	43,550	(7,834)	12,750
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,550,621	676,929	1,279,179	(57,253)

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED August-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	247	191	5. Miles Transmission		
2. Services Retired	14	67	6. Miles Distribution-Overhead	3,382	3,398
3. Total Services in Place	25,633	25,971	7. Miles Distribution-Underground	132	145
4. Idle Services <i>(Exclude Seasonals)</i>	1,813	2,130	8. Total Miles Energized <i>(5+6+7)</i>	3,514	3,543
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	88,305,457		29. Memberships	230,905	
2. Construction Work in Progress	470,862		30. Patronage Capital	33,340,990	
3. Total Utility Plant (1 + 2)	88,776,319		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	25,483,577		32. Operating Margins - Current Year	659,861	
5. Net Utility Plant (3 - 4)	63,292,742		33. Non-Operating Margins	17,068	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,627,646)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,621,178	
8. Invest. In Assoc Org-Patronage Capital	18,413,339		36. Long-Term Debt - RUS (Net)	15,442,281	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	22,339,540	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	8,934,523	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	585,825	
14. Total Other Property & Investments (6 thru 13)	19,483,949		41. Total Long-Term Debt (36 thru 40)	47,302,169	
15. Cash - General Funds	237,711		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,978,429	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,978,429	
18. Temporary Investments	0		45. Notes Payable	3,000,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	5,498,219	
20. Accounts Receivable-Sales of Energy (Net)	6,580,979		47. Consumers Deposits	724,209	
21. Accounts Receivable - Other (Net)	1,010,133		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	422,684		49. Current Maturities Long-Term Debt	0	
23. Prepayments	170,054		- Economic Development	0	
24. Other Current and Accrued Assets	273,514		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	8,695,076		51. Other Current and Accrued Liabilities	1,360,807	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	10,583,234	
27. Other Deferred Debits	8,984		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	91,480,750		54. Other Deferred Credits	(4,260)	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	91,480,750	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
August-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	17,603
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,678,777	16,411,096	19,991,929
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	1,867,144
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	4,510
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	1,077,207
	c. Revenue	207,767	183,929	175,251	103,984	134,041	145,306
3 Comm. and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	1,598
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	10,214,852
	c. Revenue	966,036	955,585	812,555	774,810	836,346	733,569
4 Comm. and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	38,688,583
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	2,239,776
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	6,285
	c. Revenue	1,243	1,250	1,062	1,141	1,238	1,133
OTAL No. Consumers		23,855	23,899	23,765	23,853	23,839	23,720
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,619,820	64,981,933	69,978,856
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	4,986,928
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	76,688
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	28,479
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	70,468,148
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	4,740,829
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	133,873

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
August-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Residential Sales	17,730	17,689					141,633
	23,244,904	21,241,061					187,024,257
	2,545,537	2,262,599					19,434,705
2 Residential Sales Seasonal	4,522	4,520					36,098
	1,067,434	1,058,209					8,780,179
	165,608	158,170					1,274,057
3 Comm and Ind. 1000 kVa or Less	1,614	1,623					12,844
	10,461,608	10,673,183					79,273,734
	973,882	956,323					7,009,106
4 Comm and Ind. Over 1000 kVa	5	5					40
	38,966,712	39,534,136					306,660,837
	2,456,420	2,502,129					18,631,607
5 Public Street and Hwy Lighting	4	4					
	6,285	6,285					50,280
	1,258	1,216					9,541
6. TOTAL No. Consumers	23,875	23,841					
7. TOTAL kWh Sold	73,746,943	72,512,874					581,789,287
8. TOTAL Revenue Received From Sales of Electric Energy	6,142,704	5,880,436					46,359,015
9. Other Electric Revenue	71,362	85,356					679,788
10. kWh - Own Use	31,888	30,689					394,341
11. TOTAL kWh purchased	78,569,583	75,337,465					600,405,028
12. Cost of Purchases and Generation	5,130,132	5,036,394					38,379,960
13. Peak - Sum All kW Input Coincident	139,794	137,129					

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

July-11

BORROWER NAME AND ADDRESS

FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief

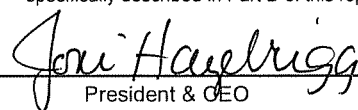
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

8/25/2011
Date


President & CEO

8/25/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
1. Operating Revenue and Patronage Capital	39,600,376	41,073,010	43,935,365	6,214,067
2. Power Production Expense				
3. Cost of Purchased Power	31,405,369	33,343,566	35,549,952	5,130,132
4. Transmission Expense				
5. Distribution Expense - Operation	904,284	972,990	927,123	150,556
6. Distribution Expense - Maintenance	1,504,790	1,617,190	1,696,716	278,658
7. Customer Accounts Expense	1,013,532	1,040,370	1,132,934	160,543
8. Customer Service and Informational Expense	63,564	64,658	74,012	12,457
9. Sales Expense	49,805	50,116	68,125	9,126
10. Administrative and General Expense	850,045	799,555	905,013	127,313
11. Total Operations & Maintenance Expense (2 thru 10)	35,791,389	37,888,445	40,353,875	5,868,786
12. Depreciation and Amortization Expense	1,582,069	1,653,273	1,630,908	237,394
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	33,972	40,974	38,173	(23,350)
15. Interest on Long-Term Debt	762,505	661,452	838,208	77,654
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	107,674	124,177	123,942	15,509
18. Other Deductions	17,698	15,260	19,207	3,295
19. Total Cost of Electric Service (11 thru 18)	38,295,307	40,383,581	43,004,313	6,179,288
20. Patronage Capital & Operating Margins (1 minus 19)	1,305,069	689,429	931,052	34,779
21. Non Operating Margins - Interest	23,765	23,590	21,451	3,186
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(7,736)	(9,638)	422	0
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	15,749	30,800	(7,834)	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,336,847	734,181	945,091	37,965

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED July-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	214	159	5. Miles Transmission		
2. Services Retired	13	45	6. Miles Distribution-Overhead	3,368	3,397
3. Total Services in Place	25,601	25,961	7. Miles Distribution-Underground	126	145
4. Idle Services (Exclude Seasonals)	1,737	2,086	8. Total Miles Energized (5+6+7)	3,494	3,542
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	88,051,457		29. Memberships	230,990	
2. Construction Work in Progress	473,202		30. Patronage Capital	33,354,229	
3. Total Utility Plant (1 + 2)	88,524,659		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	25,318,971		32. Operating Margins - Current Year	720,229	
5. Net Utility Plant (3 - 4)	63,205,687		33. Non-Operating Margins	13,952	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,627,646)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,691,754	
8. Invest. In Assoc Org-Patronage Capital	18,400,589		36. Long-Term Debt - RUS (Net)	15,463,783	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	22,339,540	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	9,085,923	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	591,992	
14. Total Other Property & Investments (6 thru 13)	19,471,199		41. Total Long-Term Debt (36 thru 40)	47,481,238	
15. Cash - General Funds	1,052,803		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,965,231	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,965,231	
18. Temporary Investments	0		45. Notes Payable	3,750,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	5,565,344	
20. Accounts Receivable-Sales of Energy (Net)	6,758,224		47. Consumers Deposits	717,614	
21. Accounts Receivable - Other (Net)	1,016,617		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	454,788		49. Current Maturities Long-Term Debt	0	
23. Prepayments	202,431		- Economic Development	0	
24. Other Current and Accrued Assets	237,835		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	9,722,699		51. Other Current and Accrued Liabilities	1,221,730	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	11,254,688	
27. Other Deferred Debits	9,411		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	92,408,996		54. Other Deferred Credits	16,085	
			55. Total Liabilities and Other Credits (35 + 41 + 44 + 52 thru 54)	92,408,996	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

July-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	17,603
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,678,777	16,411,096	19,991,929
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	1,867,144
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	4,510
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	1,077,207
	c. Revenue	207,767	183,929	175,251	103,984	134,041	145,306
3 Comm and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	1,598
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	10,214,852
	c. Revenue	966,036	955,585	812,555	774,810	836,346	733,569
4 Comm and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	38,688,583
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	2,239,776
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	6,285
	c. Revenue	1,243	1,250	1,062	1,141	1,238	1,133
OTAL No. Consumers		23,855	23,899	23,765	23,853	23,839	23,720
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,619,820	64,981,933	69,978,856
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	4,986,928
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	76,688
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	28,479
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	70,468,148
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	4,740,829
13 Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	133,873

USDA-RUS					BORROWER DESIGNATION		
FINANCIAL AND STATISTICAL REPORT					KY 052		
					PERIOD ENDED		
					July-11		
POWER REQUIREMENTS DATA BASE							
CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Residential Sales	17,730						123,944
	23,244,904						165,783,196
	2,545,537						17,172,106
2 Residential Sales Seasonal	4,522						31,578
	1,067,434						7,721,970
	165,608						1,115,886
3 Comm. and Ind. 1000 kVa or Less	1,614						11,221
	10,461,608						68,600,551
	973,882						6,052,783
4 Comm. and Ind. Over 1000 kVa	5						35
	38,966,712						267,126,701
	2,456,420						16,129,478
5 Public Street and Hwy Lighting	4						
	6,285						43,995
	1,258						8,325
6. TOTAL No. Consumers	23,875						
7. TOTAL kWh Sold	73,746,943						509,276,413
8. TOTAL Revenue Received From Sales of Electric Energy	6,142,704						40,478,579
9. Other Electric Revenue	71,362						594,431
10. kWh - Own Use	31,888						363,652
11. TOTAL kWh purchased	78,569,583						525,067,563
12. Cost of Purchases and Generation	5,130,132						33,343,566
13. Peak - Sum All kW Input Coincident	139,794						

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION

KY 052

PERIOD ENDED

June-11

FINANCIAL AND STATISTICAL REPORT

BORROWER NAME AND ADDRESS

FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

7/29/2011
Date


President & CEO

7/29/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
Operating Revenue and Patronage Capital	33,861,122	34,858,943	38,261,310	5,063,616
2. Power Production Expense				
3. Cost of Purchased Power	26,577,375	28,213,434	31,102,286	4,740,829
4. Transmission Expense				
5. Distribution Expense - Operation	801,309	822,434	818,376	121,289
6. Distribution Expense - Maintenance	1,300,407	1,338,532	1,385,679	239,947
7. Customer Accounts Expense	882,495	879,827	971,231	117,146
8. Customer Service and Informational Expense	56,042	52,201	62,376	5,748
9. Sales Expense	41,689	40,990	52,227	9,247
10. Administrative and General Expense	735,833	672,241	764,070	131,036
11. Total Operations & Maintenance Expense (2 thru 10)	30,395,151	32,019,659	35,156,245	5,365,242
12. Depreciation and Amortization Expense	1,352,740	1,415,879	1,395,983	236,856
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	33,972	64,324	32,206	34,452
15. Interest on Long-Term Debt	653,232	583,798	718,581	96,479
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	95,197	108,668	105,690	17,324
18. Other Deductions	16,268	11,965	15,356	2,741
19. Total Cost of Electric Service (11 thru 18)	32,546,560	34,204,293	37,424,061	5,753,093
20. Patronage Capital & Operating Margins (1 minus 19)	1,314,561	654,650	837,249	(689,477)
21. Non Operating Margins - Interest	20,530	20,404	18,329	3,162
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(8,032)	(9,638)	(26)	0
25. Generation and Transmission Capital Credits	0	0	0	0
Other Capital Credits and Patronage Dividends	15,749	30,800	(7,834)	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,342,808	696,216	847,718	(686,315)

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED June-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	160	138	5. Miles Transmission		
2. Services Retired	9	40	6. Miles Distribution-Overhead	3,385	3,397
3. Total Services in Place	25,551	25,945	7. Miles Distribution-Underground	138	145
4. Idle Services <i>(Exclude Seasonals)</i>	1,818	2,225	8. Total Miles Energized <i>(5+6+7)</i>	3,523	3,542
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	87,859,732		29. Memberships	230,480	
2. Construction Work in Progress	363,654		30. Patronage Capital	33,368,557	
3. Total Utility Plant (1 + 2)	88,223,386		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	25,113,438		32. Operating Margins - Current Year	685,450	
5. Net Utility Plant (3 - 4)	63,109,948		33. Non-Operating Margins	10,766	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,628,616)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,666,636	
8. Invest. In Assoc Org-Patronage Capital	18,400,589		36. Long-Term Debt - RUS (Net)	15,485,044	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	20,339,540	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	9,085,923	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	598,159	
14. Total Other Property & Investments (6 thru 13)	19,471,199		41. Total Long-Term Debt (36 thru 40)	45,508,667	
15. Cash - General Funds	(61,057)		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,926,471	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,926,471	
18. Temporary Investments	0		45. Notes Payable	4,000,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	5,072,500	
20. Accounts Receivable-Sales of Energy (Net)	5,680,831		47. Consumers Deposits	708,684	
21. Accounts Receivable - Other (Net)	1,021,991		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	352,928		49. Current Maturities Long-Term Debt	0	
23. Prepayments	322,087		- Economic Development	0	
24. Other Current and Accrued Assets	202,157		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	7,518,937		51. Other Current and Accrued Liabilities	1,240,823	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	11,022,006	
27. Other Deferred Debits	9,837		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	90,109,920		54. Other Deferred Credits	(13,860)	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	90,109,920	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
June-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	17,603
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,678,777	16,411,096	19,991,929
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	1,867,144
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	4,510
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	1,077,207
	c. Revenue	207,767	183,929	175,251	103,984	134,041	145,306
3 Comm. and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	1,598
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	10,214,852
	c. Revenue	966,036	955,585	812,555	774,810	836,346	733,569
4 Comm. and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	38,688,583
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	2,239,776
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	4
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	6,285
	c. Revenue	1,243	1,250	1,062	1,141	1,238	1,133
TOTAL No. Consumers		23,855	23,899	23,765	23,853	23,839	23,720
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,619,820	64,981,933	69,978,856
8 TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	4,986,928
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	76,688
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	28,479
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	70,468,148
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	4,740,829
13 Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	133,873

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
June-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Residential Sales							106,214
							142,538,292
							14,626,570
2 Residential Sales Seasonal							27,056
							6,654,536
							950,278
3 Comm. and Ind. 1000 kVa or Less							9,607
							58,138,943
							5,078,901
4 Comm. and Ind. Over 1000 kVa							30
							228,159,989
							13,673,058
5 Public Street and Hwy Lighting							
							37,710
							7,067
6. TOTAL No. Consumers							
7. TOTAL kWh Sold							435,529,470
8 TOTAL Revenue Received From Sales of Electric Energy							34,335,874
9. Other Electric Revenue							523,069
10. kWh - Own Use							331,764
11. TOTAL kWh purchased							446,497,980
12. Cost of Purchases and Generation							28,213,434
13 Peak - Sum All kW Input Coincident							

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
KY 052

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
May-11

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

BORROWER NAME AND ADDRESS
FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report

John Hazelrigg
Chief Financial Officer

6/27/2011
Date

Chris Perry
President & CEO

6/27/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
Operating Revenue and Patronage Capital	28,808,577	29,795,327	32,593,569	5,132,879
1. Power Production Expense				
3. Cost of Purchased Power	22,308,971	23,472,605	26,651,407	4,119,949
4. Transmission Expense				
5. Distribution Expense - Operation	672,629	701,145	684,772	137,934
6. Distribution Expense - Maintenance	1,094,890	1,098,585	1,194,898	259,548
7. Customer Accounts Expense	740,723	762,681	805,381	146,278
8. Customer Service and Informational Expense	46,154	46,453	50,914	9,697
9. Sales Expense	34,946	31,744	45,646	7,336
10. Administrative and General Expense	592,555	541,205	625,634	145,394
11. Total Operations & Maintenance Expense (2 thru 10)	25,490,868	26,654,417	30,058,652	4,826,136
12. Depreciation and Amortization Expense	1,125,755	1,179,023	1,161,860	236,763
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	28,312	29,872	26,840	5,957
15. Interest on Long-Term Debt	543,005	487,319	598,858	96,804
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	91,351	91,344	86,363	15,583
18. Other Deductions	12,750	9,225	12,491	1,250
19. Total Cost of Electric Service (11 thru 18)	27,292,041	28,451,200	31,945,064	5,182,492
20. Patronage Capital & Operating Margins (1 minus 19)	1,516,537	1,344,127	648,505	(49,613)
21. Non Operating Margins - Interest	17,302	17,242	15,337	3,308
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(8,032)	(9,638)	(45)	256
25. Generation and Transmission Capital Credits	0	0	0	0
i. Other Capital Credits and Patronage Dividends	15,749	30,800	(7,834)	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,541,555	1,382,531	655,963	(46,050)

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED May-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	124	99	5. Miles Transmission		
2. Services Retired	7	32	6. Miles Distribution-Overhead	3,385	3,395
3. Total Services in Place	25,517	25,914	7. Miles Distribution-Underground	137	145
4. Idle Services (Exclude Seasonals)	1,659	2,075	8. Total Miles Energized (5+6+7)	3,522	3,540
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	87,780,358		29. Memberships	230,255	
2. Construction Work in Progress	321,892		30. Patronage Capital	33,390,461	
3. Total Utility Plant (1 + 2)	88,102,251		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	24,957,998		32. Operating Margins - Current Year	1,374,927	
5. Net Utility Plant (3 - 4)	63,144,253		33. Non-Operating Margins	7,603	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,628,616)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	27,374,631	
8. Invest. In Assoc Org-Patronage Capital	18,400,589		36. Long-Term Debt - RUS (Net)	15,508,197	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	20,548,671	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	9,133,026	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	604,326	
14. Total Other Property & Investments (6 thru 13)	19,471,199		41. Total Long-Term Debt (36 thru 40)	45,794,220	
15. Cash - General Funds	443,997		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,938,200	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,938,200	
18. Temporary Investments	0		45. Notes Payable	4,200,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	4,414,461	
20. Accounts Receivable-Sales of Energy (Net)	5,793,305		47. Consumers Deposits	706,729	
21. Accounts Receivable - Other (Net)	1,085,499		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	406,033		49. Current Maturities Long-Term Debt	0	
23. Prepayments	242,235		- Economic Development	0	
24. Other Current and Accrued Assets	166,478		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	8,137,548		51. Other Current and Accrued Liabilities	1,318,667	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	10,639,857	
27. Other Deferred Debits	10,264		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	90,763,263		54. Other Deferred Credits	16,355	
			55. Total Liabilities and Other Credits (35 + 41 + 44 + 52 thru 54)	90,763,263	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

May-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1. Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724	17,714	
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,678,777	16,411,096	
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429	1,814,649	
2. Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511	4,515	
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101	776,342	
	c. Revenue	207,767	183,929	175,251	103,984	134,041	
3. Comm. and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609	1,601	
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938	8,891,294	
	c. Revenue	966,036	955,585	812,555	774,810	836,346	
4. Comm. and Ind. Over 1000 kVa	a. No. Consumers Served	5	5	5	5	5	
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719	38,896,916	
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023	2,265,069	
5. Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4	4	
	b. kWh Sold	6,285	6,285	6,285	6,285	6,285	
	c. Revenue	1,243	1,250	1,062	1,141	1,238	
	TOTAL No. Consumers	23,855	23,899	23,765	23,853	23,839	
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,619,820	64,981,933	
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387	5,051,344	
9. Other Electric Revenue		90,784	88,916	103,925	81,221	81,536	
10. kWh - Own Use		102,224	77,031	57,960	35,338	30,732	
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	65,046,143	68,039,905	
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892	4,119,949	
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802	131,512	

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

May-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Residential Sales							88,611
							122,546,363
							12,759,426
2 Residential Sales Seasonal							22,546
							5,577,329
							804,972
3 Comm and Ind. 1000 kVa or Less							8,009
							47,924,091
							4,345,332
4 Comm and Ind. Over 1000 kVa							25
							189,471,406
							11,433,282
5 Public Street and Hwy Lighting							
							31,425
							5,935
6. TOTAL No. Consumers							
7. TOTAL kWh Sold							365,550,614
8 TOTAL Revenue Received From Sales of Electric Energy							29,348,946
9. Other Electric Revenue							446,381
10. kWh - Own Use							303,285
11. TOTAL kWh purchased							376,029,832
12. Cost of Purchases and Generation							23,472,605
13. Peak - Sum All kW Input Coincident							

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
KY 052

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
April-11

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

BORROWER NAME AND ADDRESS
FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

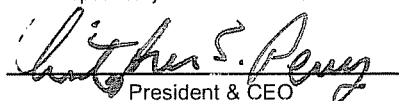
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.


Chief Financial Officer

5/26/2011
Date


President & CEO

5/26/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
Operating Revenue and Patronage Capital	24,642,474	24,662,448	27,277,757	5,003,608
2. Power Production Expense				
3. Cost of Purchased Power	18,951,167	19,352,656	22,351,474	4,093,892
4. Transmission Expense				
5. Distribution Expense - Operation	540,491	563,211	542,354	159,229
6. Distribution Expense - Maintenance	874,331	839,038	1,026,885	210,629
7. Customer Accounts Expense	601,366	616,403	635,347	142,088
8. Customer Service and Informational Expense	36,849	36,756	41,630	9,035
9. Sales Expense	29,119	24,407	37,945	1,210
10. Administrative and General Expense	447,420	395,811	478,113	98,734
11. Total Operations & Maintenance Expense (2 thru 10)	21,480,742	21,828,282	25,113,748	4,714,817
12. Depreciation and Amortization Expense	899,457	942,260	928,588	236,340
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	22,652	23,914	21,474	5,957
15. Interest on Long-Term Debt	435,378	390,515	481,134	97,446
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	76,774	75,762	67,061	16,329
18. Other Deductions	10,560	7,975	11,452	1,370
19. Total Cost of Electric Service (11 thru 18)	22,925,563	23,268,707	26,623,457	5,072,259
20. Patronage Capital & Operating Margins (1 minus 19)	1,716,912	1,393,740	654,300	(68,651)
21. Non Operating Margins - Interest	13,951	13,934	12,352	4,231
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(8,013)	(9,894)	(45)	19,321
25. Generation and Transmission Capital Credits	0	0	7,834	0
i. Other Capital Credits and Patronage Dividends	15,749	30,800	0	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,738,599	1,428,581	674,441	(45,100)

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED April-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	76	78	5. Miles Transmission		
2. Services Retired	5	23	6. Miles Distribution-Overhead	3,384	3,395
3. Total Services in Place	25,471	25,902	7. Miles Distribution-Underground	136	144
4. Idle Services <i>(Exclude Seasonals)</i>	1,594	2,049	8. Total Miles Energized <i>(5+6+7)</i>	3,520	3,539
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	87,817,979		29. Memberships	230,160	
2. Construction Work in Progress	303,309		30. Patronage Capital	33,418,814	
3. Total Utility Plant (1 + 2)	88,121,288		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	24,928,270		32. Operating Margins - Current Year	1,424,540	
5. Net Utility Plant (3 - 4)	63,193,018		33. Non-Operating Margins	4,040	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,628,616)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	27,448,939	
8. Invest. In Assoc Org-Patronage Capital	18,400,589		36. Long-Term Debt - RUS (Net)	15,529,437	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	870,583		37. Long-Term Debt - FFB RUS Guaranteed	20,548,671	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	200,027		39. Long-Term Debt - Other - Net	9,235,947	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	610,493	
14. Total Other Property & Investments (6 thru 13)	19,471,199		41. Total Long-Term Debt (36 thru 40)	45,924,548	
15. Cash - General Funds	294,960		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,925,200	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,925,200	
18. Temporary Investments	0		45. Notes Payable	3,900,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	4,603,762	
20. Accounts Receivable-Sales of Energy (Net)	5,910,726		47. Consumers Deposits	710,374	
21. Accounts Receivable - Other (Net)	1,031,163		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	425,458		49. Current Maturities Long-Term Debt	0	
23. Prepayments	276,713		- Economic Development	0	
24. Other Current and Accrued Assets	130,799		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	8,069,820		51. Other Current and Accrued Liabilities	1,202,998	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	10,417,134	
27. Other Deferred Debits	9,549		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	90,743,586		54. Other Deferred Credits	27,766	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	90,743,586	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

April-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646	17,724		
	b. kWh Sold	35,399,455	29,264,240	23,792,795	17,678,777		
	c. Revenue	3,772,785	3,194,056	2,181,506	1,796,429		
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508	4,511		
	b. kWh Sold	1,491,848	1,258,214	1,514,824	536,101		
	c. Revenue	207,767	183,929	175,251	103,984		
3 Comm and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602	1,609		
	b. kWh Sold	10,236,604	9,944,332	10,094,923	8,756,938		
	c. Revenue	966,036	955,585	812,555	774,810		
4 Comm and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5	5		
	b. kWh Sold	38,972,711	35,934,323	38,025,737	37,641,719		
	c. Revenue	2,477,507	2,258,942	2,185,741	2,246,023		
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4	4		
	b. kWh Sold	6,285	6,285	6,285	6,285		
	c. Revenue	1,243	1,250	1,062	1,141		
	TOTAL No. Consumers	23,855	23,899	23,765	23,853		
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564	64,619,820		
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115	4,922,387		
9. Other Electric Revenue		90,784	88,916	103,925	81,221		
10. kWh - Own Use		102,224	77,031	57,960	35,338		
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447	4,093,892		
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055	4,093,892		
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440	127,802		

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

April-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Residential Sales							70,897
							106,135,267
							10,944,776
2 Residential Sales Seasonal							18,031
							4,800,987
							670,930
3 Comm. and Ind 1000 kVa or Less							6,408
							39,032,797
							3,508,986
4 Comm. and Ind Over 1000 kVa							20
							150,574,490
							9,168,213
5 Public Street and Hwy Lighting							25,140
							4,697
6. TOTAL No. Consumers							
7. TOTAL kWh Sold							300,568,681
8 TOTAL Revenue Received From Sales of Electric Energy							24,297,602
9. Other Electric Revenue							364,845
10. kWh - Own Use							272,553
11. TOTAL kWh purchased							247,037,676
12. Cost of Purchases and Generation							19,352,656
13 Peak - Sum All kW Input Coincident							

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
KY 052

PERIOD ENDED
March-11

FINANCIAL AND STATISTICAL REPORT

BORROWER NAME AND ADDRESS
FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief

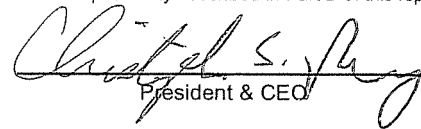
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

4/28/2011
Date


President & CEO

4/28/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
Operating Revenue and Patronage Capital	20,243,731	19,658,840	21,005,989	5,460,039
Power Production Expense				
3. Cost of Purchased Power	15,789,389	15,258,764	17,402,027	4,356,055
4. Transmission Expense				
5. Distribution Expense - Operation	418,725	403,982	395,979	133,471
6. Distribution Expense - Maintenance	654,801	628,409	768,927	196,436
7. Customer Accounts Expense	446,493	474,315	468,501	150,416
8. Customer Service and Informational Expense	28,745	27,722	31,360	10,283
9. Sales Expense	22,416	23,197	26,191	8,241
10. Administrative and General Expense	332,188	297,076	348,767	99,132
11. Total Operations & Maintenance Expense (2 thru 10)	17,692,756	17,113,465	19,441,752	4,954,035
12. Depreciation and Amortization Expense	673,874	705,920	695,799	235,830
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	16,991	17,957	16,108	5,957
15. Interest on Long-Term Debt	322,640	293,069	360,268	101,429
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	58,773	59,432	51,794	20,961
18. Other Deductions	8,187	6,604	4,877	3,500
19. Total Cost of Electric Service (11 thru 18)	18,773,222	18,196,448	20,570,598	5,321,712
20. Patronage Capital & Operating Margins (1 minus 19)	1,470,509	1,462,392	435,391	138,327
21. Non Operating Margins - Interest	9,770	9,703	9,352	3,180
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(8,013)	(29,215)	58	(21,034)
25. Generation and Transmission Capital Credits	0	0	7,834	0
Other Capital Credits and Patronage Dividends	15,749	30,800	0	14,449
Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	1,488,015	1,473,680	452,635	134,922

**USDA - RUS
FINANCIAL AND STATISTICAL REPORT**

BORROWER DESIGNATION

KY 052

PERIOD ENDED

March-11

INSTRUCTIONS: See RUS Bulletin 1717B - 2

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	58	57	5. Miles Transmission		
2. Services Retired	3	13	6. Miles Distribution-Overhead	3,384	3,395
3. Total Services in Place	25,455	25,891	7. Miles Distribution-Underground	136	143
4. Idle Services <i>(Exclude Seasonals)</i>	1,626	2,126	8. Total Miles Energized <i>(5+6+7)</i>	3,520	3,538

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	87,419,363	29. Memberships	230,640
2. Construction Work in Progress	302,549	30. Patronage Capital	33,438,312
3. Total Utility Plant (1 + 2)	87,721,913	31. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	24,747,645	32. Operating Margins - Current Year	1,493,192
5. Net Utility Plant (3 - 4)	62,974,268	33. Non-Operating Margins	(19,512)
6. Non-Utility Property (Net)	0	34. Other Margins and Equities	(7,628,616)
7. Investments in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34)	27,514,016
8. Invest. In Assoc Org-Patronage Capital	18,400,589	36. Long-Term Debt - RUS (Net)	15,552,422
9. Invest. In Assoc Org-Other-General Funds	0	(Payments - Unapplied \$ _____)	0
10. Invest. In Assoc Org-Other-Nongen Funds	870,583	37. Long-Term Debt - FFB RUS Guaranteed	20,548,671
11. Invest. In Economic Development Projects	0	38. Long-Term Debt - Other RUS Guaranteed	0
12. Other Investments	200,027	39. Long-Term Debt - Other - Net	9,282,759
13. Special Funds	0	40. Long-Term Debt RUS Econ Dev Net	616,660
14. Total Other Property & Investments (6 thru 13)	19,471,199	41. Total Long-Term Debt (36 thru 40)	46,000,511
15. Cash - General Funds	700,645	42. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	43. Accumulated Operating Provisions	6,912,867
17. Special Deposits	0	44. Total Other Noncurrent Liabilities (42 + 43)	6,912,867
18. Temporary Investments	0	45. Notes Payable	4,500,000
19. Notes Receivable (Net)	0	46. Accounts Payable	4,800,126
20. Accounts Receivable-Sales of Energy (Net)	6,621,347	47. Consumers Deposits	713,274
21. Accounts Receivable - Other (Net)	1,019,039	48. Current Maturities Long-Term Debt	0
22. Materials and Supplies - Electric & Other	426,460	49. Current Maturities Long-Term Debt	0
23. Prepayments	313,090	- Economic Development	0
24. Other Current and Accrued Assets	114,073	50. Current Maturities Capital Leases	0
25. Total Current and Accrued Assets (15 thru 24)	9,194,654	51. Other Current and Accrued Liabilities	1,170,468
26. Regulatory Assets	0	52. Total Current & Accrued Liabilities (45 thru 51)	11,183,867
27. Other Deferred Debits	9,783	53. Regulatory Liabilities	0
28. Total Assets & Other Debits (5+14+25thru27)	91,649,904	54. Other Deferred Credits	38,642
		55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	91,649,904

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
March-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782	17,646			
	b. kWh Sold	35,399,455	29,264,240	23,792,795			
	c. Revenue	3,772,785	3,194,056	2,181,506			
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509	4,508			
	b. kWh Sold	1,491,848	1,258,214	1,514,824			
	c. Revenue	207,767	183,929	175,251			
3 Comm. and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599	1,602			
	b. kWh Sold	10,236,604	9,944,332	10,094,923			
	c. Revenue	966,036	955,585	812,555			
4 Comm. and Ind Over 1000 kVa	a. No. Consumers Served	5	5	5			
	b. kWh Sold	38,972,711	35,934,323	38,025,737			
	c. Revenue	2,477,507	2,258,942	2,185,741			
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4	4			
	b. kWh Sold	6,285	6,285	6,285			
	c. Revenue	1,243	1,250	1,062			
6 TOTAL No. Consumers		23,855	23,899	23,765			
7. TOTAL kWh Sold		86,106,903	76,407,394	73,434,564			
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762	5,356,115			
9. Other Electric Revenue		90,784	88,916	103,925			
10. kWh - Own Use		102,224	77,031	57,960			
11. TOTAL kWh purchased		91,765,030	76,259,307	74,919,447			
12. Cost of Purchases and Generation		6,063,167	4,839,542	4,356,055			
13. Peak - Sum All kW Input Coincident		160,586	164,413	132,440			

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
March-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Residential Sales							53,173
							88,456,490
							9,148,347
2 Residential Sales Seasonal							13,520
							4,264,886
							566,947
3. Comm and Ind. 1000 kVa or Less							4,799
							30,275,859
							2,734,176
4 Comm and Ind. Over 1000 kVa							15
							112,932,771
							6,922,190
5. Public Street and Hwy Lighting							
							18,855
							3,556
6. TOTAL No. Consumers							
7. TOTAL kWh Sold							235,948,861
8. TOTAL Revenue Received From Sales of Electric Energy							19,375,215
9. Other Electric Revenue							283,625
10. kWh - Own Use							237,215
11. TOTAL kWh purchased							242,943,784
12. Cost of Purchases and Generation							15,258,764
13. Peak - Sum All kW Input Coincident							

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

February-11

BORROWER NAME AND ADDRESS

FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Jon Hardigg
Chief Financial Officer

4/4/2011
Date

Christopher S. Perry
President & CEO

4/4/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
Operating Revenue and Patronage Capital	14,285,633	14,198,800	14,541,006	6,682,679
2. Power Production Expense				
3. Cost of Purchased Power	11,316,448	10,902,709	12,103,172	4,839,542
4. Transmission Expense				
5. Distribution Expense - Operation	261,835	270,512	253,909	143,019
6. Distribution Expense - Maintenance	458,651	431,972	575,955	231,395
7. Customer Accounts Expense	284,623	323,899	307,727	140,842
8. Customer Service and Informational Expense	18,666	17,439	21,726	9,189
9. Sales Expense	16,272	14,956	16,463	6,871
10. Administrative and General Expense	216,068	197,944	240,945	94,759
11. Total Operations & Maintenance Expense (2 thru 10)	12,572,563	12,159,431	13,519,897	5,465,616
12. Depreciation and Amortization Expense	448,972	470,089	463,540	235,536
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	11,331	12,000	10,742	5,957
15. Interest on Long-Term Debt	211,944	191,640	239,377	91,553
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	50,120	38,472	36,172	18,979
18. Other Deductions	5,807	3,104	4,283	2,055
19. Total Cost of Electric Service (11 thru 18)	13,300,737	12,874,736	14,274,011	5,819,697
20. Patronage Capital & Operating Margins (1 minus 19)	984,896	1,324,065	266,995	862,982
21. Non Operating Margins - Interest	6,629	6,524	6,216	3,320
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(1,371)	(8,181)	660	(11)
25. Generation and Transmission Capital Credits	0	0	892	0
} Other Capital Credits and Patronage Dividends	808	16,351	0	16,351
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	990,962	1,338,758	274,763	882,642

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED February-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	30	37	5. Miles Transmission		
2. Services Retired	1	1	6. Miles Distribution-Overhead	3,383	3,395
3. Total Services in Place	25,429	25,883	7. Miles Distribution-Underground	135	143
4. Idle Services (Exclude Seasonals)	1,619	1,984	8. Total Miles Energized (5+6+7)	3,518	3,538
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	87,305,028		29. Memberships	230,430	
2. Construction Work in Progress	203,919		30. Patronage Capital	33,481,473	
3. Total Utility Plant (1 + 2)	87,508,947		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	24,537,082		32. Operating Margins - Current Year	1,340,416	
5. Net Utility Plant (3 - 4)	62,971,865		33. Non-Operating Margins	(1,657)	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,628,616)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	27,422,045	
8. Invest. In Assoc Org-Patronage Capital	18,400,589		36. Long-Term Debt - RUS (Net)	15,573,485	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	866,474		37. Long-Term Debt - FFB RUS Guaranteed	20,757,515	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	207,200		39. Long-Term Debt - Other - Net	9,329,425	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	622,827	
14. Total Other Property & Investments (6 thru 13)	19,474,263		41. Total Long-Term Debt (36 thru 40)	46,283,252	
15. Cash - General Funds	1,222,299		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,899,001	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,899,001	
18. Temporary Investments	0		45. Notes Payable	5,900,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	5,331,823	
20. Accounts Receivable-Sales of Energy (Net)	8,192,011		47. Consumers Deposits	706,244	
21. Accounts Receivable - Other (Net)	1,026,098		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	383,690		49. Current Maturities Long-Term Debt	0	
23. Prepayments	341,478		- Economic Development	0	
24. Other Current and Accrued Assets	78,377		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	11,243,952		51. Other Current and Accrued Liabilities	1,101,459	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	13,039,525	
27. Other Deferred Debits	9,386		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	93,699,467		54. Other Deferred Credits	55,643	
			55. Total Liabilities and Other Credits (35 + 41 + 44 + 52 thru 54)	93,699,467	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

BORROWER DESIGNATION

KY 052

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED

February-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745	17,782				
	b. kWh Sold	35,399,455	29,264,240				
	c. Revenue	3,772,785	3,194,056				
2 Residential Sales Seasonal	a. No. Consumers Served	4,503	4,509				
	b. kWh Sold	1,491,848	1,258,214				
	c. Revenue	207,767	183,929				
3 Comm and Ind 1000 kVa or Less	a. No. Consumers Served	1,598	1,599				
	b. kWh Sold	10,236,604	9,944,332				
	c. Revenue	966,036	955,585				
4 Comm and Ind. Over 1000 kVa	a. No. Consumers Served	5	5				
	b. kWh Sold	38,972,711	35,934,323				
	c. Revenue	2,477,507	2,258,942				
5 Public Street and Hwy Lighting	a. No. Consumers Served	4	4				
	b. kWh Sold	6,285	6,285				
	c. Revenue	1,243	1,250				
	TOTAL No. Consumers	23,855	23,899				
7. TOTAL kWh Sold		86,106,903	76,407,394				
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338	6,593,762				
9. Other Electric Revenue		90,784	88,916				
10. kWh - Own Use		102,224	77,031				
11. TOTAL kWh purchased		91,765,030	76,259,307				
12. Cost of Purchases and Generation		6,063,167	4,839,542				
13. Peak - Sum All kW Input Coincident		160,586	164,413				

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY 052

PERIOD ENDED

February-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Residential Sales							35,527
							64,663,695
							6,966,841
2 Residential Sales Seasonal							9,012
							2,750,062
							391,696
3 Comm. and Ind. 1000 kVa or Less							3,197
							20,180,936
							1,921,621
4 Comm. and Ind. Over 1000 kVa							10
							74,907,034
							4,736,449
5 Public Street and Hwy Lighting							
							12,570
							2,493
6. TOTAL No. Consumers							
7. TOTAL kWh Sold							162,514,297
8. TOTAL Revenue Received From Sales of Electric Energy							14,019,100
9. Other Electric Revenue							179,700
10. kWh - Own Use							179,255
11. TOTAL kWh purchased							168,024,337
12. Cost of Purchases and Generation							10,902,709
13. Peak - Sum All kW Input Coincident							

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION

KY 052

PERIOD ENDED

January-11

FINANCIAL AND STATISTICAL REPORT

BORROWER NAME AND ADDRESS

FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

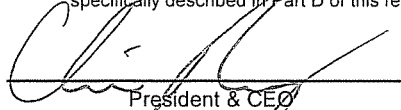
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report


Chief Financial Officer

3/2/2011
Date


President & CEO

3/2/2011
Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
1. Operating Revenue and Patronage Capital	6,963,217	7,516,122	7,749,935	7,516,122
2. Power Production Expense				
3. Cost of Purchased Power	5,830,780	6,063,167	6,571,470	6,063,167
4. Transmission Expense				
5. Distribution Expense - Operation	129,237	127,493	126,150	127,493
6. Distribution Expense - Maintenance	249,704	200,578	309,836	200,578
7. Customer Accounts Expense	137,353	183,056	153,750	183,056
8. Customer Service and Informational Expense	9,221	8,250	11,639	8,250
9. Sales Expense	9,608	8,085	7,171	8,085
10. Administrative and General Expense	103,621	103,186	126,926	103,186
11. Total Operations & Maintenance Expense (2 thru 10)	6,469,525	6,693,814	7,306,942	6,693,814
12. Depreciation and Amortization Expense	224,377	234,553	231,659	234,553
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	5,670	6,042	5,376	6,042
15. Interest on Long-Term Debt	110,580	100,088	123,892	100,088
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	22,146	19,493	20,396	19,493
18. Other Deductions	5,257	1,049	2,947	1,049
19. Total Cost of Electric Service (11 thru 18)	6,837,556	7,055,039	7,691,212	7,055,039
20. Patronage Capital & Operating Margins (1 minus 19)	125,661	461,083	58,723	461,083
21. Non Operating Margins - Interest	3,256	3,204	3,073	3,204
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments				
24. Non Operating Margins - Other	(1,371)	(8,170)	(22)	(8,170)
25. Generation and Transmission Capital Credits	0	0	446	0
26. Other Capital Credits and Patronage Dividends	0	0	0	0
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)	127,546	456,117	62,220	456,117

USDA - RUS FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION KY 052		
INSTRUCTIONS: See RUS Bulletin 1717B - 2			PERIOD ENDED January-11		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	22	18	5. Miles Transmission		
2. Services Retired	0	0	6. Miles Distribution-Overhead	3,383	3,394
3. Total Services in Place	25,422	25,865	7. Miles Distribution-Underground	135	140
4. Idle Services <i>(Exclude Seasonals)</i>	1,643	2,010	8. Total Miles Energized <i>(5+6+7)</i>	3,518	3,534
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	87,128,613		29. Memberships	230,525	
2. Construction Work in Progress	183,312		30. Patronage Capital	33,481,471	
3. Total Utility Plant (1 + 2)	87,311,925		31. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	24,318,952		32. Operating Margins - Current Year	461,083	
5. Net Utility Plant (3 - 4)	62,992,973		33. Non-Operating Margins	(4,966)	
6. Non-Utility Property (Net)	0		34. Other Margins and Equities	(7,628,614)	
7. Investments in Subsidiary Companies	0		35. Total Margins & Equities (29 thru 34)	26,539,498	
8. Invest. In Assoc Org-Patronage Capital	18,400,589		36. Long-Term Debt - RUS (Net)	15,600,426	
9. Invest. In Assoc Org-Other-General Funds	0		(Payments - Unapplied \$ _____)	0	
10. Invest. In Assoc Org-Other-Nongen Funds	866,474		37. Long-Term Debt - FFB RUS Guaranteed	20,757,515	
11. Invest. In Economic Development Projects	0		38. Long-Term Debt - Other RUS Guaranteed	0	
12. Other Investments	191,449		39. Long-Term Debt - Other - Net	9,431,132	
13. Special Funds	0		40. Long-Term Debt RUS Econ Dev Net	628,994	
14. Total Other Property & Investments (6 thru 13)	19,458,512		41. Total Long-Term Debt (36 thru 40)	46,418,066	
15. Cash - General Funds	451,262		42. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		43. Accumulated Operating Provisions	6,886,198	
17. Special Deposits	0		44. Total Other Noncurrent Liabilities (42 + 43)	6,886,198	
18. Temporary Investments	0		45. Notes Payable	5,100,000	
19. Notes Receivable (Net)	0		46. Accounts Payable	6,534,749	
20. Accounts Receivable-Sales of Energy (Net)	8,443,035		47. Consumers Deposits	701,105	
21. Accounts Receivable - Other (Net)	1,054,882		48. Current Maturities Long-Term Debt	0	
22. Materials and Supplies - Electric & Other	405,382		49. Current Maturities Long-Term Debt	0	
23. Prepayments	370,083		- Economic Development	0	
24. Other Current and Accrued Assets	42,681		50. Current Maturities Capital Leases	0	
25. Total Current and Accrued Assets (15 thru 24)	10,767,324		51. Other Current and Accrued Liabilities	965,790	
26. Regulatory Assets	0		52. Total Current & Accrued Liabilities (45 thru 51)	13,301,643	
27. Other Deferred Debits	9,813		53. Regulatory Liabilities	0	
28. Total Assets & Other Debits (5+14+25thru27)	93,228,623		54. Other Deferred Credits	83,218	
			55. Total Liabilities and Other Credits <i>(35 + 41 + 44 + 52 thru 54)</i>	93,228,623	
PART D. NOTES TO FINANCIAL STATEMENTS					
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
January-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1 Residential Sales	a. No. Consumers Served	17,745					
	b. kWh Sold	35,399,455					
	c. Revenue	3,772,785					
2 Residential Sales Seasonal	a. No. Consumers Served	4,503					
	b. kWh Sold	1,491,848					
	c. Revenue	207,767					
3 Comm. and Ind 1000 kVa or Less	a. No. Consumers Served	1,598					
	b. kWh Sold	10,236,604					
	c. Revenue	966,036					
4 Comm. and Ind Over 1000 kVa	a. No. Consumers Served	5					
	b. kWh Sold	38,972,711					
	c. Revenue	2,477,507					
5 Public Street and Hwy Lighting	a. No. Consumers Served	4					
	b. kWh Sold	6,285					
	c. Revenue	1,243					
TOTAL No. Consumers		23,855					
7. TOTAL kWh Sold		86,106,903					
8. TOTAL Revenue Received From Sales of Electric Energy		7,425,338					
9. Other Electric Revenue		90,784					
10. kWh - Own Use		102,224					
11. TOTAL kWh purchased		91,765,030					
12. Cost of Purchases and Generation		6,063,167					
13. Peak - Sum All kW Input Coincident		160,586					

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
KY 052

PERIOD ENDED
January-11

POWER REQUIREMENTS DATA BASE

CLASSIFICATION	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Residential Sales							17,745
							35,399,455
							3,772,785
2 Residential Sales Seasonal							4,503
							1,491,848
							207,767
3 Comm. and Ind 1000 kVa or Less							1,598
							10,236,604
							966,036
4 Comm. and Ind Over 1000 kVa							5
							38,972,711
							2,477,507
5 Public Street and Hwy Lighting							6,285
							1,243
6. TOTAL No. Consumers							
7. TOTAL kWh Sold							86,106,903
8. TOTAL Revenue Received From Sales of Electric Energy							7,425,338
9. Other Electric Revenue							90,784
10. kWh - Own Use							102,224
11. TOTAL kWh purchased							91,765,030
12. Cost of Purchases and Generation							6,063,167
13. Peak - Sum All kW Input Coincident							