

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR A CERTIFICATE OF CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT A NEW)	2008-00371
HEADQUARTERS FACILITY IN SOMERSET,)	
KENTUCKY)	

SECOND DATA REQUEST OF COMMISSION STAFF TO
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due 10 days after the date of this Order. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

South Kentucky shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which South Kentucky fails or refuses to furnish all or part of the requested information, South Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to South Kentucky's Responses to Commission Staff's First Data Request, Item 8. The chart depicting forecasted consumer growth rates indicates that, by 2025, South Kentucky would need approximately 224 employees to support a projected load of 84,103 MW. Explain how many of the 224 employees will perform their primary work function routinely within the new headquarters building. In the explanation, identify the number of office employees and the number of non-office employees, or restate the number of "inside" and "outside" employees.

2. Has South Kentucky compared the size of its proposed building to that of other recently constructed cooperative headquarters?

a. Provide a comparison, which should include the number of employees, the number of customers served by each cooperative, the date constructed, and the cost of the new headquarters facilities (total cost and cost per square foot).

b. Does South Kentucky anticipate hiring additional employees in the next five years? If yes, provide the number of employees and their titles.

c. Assume no additional employees would be hired for the next five years. Explain why South Kentucky would need a new headquarters at this time.

d. Provide a narrative based on your best judgment as to the consequences of delaying construction of a new headquarter facility for an additional five years.

e. Describe the evaluation process employed by South Kentucky in selecting the building design submitted in this application. Were other proposals submitted for consideration? If so, provide a detailed description of all other proposals including construction cost, square footage, and the number of employees to be accommodated.

3. In the final Order granting South Kentucky's request for a Certificate of Public Convenience and Necessity ("CPCN") for the construction of its district offices in Russell Springs and Albany,¹ the Commission expressed concerns over South Kentucky's aggressive spending on non-revenue producing and non-reliability related capital construction projects in light of South Kentucky's need for another rate increase so shortly after its 2006 rate increase. South Kentucky was placed on notice that in its next request for a CPCN for an office facility, it would be required to justify the immediate need for the construction and show that it would not significantly harm its

¹ Case No. 2006-00402, Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity to Construct a District Office and Service Facility in Russell Springs, Kentucky and a District Office and Service Facility in Albany, Kentucky (Ky. PSC Feb. 28, 2007).

member-owners. With this current application, justify in detail the immediate need for the headquarters construction and establish that such a significant construction project would not have a negative impact on South Kentucky's member-owners.

4. Refer to Exhibit 7 of the Application.

a. Provide an estimate of the impact the rate increase will have on customer bills for all rate classes for both scenarios presented in Exhibit 7. The analysis should include current rates, new rates resulting from the rate increase, and the percentage change.

b. Do the financial forecasts provided reflect the acquisition of the Monticello Electric Plant Board's assets? If not, provide updated forecasts reflecting the acquisition.

5. Has South Kentucky made its members aware of the proposed new headquarters facility? If so, in what manner was the notification done? What reaction and feedback have been received from the cooperative's members?

6. On page 32 of the Facilities Analysis, Exhibit 1 of the Application, the estimated cost of the building is stated to be \$20,040,000. In Exhibit 6 of the Application, the estimated cost of the building is stated to be \$19,389,635. Fully explain the reason for the difference and indicate which estimate is correct for the purpose of this application.

7. In Case No. 2006-00402, South Kentucky estimated that the cost of a new headquarters building would be \$13,940,000.² Was the building design used for that

² South Kentucky's Response to Staff's Data Request of October 23, 2006, Item 8.

estimate the same as the design included in this application? If not, provide a description of how the designs differ, including square footage, and the number of employees the building is designed to accommodate.

8. Refer to your response to question 4 of Commission Staff's First Data Request.

a. Explain in detail how the general contractor was selected.

b. Did South Kentucky send a Request for Proposal ("RFP") for a general contractor to construct the new headquarters?

(1) If yes, provide a copy of the RFP and the list to whom it was sent. Also provide a copy of all the responses.

(2) If no, explain why an RFP is not necessary.

c. Explain whether South Kentucky sent an RFP for the construction of the proposed new headquarters instead of using a general contractor who will break the project into 16 different segments. Provide a copy of the RFP and all the responses.

9. Refer to your response to question 4(h). You state, "The Somerset Office has gone out for bid, and the bids received should contain accurate numbers."

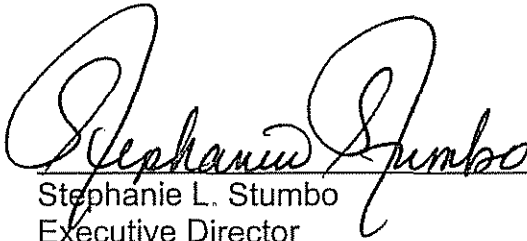
a. Provide a copy of the bid which was sent.

b. Provide a list to whom the bid was sent.

c. Provide a copy of all the responses and indicate how the successful bidder was chosen.

10. In Case No. 2006-00402, South Kentucky provided a ten-year financial forecast from 2006 through 2015 that reflected the impact of the Russell Springs and

Albany construction, as well as the Whitley City construction, which indicated the need for a rate increase near the end of the forecast period (2014). In the current case, South Kentucky indicates that a rate increase is needed by 2012. Explain the difference between the two financial forecasts.

A handwritten signature in black ink, appearing to read "Stephanie L. Stumbo", written over a horizontal line.

Stephanie L. Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

DATED November 14, 2008

c: All Parties

Case No. 2008-00371