

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF SOUTH)	
KENTUCKY RURAL ELECTRIC)	
COOPERATIVE CORPORATION, THE)	CASE NO.
REASONABLENESS OF EXISTING TARIFF)	2020-00367
SHEET NO. R-32, AND THE AFFILIATE)	
RELATIONSHIP WITH THE PEOPLE FUND)	

ORDER

On November 25, 2020, the Commission, on its own motion, established this proceeding to conduct a formal investigation to determine the continued reasonableness of South Kentucky Rural Electric Cooperative Corporation’s (South Kentucky RECC) Tariff Sheet No. R-32 (Tariff R-32) and whether South Kentucky RECC is in compliance with requirements in KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080. South Kentucky RECC responded to requests for information pursuant to the November 25, 2020 Order on December 9, 2020. This matter is now before the Commission for a decision on the merits.

BACKGROUND

South Kentucky RECC is a nonprofit, member-owned rural electric cooperative corporation organized under KRS Chapter 279 and is subject to the Commission's jurisdiction pursuant to KRS 278.010(a), KRS 278.040, and KRS 279.210. South Kentucky RECC is engaged in the distribution and sale of electric energy to 68,774 customers in Adair, Casey, Clinton, Cumberland, Lincoln, McCreary, Pulaski, Rockcastle,

Russell, and Wayne counties, Kentucky.¹ South Kentucky RECC had approximately \$115 million in revenue from electric sales in 2020.²

South Kentucky RECC's Tariff R-32, which became effective on February 1, 2004, allows customers to voluntarily have their electric bills rounded up to the nearest dollar to be collected by South Kentucky RECC and donated to The People Fund, Inc. (The People Fund). The People Fund is a nonprofit Kentucky corporation organized to collect donations and distribute funds to help people and communities in South Kentucky RECC's service area.³ Members of The People Fund's Board of Directors are appointed by majority vote of South Kentucky RECC's Board of Directors⁴ and must be composed of employees of South Kentucky RECC.⁵ The President and CEO of South Kentucky RECC is an ex officio member of The People Fund's board.⁶

South Kentucky RECC indicated that it includes "occasional reminders" in bills and that it includes information about The People Fund on its website.⁷ South Kentucky RECC provided an example of the "occasional reminders" included in bills, which consist of additional language added directly to the bill that states:

¹ *Annual Report of South Kentucky RECC to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2020* at 35 and 55.

² *Id.* at 35.

³ Case No. 2020-00205, *Electronic Tariff Filing of South Kentucky Rural Electric Cooperative Corporation to Revise The People Fund Tariff*, (filed July 31, 2020) South Kentucky RECC's Response to Commission Staff's First Request for Information (Case No. 2020-00205, Response to Staff's First Request), Item 1, Articles of Incorporation (filed July 31, 2020); see also Case No. 2020-00205, *South Kentucky Rural Electric Cooperative Corporation*, Order, Attachment 1 (Ky. PSC June 29, 2020) (including The People Fund's By-Laws).

⁴ The People Fund's By-Laws, Article VI.

⁵ *Id.* at Article IV.

⁶ *Id.* at Article XIII.

⁷ Case No. 2020-00205, Response to Staff's First Request, Item 20.

Sign up for the People Fund. Round your bill to the nearest dollar. 100% of the dollars go to local charitable and school organizations. Ask us about it today!⁸

On May 15, 2020, South Kentucky RECC filed a proposed revision to its existing Tariff R-32 with an effective date of July 1, 2020.⁹ However, when that proposed revision was investigated, it was determined that The People Fund had been administratively dissolved by the Kentucky Secretary of State in 2013 for failing to file an annual report and that The People's Fund's tax exempt status had been revoked by the Internal Revenue Service (IRS) due to a failure to make required filings.¹⁰ The Commission allowed South Kentucky RECC to withdraw its proposed revisions to Tariff Sheet No. R-32.¹¹ The Commission then initiated this matter to investigate South Kentucky RECC's existing Tariff Sheet No. R-32 that became effective February 1, 2004.

The Order initiating this matter required that South Kentucky RECC respond to a number of requests for information attached thereto. Among other things, those questions asked South Kentucky RECC to: (1) provide a detailed update regarding the efforts to resolve the issues with The People Fund's corporate and tax-exempt statuses; (2) explain South Kentucky RECC's position regarding whether KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080 apply to the operation of The People Fund; (3) explain whether the notice on bills soliciting donations for The People Fund violated KRS 278.2201 to KRS 278.2219 or 807 KAR 5:080, Section 6(1); and (4) explain why

⁸ *Id.*

⁹ Case No. 2020-00205, *South Kentucky Rural Electric Cooperative Corporation* Order at 1 (Ky. PSC June 29, 2020).

¹⁰ Case No. 2020-00205, Response to Staff's First Request, Item 20; Case No. 2020-00205, *South Kentucky Rural Electric Cooperative Corporation*, (filed Aug. 18, 2020) Motion to Hold Case in Abeyance Pending Further Commission Orders.

¹¹ Case No. 2020-00205, *South Kentucky Rural Electric Cooperative Corporation*, Order (Ky. PSC Nov. 10, 2020).

South Kentucky RECC contends it is reasonable and appropriate for it to continue collecting donations from customers pursuant to Tariff R-32.

South Kentucky RECC responded to the request for information as required by the November 25, 2020 Order in this matter and indicated that The People Fund was retroactively reinstated as a Kentucky Corporation by the Kentucky Secretary of State and that The People Fund's status as a nonprofit under 26 U.S.C. § 501(c)(3) (501(c)(3)) was retroactively reinstated by the IRS.¹² South Kentucky RECC also asserted, for reasons discussed in more detail below, that KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080 either did not apply to The People Fund or that they were not violated.¹³ South Kentucky RECC acknowledged that it had not obtained a deviation from the provisions of KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080, but requested a deviation, pursuant to KRS 278.2219, in the event the Commission finds that the statute and regulations apply.¹⁴

South Kentucky RECC argued that continuing to collect donations from customers pursuant to Tariff R-32 is reasonable and appropriate, because it does not violate the affiliate transaction statutes and regulations. South Kentucky RECC also noted that The People Fund began at the request and suggestion of its membership and that more than 3,000 members currently participate in the program. South Kentucky RECC asserted that its members recognize that it is rare to find a local giving program where nearly 100 percent of one's contribution goes directly to organizations in their local communities. South Kentucky RECC argues that cooperatives are ultimately driven by a purpose of

¹² South Kentucky RECC's Responses to Commission Staff's First Data Requests (filed Dec. 9, 2021)(South Kentucky RECC's Responses to First Requests), Item 1.

¹³ *Id.*, Items 2 and 4.

¹⁴ *Id.*, Item 3.

making the communities they serve better and that The People Fund seeks to assist in that purpose.¹⁵

DISCUSSION

Electric cooperative corporations are organized for the purpose of generating, purchasing, selling, transmitting, or distributing electric energy.¹⁶ They are permitted to engage in other lawful businesses or activities but they are generally required to do so through an affiliate.¹⁷ However, they are subject to the general supervision of the Commission and are subject to all provisions of KRS 278.010 to KRS 278.450, including the requirement in KRS 278.030(2) that utilities furnish adequate, efficient and reasonable service and the affiliate transaction requirements in KRS 278.2201 to KRS 278.2219.¹⁸ Further, the Commission, on its own motion or based on a Complaint, may investigate, among other things, whether any act affecting or relating to the service of a utility is unreasonable, unsafe, insufficient or unjustly discriminatory.¹⁹

The Commission's first concern in initiating this matter was the fact that The People Fund had been administratively dissolved and had its 501(c)(3) status revoked by the IRS. Those corporate governance issues raise questions regarding whether South Kentucky RECC is meeting its commitments to members to donate amounts collected through Tariff R-32 to a charitable organization and whether South Kentucky RECC and The People Fund are maintaining distinct corporate forms to protect South Kentucky

¹⁵ *Id.*, Item 8.

¹⁶ KRS 279.020(1).

¹⁷ See KRS 279.020(2).

¹⁸ KRS 279.210.

¹⁹ KRS 278.260(1).

RECC, and its members, from any potential liability that could be incurred by The People Fund. However, South Kentucky RECC presented evidence that The People Fund was retroactively reinstated by the Kentucky Secretary of State and that its 501(c)(3) status was retroactively reinstated by the IRS. Thus, the Commission does not currently find that The People Fund's failure to make corporate filings and maintain the relevant corporate statuses justify prohibiting South Kentucky RECC from collecting donations for The People Fund.

The Commission is concerned that The People Fund allowed its corporate and tax exempt statuses to expire and that no one at The People Fund or South Kentucky RECC noticed for years. Those issues and the failure to catch them raise questions regarding the manner in which The People Fund is being operated and whether there is appropriate oversight. Thus, while the Commission does not currently find that those issues justify eliminating Tariff R-32, the Commission cautions that continued issues in the operation of The People Fund, particularly any failure to maintain a separate corporate form for The People Fund, will likely result in the Commission eliminating Tariff R-32.

The Commission's second concern in initiating this matter was South Kentucky RECC's compliance with the affiliate transaction requirements in KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080. Most notably, the Commission was concerned with whether advertisements, or "occasional reminders," of the opportunity to donate to The People Fund included in South Kentucky RECC's bills without a disclaimer violated KRS 278.2213(13), which prohibits the use of a utility's name, trademark, brand, or logo by "a nonregulated affiliate in any type of visual or audio media without a disclaimer." The Commission was also concerned with whether South Kentucky RECC's actions with

respect to The People Fund violated KRS 278.2201, which prohibits a utility from subsidizing “a nonregulated activity provided by an affiliate or by the utility itself.”

South Kentucky RECC argues that the affiliate transaction statutes and regulations are not applicable to its activities with The People Fund, because The People Fund is not an affiliate of South Kentucky RECC. An “affiliate” is defined, in relevant part, as a person controlled by a utility.²⁰ South Kentucky RECC argues that it does not “control” The People Fund as that term is defined in KRS 278.010(19) such that the relationship is not one of a utility and an affiliate.²¹ However, control is broadly defined in KRS 278.010(19) as “the power to direct the management or policies of a person through ownership, by contract, or otherwise.”²²

Here, the undisputed facts are that The People Fund’s board is appointed by majority vote of South Kentucky RECC’s board and must be composed of employees of South Kentucky RECC.²³ In that regard, South Kentucky RECC’s control is similar to the control many parent companies would exercise over subsidiaries where separate corporate forms are properly maintained i.e. through the power to appointment the board. Moreover, the President and CEO of South Kentucky RECC is an ex-officio (non-voting)

²⁰ KRS 278.010(18).

²¹ South Kentucky RECC’s Responses to Staff’s First Requests, Item 2 (Arguing the control is insufficient, because “(a) members of the board of South Kentucky are not eligible to sit on The People Fund board; (b) The People Fund board awards grants to deserving organizations based on a stringent application process and implementation of whether the request meets the “charitable purpose” requirement contained in its by-laws without input or interference from South Kentucky; (c) as an ex officio member of The People Fund board, South Kentucky’s President/Chief Executive Officer has no vote nor does he ever attempt to exert influence over board decisions; (d) The People Fund is its own legal entity under Kentucky law, operating under its own by-laws and procedures, and employing books and records separate from South Kentucky’s; (e) The People Fund files its own IRS Form 990 each year separate from South Kentucky; (f) South Kentucky has never contributed money as a matching or supplemental); grant award to The People Fund⁶ ; and (g) South Kentucky has never interfered with nor reversed any grant decision made by The People Fund board.”).

²² KRS 278.010(19).

²³ South Kentucky RECC’s Responses to Staff’s First Requests, Item 2.

member of The People Fund's board,²⁴ which provides South Kentucky RECC additional control, though indirect, over The People Fund given that the voting board members would be the President and CEO's subordinates at South Kentucky RECC. Finally, South Kentucky RECC demonstrated its control over The People Fund when South Kentucky RECC indicated that it would ensure that The People Fund neither awards nor pays further grants to recipient organizations until its corporate and 501(c)(3) statuses were reinstated.²⁵ Thus, the Commission finds that The People Fund is an affiliate of South Kentucky RECC.

Because The People Fund is an affiliate, KRS 278.2213(13) prohibits it from using South Kentucky RECC's "name, trademark, brand, or logo . . . in any type of visual or audio media without a disclaimer." KRS 278.2213(13) further requires the Commission to "develop specifications for the disclaimer" and requires the disclaimer to be "approved by the Commission "prior to use in any advertisement by the utility's affiliate." The content of the disclaimer is then proscribed by 807 KAR 5:080, Section 6, which states, among other things:

The disclaimer shall state that "(affiliate's name) is not the same company as (utility's name). (Affiliate's name) is not regulated by the Kentucky Public Service Commission. *You do not have to buy (the affiliate's) (products or services, as applicable) in order to continue to receive quality regulated services from the utility.*" (emphasis added).

²⁴ *Id.*

²⁵ Case No. 2020-00205, *South Kentucky Rural Electric Cooperative Corporation*, (filed Aug. 18, 2020) Motion to Hold Case in Abeyance Pending Further Commission Orders at paragraph 8b; see also Case No. 2020-00205, Responses to Staff's First Request, Item 7 (discussing South Kentucky RECC's Board's authority to require the review of financial records).

South Kentucky RECC argues that the disclaimer required by 807 KAR 5:080, Section 6 is not applicable to the facts at issue in this matter, because The People Fund is not “using” South Kentucky RECC’s name, trademark, brand, or logo in the sense contemplated by the regulation. South Kentucky RECC argues that 807 KAR 5:080, Section 6 was intended to prevent an affiliate from giving a utility customer the impression that it was necessary for them to use the affiliates services in order to obtain the utility’s regulated service. South Kentucky RECC asserts that The People Fund does not use its logo in that manner and that the verbiage contained in South Kentucky RECC’s bill related to The People Fund makes it clear that the contributions are voluntary. South Kentucky RECC also argues that it is merely soliciting charitable contributions and is not soliciting business for a good or service such that its actions do not fall within the conduct 807 KAR 5:080, Section 6 is intended to regulate.²⁶

The Commission agrees that the use of the disclaimer included in 807 KAR 5:080, Section 6(1) would not be appropriate in connection with a request for a charitable contribution. However, South Kentucky RECC’s argument regarding the need for a disclaimer ignores the fact that KRS 278.2213(13) is more broad in that it prohibits an affiliate from using the name, trademark, brand, or logo of the utility “in any type of visual or media without a disclaimer,” which would apply to South Kentucky RECC’s conduct in soliciting donations. Further, in situations where language different from the specific disclaimer in 807 KAR 5:080, Section 6(1) would be more appropriate to comply with KRS 278.2213(13), utilities have simply requested a deviation permitting them to use different language.²⁷ Thus, the Commission finds that KRS 278.2213(13) does apply to a

²⁶ South Kentucky RECC’s Responses to Staff’s First Request, Item 2.

²⁷ See, e.g. Case No. 2019-00195, *Petition of Duke Energy Kentucky, Inc. and Duke Energy, Inc for Authorization to Deviate from 807 KAR 5:080, Section 6 Requirements* (Ky. PSC Aug. 13, 2019), Order (where a utility obtained a deviation so it could use the same language in multiple states).

charitable affiliate and, therefore, that a disclaimer or a deviation from KRS 278.2213(13) and 807 KAR 5:080, Section 6(1) is necessary if a charitable affiliate uses the name, trademark, brand, or logo of the utility in any type of visual or audio media.²⁸

Here, South Kentucky RECC allows The People Fund to advertise directly on its bills, which include South Kentucky RECC's name and logo, but the bills do not contain the disclosure required by 807 KAR 5:080, Section 6 and KRS 278.2213(13). Further, once a customer signs up for The People Fund, the donation is included as part of the total for electric service such that there is no indication that the customer does not have to pay that portion of the bill, though small, in order to continue receiving electric service. South Kentucky RECC neither requested nor obtained a deviation from KRS 278.2213(13) or 807 KAR 5:080, Section 6. Thus, the Commission finds that South Kentucky RECC violated KRS 278.2213(13) and 807 KAR 5:080, Section 6 by failing to include the required disclosure on South Kentucky RECC's bill when soliciting donations for The People Fund without obtaining a deviation from those requirements pursuant to KRS 278.2219 and 807 KAR 5:080, Section 5.

The Commission does not find any evidence indicating that South Kentucky RECC's violation of KRS 278.2213(13) and 807 KAR 5:080, Section 6 was willful. The Commission, however, does find that it would be unreasonable to allow South Kentucky RECC to continue to solicit and collect donations for The People Fund without making it clear to its members that they are not required to make donations to The People Fund, even if they signed up for the program, in order to maintain electric service. Specifically,

²⁸ See Case No. 2010-00482, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Waiver and Deviation from KRS 278.2213* (Ky. PSC Mar. 1, 2011), Order (in which LG&E, by implication, indicated its belief that its non-profit charitable affiliate was an "affiliate" as used in KRS 278.2213 by requesting a deviation from the disclaimer requirement).

the Commission finds that, within six months from the date of this Order, any bill or any post on South Kentucky RECC's website that solicits a member to sign up for The People Fund or seeks to collect a donation that a member signed up to make to The People Fund shall include a disclaimer specifically stating:

The People Fund, Inc. is not the same company as South Kentucky RECC. You do not have to make any contribution to The People Fund, Inc. to continue to receive electric service from South Kentucky RECC.

The Commission finds that the inclusion of that disclaimer by South Kentucky RECC will satisfy the requirements of KRS 278.2213(13) and 807 KAR 5:080, Section 6. If South Kentucky RECC believes that other language would be more appropriate, it should request further deviation pursuant to KRS 278.2219 and 807 KAR 5:080, Section 5.

With respect to subsidies, South Kentucky RECC acknowledged that it gave support to The People Fund for postage, filing fees, and promotional materials, but stated that from 2012 through May 2020 those incidental supports amounted to only \$197.44. South Kentucky RECC argues that support did not result in a subsidy prohibited by KRS 278.2201, because the support was very limited. South Kentucky RECC notes that KRS 278.010(26) defines "subsidize" as requiring a "recovery of costs or transfer of value" from South Kentucky RECC to The People Fund, and it argues that "except for the *de minimis* amount mentioned previously, South Kentucky has never provided any financial support to The People Fund."²⁹ South Kentucky RECC argues that even if the Commission finds that The People Fund is an affiliate that is subsidized that KRS 278.2203(4) "affords [it] some relief."³⁰

²⁹ South Kentucky RECC's Response to Staff's First Request, Item 2.

³⁰ *Id.*

KRS 278.2203(4) states that a utility may report an incidental nonregulated activity as a regulated activity if the revenue from the unregulated activity is less than the lesser of 2 percent of the utility's total revenue or \$1 million, annually, and the "nonregulated activity is reasonably related to the utility's regulated activity." However, The People Fund's activities, which involve giving small grants and charitable contributions unrelated to utility service, are not reasonably related to South Kentucky RECC's regulated activity. Thus, KRS 278.2203(4) does not apply to any subsidy provided by South Kentucky RECC to The People Fund.

If KRS 278.2203(4) is not applicable, there is no *de minimis* exception to KRS 278.2201 as South Kentucky RECC implies.³¹ However, KRS 278.2201 also does not impose a strict prohibition against a utility providing a subsidy to an affiliate as the first sentence of that statute, read in isolation, might indicate. Rather, when read in whole and in context,³² it is clear that KRS 278.2201 is intended to prohibit a utility from having ratepayers subsidize unregulated activity by requiring a utility to track costs used for nonregulated activities and to allocate costs in accordance with procedures established by the Commission so any subsidy provided to an affiliate can be excluded when the Commission establishes cost-based rates.³³

³¹ Even if KRS 278.2204(3) applied, it does not appear to provide an exception to the prohibition against subsidies. Rather, it relates to how costs for unregulated activities should be tracked.

³² See *Shawnee Telecom Resources, Inc. v. Brown*, 354 S.W.3d 542, 551 (Ky. 2011) ("We presume that the General Assembly intended for the statute to be construed as a whole, for all of its parts to have meaning, and for it to harmonize with related statutes.").

³³ The second sentence of KRS 278.2201 states that "[t]he commission shall require all utilities providing nonregulated activities, either directly or through an affiliate, to keep separate accounts and allocate costs in accordance with procedures established by the commission." KRS 278.2203(1) states "[a] utility that engages in a nonregulated activity shall identify all costs of the nonregulated activity and report the costs in accordance with the guidelines in the USoA and the cost allocation methods described in subsection (2) of this section." Those requirements, among others, indicate that the General Assembly recognized that a utility could expend funds on a nonregulated activity but intended to require the utility to track those costs to ensure that it is not recovering them from ratepayers.

South Kentucky RECC indicated that it did track the incidental supports it provided to The People Fund and stated that the support only amounted to \$197.44 from 2012 through May 2020. Further, the record from South Kentucky RECC's most recent rate case indicates that it removed the cost of its incidental support for The People Fund when setting rates.³⁴ However, nonprofit electric cooperatives do not have a return on equity like an investor owned utility and any over collection in rates is generally retained as equity that may later be used to reduce rates or to limit any increase in rates.³⁵ Thus, any funds transferred from an electric cooperative to an affiliate would result in ratepayers subsidizing the affiliate.

The Commission recognizes that the amounts at issue here are very small, especially when compared to South Kentucky RECC's annual revenue. Further, the Commission notes that the allocation of costs is not always precise, so the improper allocation of the amounts at issue here would generally not result in a finding that a utility willfully violated the KRS 278.2201. However, KRS 278.2201 and related affiliate transaction rules are applicable to any financial support South Kentucky RECC provides The People Fund, including the incidental support described by South Kentucky RECC. Thus, South Kentucky RECC must comply with all affiliate transaction statutes going forward and its failure to do so could justify a finding that it willfully violated the affiliate transaction rules.

³⁴ See Case No. 2011-00096, *Application of South Kentucky Rural Electric Cooperative Corporation for an Adjustment of Rates*, (filed July 28, 2011) Application, Exhibit 11.

³⁵ See, e.g. Case No. 2018-00272, *Application of Grayson Rural Electric Cooperative Corporation for an Adjustment of Rates*, (Ky. PSC Mar. 28, 2019), Order (noting that an electric cooperatives continued payment of expenses disallowed for ratemaking purposes "still affect the utility's overall financial state and ultimately reduce the margins available to pay capital credits to ratepayers").

Pursuant to KRS 278.2219, South Kentucky RECC may apply to the Commission for a waiver or deviation from any or all provisions of KRS 278.2201 to 278.2213. A utility's application to the Commission shall "[d]emonstrate the basis of the utility's need to be granted a waiver or deviation" and "contain, if appropriate, documentation regarding the costs and benefits of compliance with the provisions."³⁶ The Commission shall grant a waiver or deviation if the Commission finds that compliance is impracticable or unreasonable.³⁷

South Kentucky RECC acknowledged that it has not obtained a deviation from the requirements of KRS 278.2201 through KRS 278.2219 but requested that its response to the request for information in this matter be considered such an application or, alternatively, that it be granted leave to request such a deviation if the Commission determined that the affiliate transaction rules applied. Except for the change to the specific language of the disclosure authorized above, the Commission declines to treat South Kentucky RECC's response to request for information as an application for a deviation.³⁸ If South Kentucky RECC believes any additional deviation is justified, South Kentucky RECC is entitled to make such an application pursuant to KRS 278.2219 and 807 KAR 5:080, Section 5. Absent such a deviation, South Kentucky RECC should ensure that it complies with the affiliate transaction rules in its interactions with The People Fund.

IT IS THEREFORE ORDERED that:

³⁶ KRS 278.2219(2); 807 KAR 5:080, Section 5(1)(indicating the form of an application for a deviation).

³⁷ KRS 278.2219(3).

³⁸ Cf. Case No. 2020-00215, *Electronic Application of Kenergy Corp. for a Waiver pursuant to KRS 278.2219*, (Ky. PSC Oct. 22, 2020), Order (in which the Commission declined to address the waiver of affiliate transaction rules where a waiver was not explicitly requested in an application).

1. South Kentucky RECC's Tariff R-32 is reasonable and shall continue to be applied, subject to any conditions established herein, until modified pursuant to KRS Chapter 278.

2. Within six months from the date of this Order, any bill or post on South Kentucky RECC's website that solicits a member to sign up for The People Fund or seeks to collect a donation that a member signed up to make to The People Fund shall indicate that a member is not required to pay the donation to The People Fund in order to continue to receive electric service as discussed above.

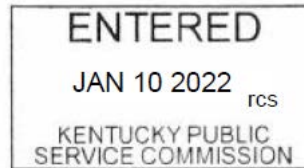
3. The People Fund is an affiliate of South Kentucky RECC as that term is defined in KRS 278.010(18).

4. South Kentucky RECC shall comply with all applicable affiliate transaction rules, unless and until it obtains a deviation pursuant to KRS 278.2219 and 807 KAR 5:080, Section 5.

5. This case is closed and removed from the Commission's docket.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Lynda C. Bridwell". The signature is written in a cursive style and is positioned above a horizontal line.

Executive Director

*L Allyson Honaker
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*South Kentucky R.E.C.C.
200 Electric Avenue
Somerset, KY 42501

*South Kentucky R.E.C.C.
South Kentucky R.E.C.C.
200 Electric Avenue
Somerset, KY 42501

*Michelle D Herman
Vice President of Finance
South Kentucky R.E.C.C.
200 Electric Avenue
Somerset, KY 42501

*Mark David Goss
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504