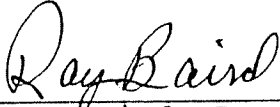



There being no further business coming before the Board at this time, motion was made by Mr. Roy Ferguson, seconded by Mr. Manuel Howard and duly carried, the meeting was adjourned.

Respectfully submitted,



Ray Baird, President



John Harry Corey, Sec. Treas.

REGULAR BOARD MEETING
JULY 17, 1997

The regular board meeting of the Board of Directors of the CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION was held at the Office of the Cooperative at Gray, Knox County, State of Kentucky on Thursday July 17, 1997 at 7:00 P.M.

The meeting was called to order by President, Mr. Ray Baird and the following directors were present:

Ray Baird	Roy Ferguson
Delno Tolliver	John H. Corey
Chester Davis	

comprising of the entire Board of Directors. Mr. W. Patrick Hauser, Attorney was also present.

The following matters were discussed:

1. Minutes
2. New Members
3. Cash Disbursements
4. Managers Report
 - (a) Safety
 - (b) Right-of-way
 - (c) Operating Report
5. Write off Bad Debts
6. Collection Agency Report
7. By Law Change & Articles of Incorporation
8. Coffee Fund
9. Mr. Tolliver's report - EKP
10. Capital Credit Refund
11. Medical Insurance - Company
12. Adjournment

MINUTES

Upon motion made by Mr. Roy Ferguson, seconded by Mr. Delno Tolliver and duly carried, the minutes were approved as mailed.

NEW CONSUMERS

Upon motion made by Mr. Chester Davis, seconded by Mr. John H. Corey and duly carried, the One Hundred Eighty-Nine (189) new members paying membership fees were approved as written.

request signed by an four (4) board members, or by ten per centum (10%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by the Cooperative.

Motion was made by Mr. Chester Davis, seconded by Mr. Roy Ferguson and duly carried to amend Article II, Section 2, Special Meetings. After due discussion Article III, Section 5, Nominations was amended to read as follows:

It shall be the duty of the Board of Directors to appoint, not less than ninety (90) days before the date of the Annual Meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected so as to give equitable representation on the committee to the geographical areas served, or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. The nominating committee will report to the Board of Directors ninety (90) days prior to Annual Meeting their list of nominations for directors. The committee shall prepare and post at the principal office of

Cumberland Valley Electric Cooperative
Case No. 2005-00187
Retired Capital Credits
December 31, 2004

Capital credits were paid as follows:

	<u>General</u>	<u>Estates</u>	<u>Total</u>
2004	\$237,434	\$0	\$237,434
2003	167,689	0	167,689
2002	189,674	0	189,674
2001	116,930	0	116,930
2000	119,377	0	119,377
1999	125,592	0	125,592
Prior years	<u>1,449,168</u>	<u>0</u>	<u>1,449,168</u>
Total	<u>\$2,405,864</u>	<u>\$0</u>	<u>\$2,405,864</u>

A copy of the Equity Management Plan is attached.

CUMBERLAND VALLEY ELECTRIC COOPERATIVE CORPORATION
“EQUITY MANAGEMENT PLAN”

Policy No. 98

March 10, 2005

I. **OBJECTIVE**

In accordance with Article VIII, Section 2, of the bylaws of Cumberland Valley Electric Cooperative, which read in part as follows:

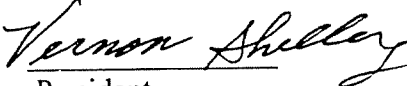
“In the event of dissolution or liquidation of Cumberland Valley Electric, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If at any time prior to dissolution or liquidation, the board shall determine that the financial condition of Cumberland Valley Electric will not be impaired thereby, the capital credited to patrons’ accounts may be retired in full or in part.”

II. Cumberland Valley Electric Cooperative will make annual payments on capital of the Cooperative, provided the following conditions are met:

- A. The Board of Directors shall determine that the financial condition of Cumberland Valley Electric will not be impaired, and that satisfactory progress is being made toward the Cooperative’s Equity Management goals as set forth below.
- B. Cumberland Valley Electric Equity Management goals shall be to operate the Cooperative’s business with annual revenue and expense levels so as to:
 - 1. Maintain a Times Interest Earned Ratio (TIER) OF 1.5 TO 2.0
 - 2. Achieve in due time and maintain an Equity Ratio (equity as a percent of total capitalization) at or near an optimum level that is determined each year from calculations using the following variables:
 - a. the average compound rate of growth for the Cooperative’s total capitalization structure;
 - b. the blended cost of interest on the Cooperative’s outstanding long term debt;

- c. the repayment of capital credits to the Cooperative's members within a ten (10) to twenty (20) year revolvment cycle;
 - d. the TIER as stated in paragraph "1" above.
3. Expend all efforts to achieve and maintain a rate of return upon the total capitalization structure of the Cooperative equal to, or greater than, that necessary to attain the stated TIER goal and progress toward the optimum equity goal.
4. Achieve an equity capitalization target range of thirty percent (30%) to forty percent (40%), not including Generation and Transmission Capital Credits.
- C. All payments of general and special capital credit refunds will be authorized at least annually by the board of Directors, and:
- 1. will be in total amounts not exceeding those amounts permitted by the mortgage requirements of Cumberland Valley Electric's lenders;
 - 2. will be in such larger amounts as approved by RUS and CFC pursuant to a request made by the Cooperative's Board of Directors, and supported toward the Cooperative's equity management goals;
- D. The discretionary powers of such capital credits repayment shall remain with the Board of Directors of Cumberland Valley Electric as stated within the bylaws, and this policy shall not diminish that right.

Vernon Shelley


President

Item No. 17
Page ___ of ___
Witness Ted Haupta

Commonwealth of Kentucky
Before the Public Service Commission

Cumberland Valley Electric, Inc.
Case No. 2005-00187

17) Question:

Provide Cumberland Valley's written policies on the compensation of its attorneys, auditors, and all other professional service providers. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include all agreements, contracts, memoranda of understanding, and any other documentation that explains the nature and type of reimbursement paid for professional services. Indicate if any changes occurred during the test year, the effective date of these changes, and the reason for these changes.

17) Answer:

(See attached)

2/11/52
C.V.

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
POLICY STATEMENT NO. 5
Section A

SUBJECT: Functions and Compensation of Cooperative Attorney

I. PURPOSE:

- A. To recognize the need for continuing legal guidance and counsel in the regular and special activities of the Cooperative, to insure maximum protection of the legal rights of the Cooperative, and to maintain operational conformity to the limitations prescribed by law.
- B. To provide for the functions of the legal consultant employed as the regular Cooperative Attorney or a monthly retainer fee basis and for additional counsel as required from time to time.

II. POLICY STATEMENT:

It shall be the policy of Cumberland Valley RECC to maintain a continuing relationship with an attorney or a firm of attorneys for the purpose of procuring the necessary legal assistance and advice to protect the cooperative interests of the Cooperative.

III. RESPONSIBILITY:

The Board of Directors shall designate the Cooperative Attorney upon the recommendation of the General Manager.

IV. FUNCTIONS:

The services required of the Attorney will vary in nature and extent according to the conditions and problems that arise. These services can be divided into routine and special services.

- A. Routine services shall be rendered on an annual retainer fee basis and shall include the following:
1. Attendance at regular or special Board meetings, or meetings of committees of the Board, when requested by the Board or General Manager.
 2. Review of minutes of all Board meetings, regular and special, to check conformity with the bylaws and applicable state and federal laws and regulations.
 3. Review of minutes, resolutions, bylaws amendments, notice of meetings, and review of the proceedings of the annual meeting of members, or of special meetings of members, and attending such meetings to be available for consultation and participation if events warrant.
 4. Normal assistance and advise on tax matters, including reports and claims for exemption.
 5. Review and legal approval of contracts and other documents as to form, substance and execution.
 6. Miscellaneous letters and legal matters of a minor nature not requiring an unusual amount of time, study and attention.
 7. Advice and consultation concerning miscellaneous matters of Cooperative business, including policy and personnel actions, as requested by the Board or General Manager.
 8. Attendance at association meetings pertaining to the activities of the Cooperative where special services are not required, and the choice of attending is left to the discretion of the Attorney.
 9. Handling of loan documents and mortgages.

- B. Special services for which the Attorney would normally expect special compensation would include the following:
 - 1. Special request for action, opinions or advice that require considerable study and research.

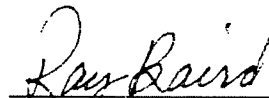
V. COMPENSATION:

- A. Routine service shall be compensated for and included in a retainer in such amount as agreed upon by the Cooperative Board and Attorney.
- B. Expenses for the Attorney for authorized trips and legal work performed for the Cooperative shall be reimbursed upon an actual out-of-pocket basis.

This policy supersedes any existing policy which may be in conflict with the provisions of this policy.

SOURCE: Adopted by the Board of Directors on February 17, 1983.

APPROVED BY THE BOARD OF DIRECTORS



Ray Baird, President

Amended: 02-28-93

APPROVED BY THE BOARD OF DIRECTORS



Ray Baird, President

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHEFFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7117

June 4, 2005

MEMBER:
AMERICAN INSTITUTE OF CPA'S
INDIANA SOCIETY OF CPA'S
KENTUCKY SOCIETY OF CPA'S
AICPA DIVISION FOR FIRMS

Fed Hampton, Manager
Cumberland Valley Electric
Gray, Kentucky 40734

Dear Mr. Hampton:

This will confirm our understanding of the arrangements for my audit of the financial statements for the year ended May 31, 2005.

I will audit the Corporation's balance sheet as of May 31, 2005, and the related statements of revenue and patronage capital and cash flows for the year then ended, for the purpose of expressing an opinion on them. The financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on the financial statements based on my audit.

I will conduct my audit in accordance with auditing standards generally accepted in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 audit will provide a reasonable basis for my opinion.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, legal counsel and banks. At the conclusion of my audit, I will request certain written representations from you about the financial statements and matters related thereto.

In accordance with the requirements of the Rural Utilities Service (RUS), I assure you of the following:

- The audit is being performed as a requirement of RUS security instrument and any violation of RUS audit requirements shall place the RUS borrower in technical default of the RUS security instrument.

- The Auditor's Report will be signed by Alan M. Zumstein, CPA, a certified public accountant in good professional standing with the state licensing board.
- I will comply with generally accepted government auditing standards, the rules and regulations of professional conduct promulgated by the accountancy board of the state of Kentucky and the Code of Professional Ethics of the American Institute of CPAs.
- I am independent as defined and interpreted by the Professional Ethics Division of the AICPA and as defined by 7 CFR 1773.4 (b)
- I belong to an approved peer review program (Private Companies Practice Section) and have received an unqualified opinion within three years of the "as of" date of the audit.
- The audit will be performed and the Auditor's Report, report on compliance, report on internal controls and management letter will be performed in accordance with requirements of RUS, will comply with generally accepted auditing standards and will be submitted to the Board of Directors within three months of the "as of" audit date.
- Audit work papers will be made available to RUS, Office of Inspector General (OIG) and the General Accounting Office (GAO). RUS, OIG or GAO may photocopy all audit and compliance workpapers as requested.
- I will disclose all disallowance's resulting from testing performed as set forth in 7 CFR 1773.40 and will follow the requirements of reporting irregularities and illegal acts outlined in 7 CFR 1773.7.
- I will report audit findings to the Board of Directors as required by 7 CFR 1773.25.

My audit is subject to the inherent risk that material errors and irregularities, including fraud or defalcations, if they exist, will not be detected. However, I will inform you of irregularities that come to my attention.

Ted Hampton, Manager
Cumberland Valley Electric
Page three

Fees for these services will be \$9,600. Invoices will be submitted as work progresses, and are payable on presentation. Should any situation arise that would materially increase this fee, I will, of course, notify you.

I am pleased to have this opportunity to serve you.

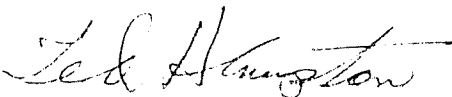
If this letter correctly expresses your understanding of these arrangements, please indicate your approval by signing the enclosed copy and returning to me. I have also included a Certification of Debarment and Suspension as required for audits of RUS borrowers.

Sincerely,



Alan M. Zumstein, CPA

Approved:

By: 

Date: 6-8-2005

**CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER
RESPONSIBILITY MATTERS - PRIMARY COVERED TRANSACTIONS**

INSTRUCTIONS FOR CERTIFICATION

- 1 By signing and submitting this proposal, the prospective primary participant is providing the certification set out below
- 2 The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction – the prospective participant shall submit an explanation of why it cannot provide the certification set out below – The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction – However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction
- 3 The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction – If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the federal Government, the department or agency may terminate this transaction for cause or default
- 4 The prospective primary participant shall provide immediate written notice to the department or agency to which this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances
- 5 The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal and voluntarily excluded, as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations
- 6 The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction
- 7 The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions
- 8 A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Non-procurement Programs.

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.


CERTIFICATION

- (1) The prospective primary participant certifies to the best of its knowledge and belief, that is and its principals:
- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - (b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and,
 - (d) Have not within a three-year period preceding this application proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
- (2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Alan M. Zumstein, CPA
Organization Name

Cumberland Valley Electric
PR Award Number or Project Name

Alan M. Zumstein, CPA
Name and Title



Signature

June 1, 2005
Date



PATTERSON & DEWAR ENGINEERS, INC.

2685 MILSCOTT DRIVE • DECATUR GEORGIA 30033
P.O. BOX 1048 • DECATUR, GEORGIA 30031
404-296-5990 • FAX 404-299-3542

A. NORMAN DELONG
GEORGE E. INGRAM
JOSEPH E. PERRY, III
J. W. PORTER, JR.
MICHAEL J. KLINE
GEORGE L. CHAPMAN
J. B. FRANKLIN

RICHARD CANADAY
H. EDGAR HALL
RICHARD C. RUSH
LAYNE A. JORDAN
DANIEL H. PARKER
WILLIAM E. HENRY
LEX W. STRICKLAND, JR.

June 7, 2004

Cumberland Valley Electric, Inc.
Highway 25E
Gray, Kentucky 40734

Attn: Mr. Ted Hampton, Manager

RE: Retainer Services and Engineering Service Contract

Dear Ted:

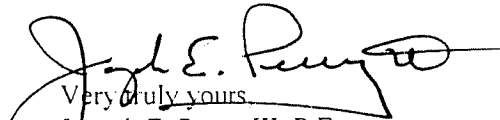
Please find attached the following two documents in triplicate:

- P&DE Retainer Letter Contract
- Engineer Service Contract – RUS Form 236 (Rev. 6-98)

They are being sent per your request for Patterson & Dewar Engineers, Inc. to be your engineer of record. Please advise if there are any questions regarding either document. If you are in agreement, please sign or have signed each document, and return two (2) copies to me for our files.

Per our conversation, Phillip Bare will be your primary engineer and I will be your backup. I will also be lining up a one of our Field Staff Technicians for accomplishing your work order reviews. As we discussed, our whole engineering staff is available as your needs arise. If at any point in time, you have a problem with the services being rendered, please do not hesitate to let me know. I want you to be thoroughly satisfied and professionally served.

Thank you for the opportunity to be of service and I am hoping that this is the beginning of a long-term relationship.


Very truly yours,
Joseph E. Perry, III, P.E.
V.P. & Chief Electrical Engineer

JEP/jd (by email of pdf files with originals FedEx – Next Day)

Pc: Mr. J. B. Franklin, P.E., Electric Department Head, P&DE
Mr. Phillip Bare, P.E. Senior Client Engineer, P&DE – Chattanooga Office



PATTERSON & DEWAR ENGINEERS, INC.

2685 MILSCOTT DRIVE • DECATUR GEORGIA 30033
P.O. BOX 1048 • DECATUR GEORGIA 30031
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A NORMAN DELONG
GEORGE E INGRAM
JOSEPH E PERRY, III
J W PORTER, JR
MICHAEL J KLINE
GEORGE L CHAPMAN
J B FRANKLIN

June 7, 2004

RICHARD CANADAY
H EDGAR HALL
RICHARD C RUSH
LAYNE A JORDAN
DANIEL H PARKER
WILLIAM E HENRY
LEX W STRICKLAND, JR

Cumberland Valley Electric, Inc.
Highway 25E
Gray, Kentucky 40734

Attn: Mr. Ted Hampton, Manager

RE: Retainer Services and Contract

Dear Mr. Hampton:

We are pleased to offer an Engineering Retainer Contract between Cumberland Valley Electric, Inc. (CVE) and Patterson & Dewar Engineers, Inc. The contract serves as a vehicle to simplify the request for and the rendering of general engineering services desired, and it may be terminated with a thirty day written notice. It is considered non-exclusive and allows CVE to utilize other engineering firms as needed.

The retainer contract is based on a set number of professional engineer's days being allotted to the electric system each year. Normally, this breaks down to half the days for field visits to your system and the remaining time in our office. The visits are scheduled at a time mutually satisfactory to both parties. The time is allotted for each calendar year with no carry-over from one year to the next.

The fee for the retainer contract includes all direct labor, travel subsistence and overhead costs. This fee is subject to change with written notice. Additional services performed by Patterson & Dewar Engineers will be as approved by CVE management and will be billed at our current hourly rates - a list of which can be furnished upon request.

Billing is around the 10th of each month for the previous month.

This retainer contract is for **twelve (12)** days per year of a professional engineer's time at **\$600** per month beginning at the date indicated below.

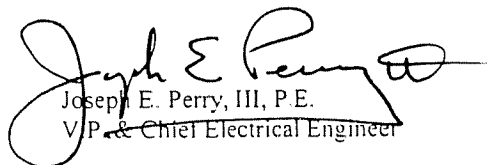
If you and your Board of Directors are in agreement, please sign below.

This letter can serve as a contract simply by having the document signed in triplicate by the appropriate representative, and returning two copies.

We thank you for the opportunity to be of service.

Very truly yours,

PATTERSON & DEWAR ENGINEERS, INC.


Joseph E. Perry, III, P.E.
V.P. & Chief Electrical Engineer

Accepted:

CUMBERLAND VALLEY ELECTRIC, INC

By: _____

Ted Hampton
Title: General Manager

Date: _____

Public reporting burden for this collection of information is estimated to average one hour 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. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Agriculture, Clearance Officer, OC, OMB Control # 0572-0118, AG Box 7630, Washington, DC 20250. You are not required to respond to this collection of information unless this form displays the currently valid OMB control number.

ENGINEERING SERVICE CONTRACT ELECTRIC SYSTEM DESIGN AND CONSTRUCTION

AGREEMENT, made June 8, 2004, between Cumberland Valley Electric Cooperative, Inc. of Gray, Kentucky
(hereinafter called the "Owner") and Patterson & Dewar Engineers, Inc.
of Decatur, GA hereinafter called the "Engineer").

WHEREAS, the Owner has obtained loans made or guaranteed by the United States of America, acting through the Administrator of the Rural Utilities Service (hereinafter called the "Administrator"), to finance in whole or in part a rural electric system pursuant to the Rural Electrification Act of 1936, as amended, and plans the construction of a project designated KY57, being hereinafter called the "Project," consisting of approximately the following facilities and support services:

Distribution and Transmission Lines:

 ** miles (km) of kV line,
 miles (km) of kV line,

Substations:

Name None MVA kV to kV
 MVA kV to kV

Other Support Services:

Construction Work Plans	**
Long Range System Studies	**
Work Order Inspections and Certification of Inventory of Work Orders (RUS Form 219's)	**
Other Services	**

**** As required at negotiated prices.**

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, the parties hereto agree as follows:

ARTICLE I

General Obligations

In accordance with the normal standards and practices used in the profession, the Engineer shall render diligently and competently all engineering services which shall be necessary or advisable for the expeditious, economical, and sound design and construction of the Project, with due consideration given to applicable ecological and environmental requirements. The enumeration of specific duties and obligations to be performed by the Engineer hereunder shall not be construed to limit the general undertakings of the Engineer.

ARTICLE II

Preconstruction Period

Section 1. *The Engineer shall give thorough consideration to aesthetics and the protection of the environment in all phases of construction of the Project, including line routing and station locations. Where RUS or the Owner has prepared an environmental document or the Owner must comply with the conditions of a Special Use Permit imposed by a Federal land management agency, the Engineer shall incorporate all environmental commitments of the applicable documents that specifically relate to the facilities to be constructed.*

Section 2. *The Engineer shall, within thirty (30) days after the date of execution of this Agreement, make a complete field inspection and investigation for the purpose of determining the most economical and practicable location of the proposed lines.*

The Engineer shall cooperate with the Owner's right-of-way agent and attorney in developing a schedule of right-of-way procurement and assist the Owner in developing suitable property maps for use by the Owner's easement solicitors.

Section 3. *Prior to the preparation of Plans and Specifications by the Engineer, the Owner shall furnish to the Engineer the following as may be applicable:*

(a) Copies of pertinent Engineering Studies, including Construction Work Plans when available, on which to base the design of the electrical facilities to be built; key maps of the Owner's present and proposed facilities and detail or vicinity maps showing location of existing lines, consumers served, and easements obtained.

(b) Detailed lists of materials, if any, on hand or on order which are to be furnished by the Owner in the construction of the Project, together with the quantity and the value of each item of such material.

(c) With respect to materials contained in the assembly units indicated for removal, a list showing values of individual material items for which the Contractor will be credited with respect to salvaged materials returned to the Owner if not included in item (b) above.

Section 4. *Sufficient soil test data to ensure adequate foundation designs shall be provided by the _____ Owner the Engineer [check one].*

Section 5. *If requested by the Owner, the Engineer shall prepare and submit to the Owner estimates of quantities of materials to be furnished by the Owner for use in connection with the construction of the Project. The Engineer shall procure and submit to the Owner forms of contracts and other documents for such materials and for such other services as may be necessary or desirable in connection with the construction of the Project.*

Section 6. *For transmission lines, the Engineer shall prepare and submit to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required, a summary of transmission line and substation design data with supporting calculations. The Plans and Specifications and the Plan and Profile, if any, shall be based on the design data approved by the Owner and by the Administrator, if approval of the Administrator is required.*

Section 7. *The Engineer shall prepare and submit to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required, plan and profile sheets for all transmission lines.*

Section 8. *In specifying right-of-way clearing for transmission lines where "feathering" and/or undulating boundaries are required, the Engineer shall mark all brush and trees to be removed unless such marking is the responsibility of another authority. The Engineer shall also compute all clearing units, and show all clearing units on the plan and profile drawings or on separate drawings prepared for this purpose.*

Section 9. *The Engineer shall prepare, and within AR/TBD days after the date of execution of this Agreement, submit to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required, two copies of complete and detailed plans and specifications, drawings, maps, and other documents required for the construction of the Project (all of the foregoing being hereinafter collectively called the "Plans and Specifications"). In the preparation of the Plans and Specifications, the Engineer shall consult with the Owner to the end that the Project shall serve the purpose intended by the Owner. Unless otherwise directed by the Owner, the Engineer shall use Construction Work Plans and Engineering Studies, as furnished by the Owner, as a basis for the preparation of the Plans and Specifications. The Engineer shall diligently make such changes in the Plans and Specifications as may be required by the Owner or the Administrator as a condition of approval thereof.*

Section 10. *The Engineer shall, for each substation, prepare and furnish for the Owner's approval and for the Administrator's approval, if approval of the Administrator is required, the following drawings and such others as may be necessary or desirable for the construction of the Project:*

One line diagram (relays, breakers, transformers, switches, etc)

Three line diagram (PT, CT, phasing, etc)

Plot plan (excluding land surveys and plots necessary in acquisition of property)

Grading plan, fence layout and details

Structure plan and details

Structure elevations (with section views)

Footing plan and details

Grounding plan and details

Cable trench and layout plan

Lighting plan and details

Control house plan and details

Control house elevations and details

Material lists

Section 11. *All maps, drawings, plan and profile sheets, plans and specifications, contract forms, addenda, estimates, studies, and other documents required to be prepared or submitted by the Engineer under this Article II or other articles of this Agreement shall conform to the applicable standard specifications and other forms prescribed by the Administrator, unless deviation therefrom shall have been approved by the Administrator.*

Section 12. *The Engineer shall furnish to the Owner all engineering information, data, and drawings required for procuring all necessary or desirable permits, licenses, franchises, and authorizations from public bodies, and all necessary or desirable permits, licenses, or agreements with respect to the crossing of navigable streams, railroads, and power lines, and with respect to the paralleling or crossing of communications lines and signal circuits, and shall assist the Owner to the extent necessary to obtain such permits, licenses, franchises, authorizations, and agreements. The Engineer shall also furnish to the Owner all engineering information, data, and drawings required for procuring transmission line right-of-way through condemnation proceedings. If*

requested by the Owner, the Engineer shall attend, or appear as a witness in, hearings or other proceedings before public service commissions or other regulatory bodies in connection with procuring of the foregoing.

Section 13. When notified by the Administrator (if approval of the Administrator is required) and by the Owner of their approval of the form of Construction Contract, the Engineer shall immediately take all appropriate and necessary action to procure full, free, and competitive bidding for the award of such contract or contracts, and when requested assist the Owner with the purchase of material and equipment. The term "Construction Contract" as used herein shall also include right-of-way clearing contracts, equipment contracts, or materials contracts if such contracts are utilized in the construction of the project. In fulfilling this responsibility, the Engineer shall prepare and submit to the Owner for approval a recommended list of qualified bidders to construct the project. Upon approval of such list by the Owner, the Engineer, in collaboration with the Owner, shall fix a date for the opening of bids for such contracts. The Engineer shall prepare and furnish to the qualified bidders the Plans and Specifications and Construction Drawings together with all necessary forms and other documents.

Section 14. The Engineer shall be available to each prospective bidder for consultation with respect to the details of the Plans and Specifications and all other matters pertaining to the preparation of the proposals for the construction of the Project or the supply of materials or services therefor. The Engineer, or a competent representative of the Engineer, shall attend and supervise all openings of bids for the construction of the Project or for the furnishing of materials or services therefor. In case fewer than three (3) bids are received for the construction of the Project or component parts of the Project, the Owner shall be notified immediately and such bids shall remain unopened unless permission is obtained from the Owner for the opening of such bids. If bids are opened, the Engineer shall carefully check and prepare detailed assembly unit price tabulations of all bids received, and shall render to the Owner all such assistance as shall be required in connection with consideration of the bids received so that contracts may be prudently and properly awarded in accordance with the policy and procedure prescribed by the Owner and the Administrator.

Section 15. If any change is to be made in the Plans and Specifications after the Construction Contract has been approved by the Owner and by the Administrator, if approval of the Administrator is required, the Engineer shall prepare and submit the necessary details for a contract amendment in accordance with the procedure prescribed by the Owner and the Administrator.

ARTICLE III

Staking

Section 1. The Engineer, with the approval of the Owner, shall determine when staking of the Project shall begin; provided, however, that the Engineer shall not commence staking until the Owner shall have certified that all right-of-way authorizations and easements reasonably required for the construction of the Project have been procured. The Owner shall furnish qualified persons to negotiate with landowners or tenants with respect to such right-of-way authorizations and easements and the locations of meter poles or service entrances. The Engineer shall proceed diligently with such staking and continue therewith in such manner as not to retard the progress of construction of the Project.

The staking shall be done in a thorough and workmanlike manner and in accordance with the latest revision of the National Electrical Safety Code, applicable State codes, plans and specifications, and approved transmission line plan and profile sheets. The Engineer shall in no case stake lines other than those authorized by the Owner. The Engineer shall replace all stakes lost or removed prior to or during construction of the Project. All costs, including costs of stakes, equipment, and other material used in connection with the staking, shall be borne by the Engineer. All stakes shall be marked to show the pole number. Where practicable, all stakes shall be driven in such manner that the pole number shall be visible from the pole hauling truck when poles are being distributed. Each transmission structure stake shall be marked with the station number and the height and class of pole. Where it is probable that the Contractor will have difficulty in locating stakes, the Engineer shall drive a four-foot (1.2 m) building lath or equivalent in addition and adjacent to the stake. The Engineer shall give due consideration to the location of the consumer's load center and service termination in staking pole locations on or near the consumer's premises so that the service entrance cable or low voltage conductors to buildings will be as short as possible.

Section 2. *The Engineer shall cause staking sheets or structure lists to be maintained in such form as the Owner shall require, on which shall be accurately entered all pertinent and useful information and directions concerning the construction of the Project. Five counterparts of the staking sheets or structure lists shall be supplied by the engineer to the Contractor and two copies shall be supplied to the Owner. When revisions in staking sheets or structure lists are necessary, the Engineer shall cause all copies of the staking sheets or structure lists to be corrected to reflect such revisions in the information or directions previously incorporated thereon.*

Section 3. *The Engineer shall prepare and submit to the Owner a report showing the quantity, kind, price, and extended total of all units of construction for each portion of the Project at the time such portion is released to the Contractor for construction.*

Section 4. *A competent resident engineer, with full authority to act for the Engineer, shall be maintained by the Engineer at the site of the Project at all times when staking is being performed.*

ARTICLE IV

Construction Management

Section 1. *The Engineer shall supervise the construction of the Project and shall make a diligent effort to ensure the expeditious and economical construction thereof in accordance with the Plans and Specifications and the terms of the Construction Contract or contracts and ensure that all specified environmental criteria are followed. The Engineer shall carefully inspect all materials and equipment prior to their incorporation in the Project and shall promptly reject those not in compliance with the Specifications. The Engineer shall also supervise and inspect the incorporation of the materials in the Project and the workmanship with which such materials are incorporated. Such inspection shall be deemed to be adequate if a reasonable percentage of all construction units are inspected at the time of installation. The Engineer, as representative of the Owner, shall have sole responsibility for requiring the Contractor to perform the Construction Contract in accordance with its terms and the Plans and Specifications; and, in performing the duties incident to such responsibility, the Engineer shall issue to the Contractor such directives and impose such restrictions as may be required to obtain reasonable and proper compliance by the Contractor with the terms of the Construction Contract and the Plans and Specifications, in construction of the Project; provided that the Engineer shall not be required to exercise any actual control over employees of the Contractor. The term "supervise" when used herein shall not confer upon the Engineer responsibility for the Contractor's construction means, methods, or techniques. The obligations of the Engineer hereunder run to and are for the benefit of only the Administrator and the Owner.*

Section 2. *The Engineer shall measure ground resistance at all substation ground fields prior to bonding the ground field to the substation structure. In addition, upon recommendation by the Engineer and authorization by the Owner, the Engineer shall measure the ground resistance at the following locations:*

(a) *At all transmission structures with overhead ground wire prior to the installation of the overhead ground wire.*

(b) *At all transmission structures with pole grounds prior to the installation of power conductor. The Engineer shall prepare a report of the ground resistance measurements mentioned above and submit such report to the Owner together with recommendations for changes, if any, required to ensure satisfactory operation. To the extent such changes are approved, the Engineer shall make appropriate changes in the Plans and Specifications in accordance with the provisions of Section 15 of Article II.*

Section 3. *The Engineer shall maintain at the site of the Project during the entire period of construction a competent resident engineer with full authority to act for the Engineer, unless specifically directed otherwise by the Owner in writing. When necessary to assure adequate inspection, one or more competent inspectors shall also be maintained when construction units are being installed or corrective work is being performed, the number of inspectors being subject to approval by the Owner. The Engineer shall report, in writing, defects in workmanship or materials to the Contractor and the Owner and shall instruct the Contractor to correct such defects immediately, in accordance with the terms of the Construction Contract. A resident engineer shall be present during the final inspection of completed construction.*

Section 4. *The Engineer shall test along lines, immediately after they have been energized, for objectionable radio interference. All cases of radio interference due to faulty construction of or defective equipment in the Project shall be reported to the Contractor for correction.*

ARTICLE V

Final Documents

Section 1. *The Engineer shall prepare and, within twenty (20) days after the completion of construction of the Project by the Contractor, submit complete and detailed final documents to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required*

ARTICLE VI

Compensation

Section 1. *The Owner shall pay the Engineer for the services performed hereunder as indicated in the attached Schedule A.*

Section 2. *The total compensation to be paid in connection with this Agreement shall not exceed*
fees based on attached rate schedule

Section 3. *Compensation payable to the Engineer under this Agreement shall be in addition to taxes or levies (excluding Federal, State and local income taxes) which may be assessed against the Engineer by any State or political subdivision directly on services performed or payments for services performed by the Engineer pursuant to this Agreement. Such taxes or levies, which the Engineer may be required to collect or pay, shall, in turn, be added by the Engineer to invoices submitted to the Owner pursuant to this Agreement.*

Section 4. *Interest at the rate of twelve percent (12 %) per annum [percentage is not to exceed any applicable State usury laws] shall be paid by the Owner to the Engineer on all unpaid balances due the Engineer commencing thirty (30) days after the due date; provided that the delay in payment beyond the due date is not caused by any condition within the control of the Engineer. Such compensation shall be paid ten (10) days after the amount of interest has been determined by the Engineer and the Owner.*

Section 5. *Prior to the time when any payment shall be made to the Engineer pursuant to this Agreement, the Engineer, if requested by the Owner, shall furnish to the Owner, as a condition precedent to such payment, a certificate to the effect that all salaries or wages earned by the employees of the Engineer in connection with the Project, have been fully paid by the Engineer up to and including a date not more than fifteen (15) days prior to the date when such payment shall be made. Before the time when the final payment shall be made to the Engineer by the Owner, the Engineer shall also furnish to the Owner, as a condition precedent to such payment, a certificate that all the employees of the Engineer have been paid for services rendered by them in connection with the Project and that all other obligations which might become a lien upon the Project have been paid.*

ARTICLE VII

Miscellaneous

Section 1. *The Owner may at any time terminate this Agreement by giving notice to the Engineer in writing to that effect not less than ten (10) days prior to the effective date of termination specified in the notice. Such notice shall be deemed given if delivered or mailed to the last known address of the Engineer. From and after the effective date specified in such notice, this Agreement shall be terminated, except that the Engineer shall be entitled to receive compensation for services hereunder as provided in Section 2 of this Article VII.*

Section 2. *In the event that this Agreement at any time be terminated pursuant to Section 1 of this Article VII, the compensation which shall be payable to the Engineer by the Owner shall be computed so far as possible in accordance with the provisions of Article VI. To the extent that the provisions of Section 1 of Article VI cannot be applied because construction is incomplete at the effective date of such termination, the Engineer shall be paid for engineering services in respect of incomplete construction a sum which shall bear the same ratio of the compensation which would have been payable under the provisions of Section 1 of Article VI, if such construction had been completed, as the engineering services in respect of such incomplete construction bear to the engineering services which would have been rendered if construction had been completed.*

If requested by the Owner, the Engineer shall submit to the Owner in duplicate a verified statement of actual expenses in respect of such incomplete construction. All compensation payable under this Section 2 shall be due and payable thirty (30) days after the approval by the Owner of the amount due hereunder.

Section 3. *The Engineer shall have the right, by giving the Owner not less than thirty (30) days notice in writing, to terminate this Agreement if the Engineer shall have been prevented by conditions beyond the control and without the fault of the Engineer (a) from commencing performance of this Agreement for a period of twelve (12) months from the date of this Agreement, or (b) from proceeding with the completion of full performance of any remaining services required of the Engineer pursuant to this Agreement for a period of six (6) months from the date of last performance by the Engineer of other services required pursuant to this Agreement. From and after the effective date specified in such notice this Agreement shall be terminated, except that the Engineer shall be entitled to receive compensation for services performed hereunder, computed and payable in the same manner as set forth in Section 2 of this Article.*

Section 4. *Upon completion of the Project or termination of the Contract, the Engineer shall be obligated forthwith to deliver to the Owner all maps, tracings, and drawings of the Project and all letters, documents, and other material, including all records pertaining thereto.*

The term "Completion of the Project" shall mean full performance of all obligations under this Contract and all amendments and revisions thereof as evidenced by the approval of the final documents by the Owner and by the Administrator, if approval of the Administrator is required.

Section 5. *The Engineer shall follow all applicable RUS rules and regulations.*

Section 6. *The Engineer shall prepare and execute in such form and detail as the Owner and the Administrator shall direct all estimates, certificates, reports, and other documents required to be executed by the Engineer pursuant to the terms of the Construction Contract or the Loan Contract, including progress reports of engineering services and reports of the progress of construction.*

Section 7. *The Engineer shall approve each monthly estimate of the Contractor prior to payment by the Owner. Such approval shall include a certification by the Engineer that all construction for which payment is requested has been completed in accordance with the terms of the Construction Contract and that all defective construction, of which the Contractor shall have received fifteen (15) or more days written notice, has been corrected. The Engineer shall also maintain at the site of the Project a cumulative inventory of all units of construction incorporated in the Project.*

Section 8. *The Engineer shall notify the Owner when the Project, or any section thereof, shall be ready to be energized. When requested by the Administrator, such notice shall also be given to the Administrator. The Engineer shall assist the Owner in causing the Project, or such section thereof, to be energized.*

Section 9. Insurance. *The Engineer shall take out and maintain throughout the period of this Agreement insurance of the following types and minimum amounts:*

(a) Workers' compensation and employers' liability insurance, as required by law, covering all of the Engineer's employees who perform any of the obligations of the Engineer under the Agreement. If any employer or employee is not subject to the workers' compensation laws of the governing State, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.

(b) Public liability insurance covering all operations under the Agreement shall have limits for bodily injury or death of not less than \$1 million each occurrence, limits for property damage of not less than \$1 million each occurrence, and \$1 million aggregate for accidents during the policy period. A single limit of \$1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

(c) Automobile liability insurance on all motor vehicles used in connection with the Agreement, whether owned, nonowned, or hired, shall have limits for bodily injury or death of not less than \$1 million per person and \$1 million per occurrence, and property damage limits of \$1 million for each occurrence. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

(d) Errors and Omissions (Professional Liability) Insurance in an amount at least as large as the maximum compensation specified in Article VI, Section 2, but not less than \$500,000.

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsections "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the total compensation to be paid under this Agreement.

The Owner shall be named as Additional Insured on all policies of insurance required in subsections "b" and "c" of this Section.

The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Engineer shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than thirty (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

The Engineer shall also follow the requirements of 7 CFR part 1788, RUS Fidelity and Insurance Requirements for Electric and Telephone Borrowers.

Section 10. The obligations and duties to be performed by the Engineer under this Agreement shall be performed by persons qualified to perform such duties efficiently. The Engineer, if the Owner shall so direct, shall replace any resident engineer or other persons employed by the Engineer in connection with the Project. The Engineer shall file with the Owner and the Administrator a statement, signed by the Engineer, of the qualifications, including specific experience of each engineer and inspector assigned to the Project and the duties assigned to each.

Section 11. Approvals, directions, and notices provided to be given hereunder by the Administrator to the Engineer or the Owner shall be deemed to be properly given if given by any person authorized by the Administrator to give approvals, directions, or notices.

Section 12. The Engineer shall establish and maintain an office at the site of the Project, with telephone service where available, when staking or construction is in progress. Any notice, instructions, or communications delivered to such office shall be deemed to have been delivered to the Engineer.

Section 13. This Agreement may simultaneously be executed and delivered in two or more counterparts each of which so executed and delivered shall be deemed to be an original, and all shall constitute but one and the same instrument.

Section 14. The obligations of the Engineer under this Agreement shall not be assigned without the approval in writing of the Owner.

Section 15. The Engineer shall comply with applicable statutes pertaining to engineering and warrants that Joseph E. Perry III [Name of Engineer] who will be in responsible charge of the Project possesses license number 10,051 issued by the State of Kentucky on the 31st day of August, 1976.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

Cumberland Valley
Electric, Inc.

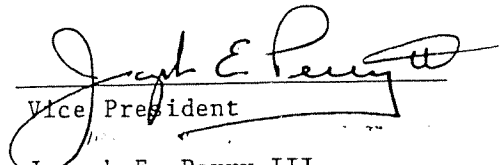
Owner

By _____
President

ATTEST:

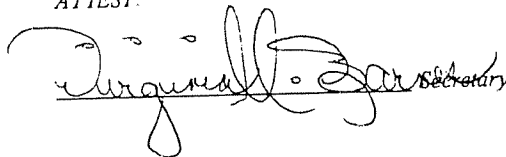
Secretary

Patterson & Dewar Engineers, Inc.
Engineer


Vice President

Joseph E. Perry III
V.P. & Chief Electrical Engineer

ATTEST:


Secretary

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PATTERSON & DEWAR ENGINEERS, INC.
 Decatur, Georgia
 FEES FOR GENERAL ENGINEERING SERVICES
 EFFECTIVE: May 1, 2004

<u>CLASSIFICATION</u>	<u>\$ PER HOUR</u>
1. Principal Engineer	\$111.00
2. Senior Engineer	104.00
3. Project Engineer	97.00
4. Design Engineer	85.00
5. Engineer	78.00
6. Senior Engineering Assistant	82.00
7. Engineering Assistant	71.00
8. Senior Technician	90.00
9. Technician IV	67.00
10. Technician III	60.00
11. Technician II	54.00
12. Technician I	51.00
13. Aide IV	61.00
14. Aide III	53.00
15. Aide II	50.00
16. Aide I	42.00
17. Senior Draftsperson	83.00
18. Draftsperson IV	70.00
19. Draftsperson III	61.00
20. Draftsperson II	54.00
21. Draftsperson I	43.00
22. Clerk II	35.00
23. Clerk I	30.00
24. CAD Operator IV	74.00
25. CAD Operator III	65.00
26. CAD Operator II	59.00
27. CAD Operator I	48.00
28. CAD Operator	36.00
29. Construction Consultant	136.00
30. Transmission Design Engineer	125.00
31. Senior Land Agent	93.00

DATA PROCESSING PERSONNEL

32. Computer Coordinator	90.00
33. Engineering Designer	97.00
34. Transmission System Engineer	125.00

TRAVEL AND EXPENSES	- Actual Out-of-Pocket Cost
PRINTS, PHONE CALLS ETC.	- Actual Cost
OUTSIDE CONSULTANT	- Actual Cost + 20%
SUBSTATIONS	- 15% Adder for Computer/CAD Software

NOTE: Fees are subject to annual increases.

2/11/52
S.K.

CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
POLICY STATEMENT NO. 5
Section A

SUBJECT: Functions and Compensation of Cooperative Attorney

I. PURPOSE:

- A. To recognize the need for continuing legal guidance and counsel in the regular and special activities of the Cooperative, to insure maximum protection of the legal rights of the Cooperative, and to maintain operational conformity to the limitations prescribed by law.
- B. To provide for the functions of the legal consultant employed as the regular Cooperative Attorney or a monthly retainer fee basis and for additional counsel as required from time to time.

II. POLICY STATEMENT:

It shall be the policy of Cumberland Valley RECC to maintain a continuing relationship with an attorney or a firm of attorneys for the purpose of procuring the necessary legal assistance and advice to protect the cooperative interests of the Cooperative.

III. RESPONSIBILITY:

The Board of Directors shall designate the Cooperative Attorney upon the recommendation of the General Manager.

IV. FUNCTIONS:

The services required of the Attorney will vary in nature and extent according to the conditions and problems that arise. These services can be divided into routine and special services.

- A. Routine services shall be rendered on an annual retainer fee basis and shall include the following:
1. Attendance at regular or special Board meetings, or meetings of committees of the Board, when requested by the Board or General Manager.
 2. Review of minutes of all Board meetings, regular and special, to check conformity with the bylaws and applicable state and federal laws and regulations.
 3. Review of minutes, resolutions, bylaws amendments, notice of meetings, and review of the proceedings of the annual meeting of members, or of special meetings of members, and attending such meetings to be available for consultation and participation if events warrant.
 4. Normal assistance and advise on tax matters, including reports and claims for exemption.
 5. Review and legal approval of contracts and other documents as to form, substance and execution.
 6. Miscellaneous letters and legal matters of a minor nature not requiring an unusual amount of time, study and attention.
 7. Advice and consultation concerning miscellaneous matters of Cooperative business, including policy and personnel actions, as requested by the Board or General Manager.
 8. Attendance at association meetings pertaining to the activities of the Cooperative where special services are not required, and the choice of attending is left to the discretion of the Attorney.
 9. Handling of loan documents and mortgages.

- B. Special services for which the Attorney would normally expect special compensation would include the following:
 - 1. Special request for action, opinions or advice that require considerable study and research.

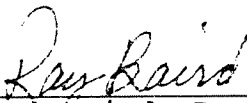
V. COMPENSATION:

- A. Routine service shall be compensated for and included in a retainer in such amount as agreed upon by the Cooperative Board and Attorney.
- B. Expenses for the Attorney for authorized trips and legal work performed for the Cooperative shall be reimbursed upon an actual out-of-pocket basis.

This policy supersedes any existing policy which may be in conflict with the provisions of this policy.

SOURCE: Adopted by the Board of Directors on February 17, 1983.

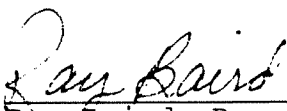
APPROVED BY THE BOARD OF DIRECTORS



Ray Baird, President

Amended: 02-28-93

APPROVED BY THE BOARD OF DIRECTORS



Ray Baird, President

At the regular meeting of the Board of Directors of Cumberland Valley Electric held at the Headquarters Office at Gray, Knox County, State of Kentucky on Tuesday, June 8, 2004 at 7:00 P.M., motion was made by Mr. Elbert Hampton, seconded by Mr. Roger Vanover and duly carried, the following resolution was adopted.

RESOLUTION

WHEREAS, Cumberland Valley Electric is presently using High Line Associates, P O Box 1390, Auburn, Alabama, and

WHEREAS, Cumberland Valley Electric management feels that a change needs to be made to better serve the Cooperative, and

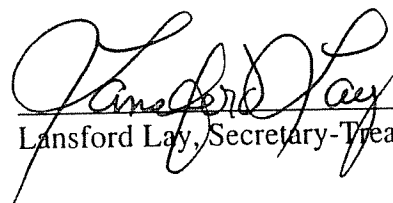
WHEREAS, Mr. Ted Hampton recommended to the Board of Directors that they employ Patterson and Dewar Engineers, Inc. do their work plans, long range plans, work order inspections, rate studies and other needs of engineering that may come up from time to time.

RESOLVED, that after due discussion the board chose Patterson and Dewar Engineers, Inc., to do Cumberland Valley Electric's work.

CERTIFICATE OF RESOLUTION

I, Lansford Lay, Secretary-Treasurer of the Board of Directors of Cumberland Valley Electric, do hereby certify that the foregoing is a true and correct copy of the resolution which was duly adopted by the Board of Directors of Cumberland Valley Electric at Gray, Knox County, Kentucky held on Tuesday, June 8, 2004, at 7:00 P.M., and I further certify that all Directors were present and acted through said meeting.

Given under my hand this 8th day of June, 2004.


Lansford Lay, Secretary-Treasurer

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
CUMBERLAND VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

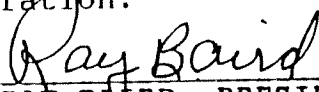
KNOX ALL MEN BY THESE PRESENTS:

THAT, we, Ray Baird, President, and John H. Corey, Secretary, of Cumberland Valley Rural Electric Cooperative Corporation, a Kentucky corporation, with its principal office at Gray, Knox County, Kentucky, do hereby certify that a regular meeting of the members of the Cooperative was held on June 16, 1997, at Gray, Kentucky, pursuant to notice to each member specifying the date and purpose of said meeting, one of which was to amend the Articles of Incorporation; that said amendments had previously been approved unanimously by the Board of Directors at its regular monthly meeting, and these Amendments were presented to the members in the following Resolutions:

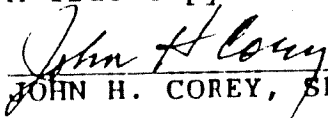
RESOLVED, that Article I of the Articles of Incorporation of the corporation be amended to read in its entirety as follows: The name of the Corporation shall be: "Cumberland Valley Electric, Inc."

RESOLVED, that the officers of the corporation are hereby authorized to take any and all actions necessary, appropriate, or convenient to give effect to the foregoing resolution.

The Resolutions were unanimously adopted by the vote of the members, and said amendments were ordered to be recorded, as Articles of Amendments to the original Articles of Incorporation and the Amended Articles of Incorporation.


RAY BAIRD, PRESIDENT

A True Copy Attest:


JOHN H. COREY, SECRETARY

STATE OF KENTUCKY)
COUNTY OF KNOX) SCT

I, the undersigned Notary Public, of the State and County aforesaid, do hereby certify that on the 17th day of July, 1997, personally appeared before me Ray Baird, President of Cumberland Valley Rural Electric Cooperative Corporation, who being by me first duly sworn, signed and acknowledged the foregoing Articles of Amendment to the Articles of Incorporation, to be his free, voluntary act and deed as a member and officer of said Corporation.

WITNESS my hand and seal, this the 17th day of July, 1997.

Mary H. Adrean
NOTARY PUBLIC, STATE-AT-LARGE

My Commission Expires: Aug. 3, 1998

STATE OF KENTUCKY)
COUNTY OF KNOX) SCT

I, the undersigned Notary Public, of the State and County aforesaid, do hereby certify that on the 17th day of July, 1997, personally appeared before me John H. Corey, Secretary of Cumberland Valley Rural Electric Cooperative Corporation, who being by me first duly sworn, signed and acknowledged the foregoing Articles of Amendment to the Articles of Incorporation, to be his free, voluntary act and deed as a member and officer of said Corporation.

WITNESS my hand and seal, this the 17th day of July, 1997.

Mary H. Adrean
NOTARY PUBLIC, STATE-AT-LARGE

My Commission Expires: Aug. 3, 1998

THIS INSTRUMENT PREPARED BY:

W. PATRICK HAUSER
P. O. BOX 1900
BARBOURVILLE, KY 40906
(606) 546-3811

CASH DISBURSEMENTS

A list of Cash Disbursements was presented to the Board. Upon motion made by Mr. Chester Davis, seconded by Mr. Lansford Lay and duly carried, the checks were approved as written.

SAFETY

Mr. Ted Hampton discussed safety with the Board of Directors and advised the board that there were no accidents or personal injuries and the safety meeting was held as scheduled.

RIGHT OF WAY

Mr. Ted Hampton advised the board that the right of way crew is working on Gatliff Road in Whitley County and the Bushhogs are working at Canadatown in Whitley County.

OPERATING REPORT

Mr. Ted Hampton reported on the April, 2004 Operating Report to the Board of Directors.

EMPLOYMENT OF CONSULTING ENGINEERS

Mr. Ted Hampton proposed to the Board of Directors to employ Patterson & Dewar Engineers, Inc. as consulting engineers to Cumberland Valley Electric. Motion was made by Mr. Elbert Hampton, seconded by Mr. Roger Vanover and duly carried to employ Patterson & Dewar Engineers, Inc. as Cumberland Valley Electric's consulting engineers.

COLLECTION AGENCY

Mr. Ted Hampton reported on Southeast Kentucky Collection Agency.

ADJOURNMENT

There being no further business coming before the board at this time, motion was made by Mr. Roger Vanover, seconded by Mr. Elbert Hampton and duly carried.

At the regular meeting of the Board of Directors of Cumberland Valley Electric held at the Headquarters Office at Gray, Knox County, State of Kentucky on Tuesday, June 8, 2004 at 7:00 P.M., motion was made by Mr. Elbert Hampton, seconded by Mr. Roger Vanover and duly carried, the following resolution was adopted.

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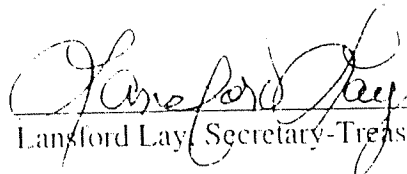
WHEREAS, Mr. Ted Hampton recommended to the Board of Directors that they employ Patterson and Dewar Engineers, Inc. do their work plans, long range plans, work order inspections, rate studies and other needs of engineering that may come up from time to time.

RESOLVED, that after due discussion the board chose Patterson and Dewar Engineers, Inc., to do Cumberland Valley Electric's work.

CERTIFICATE OF RESOLUTION

I, Lansford Lay, Secretary-Treasurer of the Board of Directors of Cumberland Valley Electric, do hereby certify that the foregoing is a true and correct copy of the resolution which was duly adopted by the Board of Directors of Cumberland Valley Electric at Gray, Knox County, Kentucky held on Tuesday, June 8, 2004, at 7:00 P.M., and I further certify that all Directors were present and acted through said meeting.

Given under my hand this 8th day of June, 2004.


Lansford Lay, Secretary-Treasurer

Commonwealth of Kentucky
Before the Public Service Commission

Cumberland Valley Electric, Inc.
Case No. 2005-00187

18) Question:

Provide Cumberland Valley's policies specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and reason for the changes.

18) Answer:

(See attached)

CUMBERLAND VALLEY ELECTRIC COOPERATIVE POLICY NO. 83

MAJOR MEDICAL/HOSPITALIZATION/DENTAL INSURANCE FOR DIRECTORS

I. OBJECTIVE

To clarify eligibility for major medical, hospitalization and dental coverage for active and former directors.

II. POLICY CONTENT

- A. Upon completion of three months' service, each active Director and his/her eligible dependents, will be eligible for major medical/hospitalization and dental coverage, should the Director elect to enroll. Such coverage shall be paid in full by the Cooperative.
- B. If a Director retires from the Cooperative after completion of fifteen years of service, the Director and eligible dependents will be offered coverage with the full cost being paid by the Cooperative.
- C. If a Director retires from the Cooperative after the completion of five years of service, but less than fifteen years of service, the Director and eligible dependents will be offered coverage by paying one-half of the Cooperative's cost.
- D. If a Director retires from the Cooperative with less than five years of service, the Director and eligible dependents will not be eligible for continuance of coverage through the Cooperative except as otherwise provided by law.
- E. If a Director dies while in active status, his/her spouse shall be covered until the spouse remarries. If a Director dies while in active status, his/her dependent children shall be covered so long as they are dependent as defined by the Group Medical Insurance Policy. Such coverage shall be paid for in full by the Cooperative.
- F. For purposes of this policy, retirement means the cessation of active service for any reason.
- G. Directors will be covered on the same basis as other employees, but this Plan will be secondary to any other employer-bases Health Plan. Active Directors age 65 and over may enroll in Part A Medicare Coverage. The Cooperative-sponsored Plan will be primary to Medicare.

**CUMBERLAND VALLEY ELECTRIC COOPERATIVE
POLICY NO. 83 (CONT)**

II. Policy content (Continued)

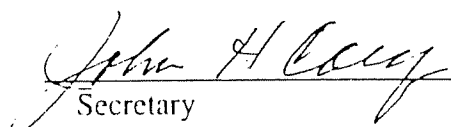
H. Any further changes in the benefits provided by the insurance coverage itself will apply to retired and disabled Directors on the same basis as active directors.

III. **RESPONSIBILITY**

This policy shall be supervised by the Personnel Assistant with review by the President/CEO and Board of Directors.

Date of Policy: July 27, 1995

Amended 05-27-03


Secretary

CUMBERLAND VALLEY ELECTRIC

POLICY NO. 84

FRINGE BENEFITS FOR DIRECTORS

I. OBJECTIVE

To provide certain benefits for directors in order to enable the Cooperative to secure the best people available for the on-going success and growth of the Cooperative.

II. POLICY CONTENT

- A. Upon completion of three months' service, each director will be eligible for the following benefits with full cost being paid by the Cooperative.
1. Major Medical and Hospitalization Insurance.
 2. Group Term Life Insurance
 3. 24 Hour Accidental Death & Dismemberment Insurance
 4. Business Travel Accidental Death & Dismemberment Insurance
 5. Dental Insurance
- B. If a director retires from the Cooperative, he shall be eligible for continuance of Major Medical/ Hospitalization and Dental Insurance only to the extent as set out in Policy No. 83.
- C. Directors who retire on or after July 1, 1995, and who have completed at least fifteen years of service, will be eligible to retain Group Term Life Insurance coverage with the cost being paid by the individual director if such extension of coverage is available from the insurance carrier.
- D. For the purposes of B & C above, retirement means the cessation of active service for any reason. However, if a Director resigns because of inappropriate actions that may cause embarrassment to the Cooperative or is removed for cause as provided by the Bylaws Article III, Section 12, "Board Members", all benefits, per diem and fringes shall cease at that time.
- E. As of July 27, 1995, all active directors are eligible to participate in the life insurance plan as adopted by the board on said date.
- Future directors will be eligible to participate in this plan upon the completion of five years of service

CUMBERLAND VALLEY ELECTRIC

POLICY No. 84 (cont)

III. RESPONSIBILITY

This policy shall be supervised by the Office Manager with review by the General Manager and Board of Directors.

Date Policy Reviewed by Board: July 27, 1995

Amended 05-27-03

John H. Cary Sec

CUMBERLAND VALLEY ELECTRIC, INC.
POLICY NO. 92

DEFERRED COMPENSATION FOR DIRECTORS

I. OBJECTIVE

To provide deferred compensation for directors in order to enable the Cooperative to secure and retain the best people available for the on-going success and growth of Cumberland Valley Electric, Inc.

II. POLICY

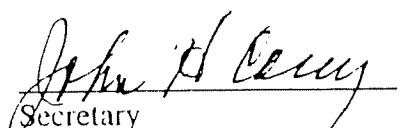
- A. Members of the Board of Directors of the Cooperative ("Directors") who retire from the Board on or after April 1, 2002, and who have completed at least 1 year of service as a Director, will be paid, in a lump sum in cash, an amount equal to the Director's years of service on the Board times three (3) times the current or the then existing Board fee (whichever is higher) for attendance at a meeting, subject to the additional terms of this policy. For example, if a retiring Director has 20 years of service on the Board and the current fee for attendance at Board meetings is \$300, the Director will receive a cash payment equal to 20 x 3 x \$300, or \$18,000.
- B. Benefits under A. above will be paid within 90 days of the Director's retirement from the Board to the Director, or if the Director is deceased at the time payment is to be made, to the Director's estate.
- C. For the purposes of A above, retirement means the cessation of active service as a member of the Board of Directors for any reason, provided that retirement shall not include (i) a Director's resignation following inappropriate actions of the Director that harm the interests of the Cooperative including but not limited to disparaging its reputation or seriously embarrassing the Cooperative, or (ii) removal of the Director for cause.
- D. This policy may be amended or terminated by the Cooperative at any time in its sole and absolute discretion by action of the Cooperative's Board, provided that no amendment or termination will apply to Directors serving on the Board on the date the amendment or termination is adopted or to retired Directors who have earned a benefit and not yet received payment hereunder.

E. No Director may assign or alienate the benefits owed him hereunder in any way and any attempted assignment, alienation or pledge shall be null and void. The Cooperative's obligations to Directors hereunder shall be merely an unsecured promise to pay benefits out of its general assets. This policy provides benefits to Directors with respect to their service as independent contractors and is not governed by ERISA.

III. RESPONSIBILITY

This policy shall be administered and interpreted by the General Manager with review by the Board of Directors.

Date Policy Adopted by Board: April 10, 2002


Secretary

Cumberland Valley Electric
Case No. 2005-00187
First Data Request of Commission Staff

Question 19

Most recent annual members' meeting

	New Board Members Elected	Members in Attendance	Members Voting	Total Cost
2004	0	850	1,019	17,514
2003	0	712	929	22,647
2002	0	602	763	31,962
2001	0	521	628	17,645
2000	0	480	811	21,561

ANNUAL MEMBERSHIP MEETING
JUNE 2, 2005

The ANNUAL MEMBERSHIP MEETING of the CUMBERLAND VALLEY ELECTRIC, INC. was held on Tuesday, June 2, 2005 at 6:30 P.M., pursuant to printed notices stating the place, day and hour of the meeting as provided for by and in accordance with the by-laws of the Cooperative, and all members of the Board of Directors were present.

The Board of Directors being composed of the following members:

Vernon Shelley	Elbert Hampton
Roger Vanover	Chester Davis
Lansford Lay	

Mr. Ted Hampton, General Manager, and Pat Hauser, Attorney, were present.

Mr. Ted Hampton, General Manager, welcomed everyone to the 2005 Annual Membership Meeting and read the official notice of the meeting stating the date, place and hour.

Mr. Ted Hampton, Mr. Pat Hauser, and Mr. Dan Yates, Attorney's, after checking the official registration determined a quorum was present.

Mr. Hampton reported on the affairs of the Cooperative and gave a report on the new mapping system and the new metering system Cumberland Valley was installing; he also reported that Cumberland Valley planned to return Capital Credits in the fall of 2005. Mr. Hampton stated that Cumberland Valley had made application for a general rate increase of 4%.

Mr. Hampton presented the nominating committee report to the members present and motion was made by Jay Roger Keck and seconded by Mike Corey to accept nominating committee report and Lansford Lay and Vernon Shelley to represent Whitley and McCreary Counties, and Roger Vanover to represent Knox, Bell, and Laurel Counties on the Cumberland Valley Board of Directors beginning 2005 Annual Meeting and to end in 2009. (Nominations for Directors Report are attached to minutes.)

SPECIAL BOARD MEETING

JUNE 2, 2005

In June a special called meeting for the purpose of electing officers for the consumer year.

The meeting was called to order by the President, Mr. Vernon Shelley, with all directors being present.

Motion was made by Mr. Elbert Hampton, seconded by Chester Davis to elect Mr. Vernon Shelley, President. Motion was made by Elbert Hampton, seconded by Chester Davis to elect Roger Vanover, Vice-President. Motion was made by Elbert Hampton, seconded by Chester Davis to elect Lansford Lay, Secretary. All voting yes.

Motion was made by Chester Davis, seconded by Roger Vanover to elect Elbert Hampton as director of East Kentucky Power Board.

Motion was made by Elbert Hampton, seconded by Chester Davis to elect Vernon Shelley as Director to Kentucky Association of Electric Cooperative.

Motion was made by Roger Vanover, seconded by Lansford Lay to elect Chester Davis as a Cumberland Valley Representative as a NRICA Delegate at Regional and Annual Meetings.

Motion was made Chester Davis, seconded by Elbert Hampton to elect Mr. Lansford Lay to be a voting delegate to East Kentucky Power at their Annual Meeting, and Chester Davis as alternate in case Mr. Lay is unable to attend.

Respectfully submitted,

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

Mr. Gary Crawford represented East Kentucky Power and gave a report on activities that were happening regarding to generators and transmissions with emphasis on purchasing Eastern Kentucky Coal.

Mr. Bill Corum of KAEC gave a report on manufacturing of transformers and purchasing pole line hardware and what an important role Kentucky Association of Coop's was playing on holding down cost of materials.

Senator Robert Stivers reported to the Cumberland Valley audience on activities that were happening in Frankfort, that is on Electric Co-op's in Kentucky, Senator Stivers expects great changes in the future.

At the end of official business section, Mr. Hampton turned the program over to Mr. Dennis Cannon who presented the entertainment, the Perry's. At the conclusion of the entertainment, prizes were given to the customers and a drawing for a pick-up truck owned by Cumberland Valley was held. Mr. Bell Frazier, of Barbourville, was the winner of the truck.

Motion was made by Mike Corey, seconded by Me. Kenneth Lay and the business meeting was adjourned

Respectfully submitted,

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

Approximately 630 members registered

2005 ANNUAL MEETING

FEATURING: THE PERRYS



Cumberland Valley Electric

A Eversource Energy Company

Door Prizes

Entertainment

Free Food and Drinks

Face Painting



CHILDREN'S
ENTERTAINER
MARK WOOD

AND CARICATURIST
DENNY WHALEN



THURSDAY, JUNE 2

KNOX CENTRAL HIGH SCHOOL, BARBOURVILLE
REGISTRATION 5:30 P.M. • BUSINESS MEETING 7 P.M.

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187

Item No. 20
Page 1 of 4
Witness: Jim Adkins

RESPONSE TO PSC STAFF DATA REQUEST NO. 1

a.

Dollar Amount and Percentage Change in Rates
for Each Customer Rate Classification

<u>Rate Schedule</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
Schedule I - Residential	\$ 1,318,113	7.15%
Schedule II - Small Commercial	\$ -	0%
Schedule III - 3 Phase Schls & Chur	\$ -	0%
Schedule IV - Large Power Industrial	\$ -	0%
Schedule IV-A - Large Power Rate	\$ -	0%
Schedule VI - Security Lights	\$ 76,763	9.40%

The basis for the above is the Cost of Service Study contained in Exhibit S of the original filing and further explained in the response to part b of this item. Part b follows this part.

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187

Item No. 20
Page 2 of 4
Witness: Jim Adkins

RESPONSE TO PSC STAFF DATA REQUEST NO. 1

b.

DETERMINATION OF AMOUNT OF INCREASE

1	Target Ratio and Amount:	<u>TIER of 2.0x</u>
2	Annual loss from Adjusted Statement of Operations:	\$ 379,786
3	Amount of Interest on Long Term Debt:	<u>1,015,090</u>
4	Total Amount of Increase;	<u><u>\$ 1,394,876</u></u>

RATE DESIGN

1	Amount of Increase Allocated to Schedule VI - Outdoor and Security Lights		
a.	Amount of Loss for Rate Class	\$	9,896
b.	Amount of Interest on Long Term Debt		66,867
c.	Increase Amount for Rate Class	\$	76,763
d.	Normalized Revenue for Rate Class		816,250
e.	Percentage Increase for Rate Class		9.40%
f.	Rate Design		
		<u>175 Watt</u>	<u>400 Watt</u>
		<u>Lamp</u>	<u>Lamp</u>
	Current Rates	\$ 5.94	\$ 11.40
	Increase Amount	0.56	1.07
	Proposed Lighting Rates	\$ 6.50	\$ 12.47

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187

Item No. 20
Page 3 of 4
Witness: Jim Adkins

RESPONSE TO PSC STAFF DATA REQUEST NO. 1

2	Amount of Increase for Schedule I - Residential, Schools and Churches & Marketing			
a.	Amount of Total Increase in Revenue			\$ 1,394,876
b.	Less Increase for Schedule VI			\$ 76,763
c.	Increase Amount for Rate Class			\$ 1,318,113
d.	Normalized Revenue for Rate Class	#####	\$ 44,002	\$ 18,426,372
e.	Percentage Increase for Rate Class			7.15%
f.	Rate Design			
	Amount of Increase for Rate Class			\$ 1,318,113
	Divided by the Energy Sales for Rate Class	#####	1,257,547	295,446,522
	Increase in Energy Rate for Rate Class			0.00446
	Current Energy Rate for Rate Class			0.05832
	Proposed Energy Rate for Schedule I			0.06278

OTHER RATE CHANGES

SCHEDULE VI - SECURITY LIGHTS

		<u>Current Rate</u>	<u>Proposed Rate</u>
1	Mercury Vapor Lights		
	400 Watt Lamp	\$ 8.11	\$ 8.11
2	Sodium Vapor Lights		
	100 Watt Open Bottom	\$ 5.94	\$ 5.94
	100 Watt Colonial Post	\$ 6.78	\$ 6.78
	100 Watt Directional Flood	\$ 7.34	\$ 7.34
	400 Watt Directional Flood	\$ 11.40	\$ 11.40

**CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187**

Item No. 20
Page 4 of 4
Witness: Jim Adkins

RESPONSE TO PSC STAFF DATA REQUEST NO. 1

- c. Cumberland Valley is not requesting a change in any demand charge.

- d. Cumberland Valley is not requesting a change in any customer charge

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187
LOAD DATA

Rate Schedule	No. of Cust.	kWh Sales	Percent of Total kWh Sales	Monthly Peak Demands kW	Revenue	Percent of Total Revenue
Schedule I - Residential						
January	21,275	34,480,316	7.45%	100,222		
February	21,325	33,018,731	7.13%	85,507		
March	21,365	27,681,459	5.98%	74,206		
April	21,343	19,656,689	4.25%	62,774		
May	21,280	17,681,692	3.82%	61,320		
June	21,307	23,349,147	5.04%	66,059		
July	21,359	22,284,012	4.81%	72,691		
August	21,452	21,090,289	4.56%	71,780		
September	21,480	21,336,834	4.61%	65,192		
October	21,513	17,025,291	3.68%	57,185		
November	21,538	20,560,532	4.44%	71,570		
December	21,505	35,021,910	7.57%	103,643		
	256,742	293,186,902	63.33%	892,149	\$ 18,463,428	64.76%

Rate Schedule	No. of Cust.	kWh Sales	Percent of Total kWh Sales	Monthly Peak Demands kW	Revenue	Percent of Total Revenue
Schedule I - Marketing ETS						
January	139	278,073	0.06%	-		
February	139	273,181	0.06%	-		
March	137	219,793	0.05%	-		
April	130	102,992	0.02%	-		
May	105	23,411	0.01%	-		
June	19	539	0.00%	-		
July	11	437	0.00%	-		
August	11	1,471	0.00%	-		
September	17	(198)	0.00%	-		
October	104	33,687	0.01%	-		
November	120	91,949	0.02%	-		
December	136	232,212	0.05%	-		
	1,068	1,257,547	0.27%	-	\$ 46,212	0.16%

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187
LOAD DATA

Rate Schedule	No. of Cust.	kWh Sales	Percent of Total kWh Sales	Monthly Peak Demands kW	Percent of Total Revenue
Schedule II - Small Commercial C-1					
January	1,131	1,124,529	0.24%	4,367	
February	1,120	1,085,069	0.23%	3,553	
March	1,126	1,021,994	0.22%	3,934	
April	1,135	901,606	0.19%	3,719	
May	1,127	891,996	0.19%	5,026	
June	1,167	1,180,662	0.26%	5,127	
July	1,138	1,098,275	0.24%	5,500	
August	1,156	1,090,273	0.24%	5,637	
September	1,158	1,132,198	0.24%	5,270	
October	1,159	926,786	0.20%	4,436	
November	1,154	947,541	0.20%	4,299	
December	1,142	1,161,042	0.25%	4,763	
	13,713	12,561,971	2.71%	55,631	See Total Below

Schedule II - Small Commercial C-1
w/demand kW

January	123	629,693	0.14%	1,391	
February	123	570,784	0.12%	1,305	
March	122	613,222	0.13%	1,280	
April	123	631,860	0.14%	1,327	
May	124	597,001	0.13%	1,534	
June	124	715,374	0.15%	1,697	
July	125	761,726	0.16%	2,025	
August	125	739,417	0.16%	2,139	
September	128	723,544	0.16%	2,101	
October	128	685,116	0.15%	2,011	
November	127	833,290	0.18%	2,066	
December	120	697,768	0.15%	1,800	
	1,492	8,198,795	1.77%	20,676	\$ 1,675,812 5.88%

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187

LOAD DATA

Rate Schedule	No. of <u>Cust.</u>	kWh <u>Sales</u>	Percent of Total kWh <u>Sales</u>	Monthly Peak Demands <u>kW</u>	Revenue	Percent of Total <u>Revenue</u>
Schedule III						
3 Phase Schools & Churches						
January	31	880,884	0.19%	2,310		
February	30	784,188	0.17%	2,182		
March	30	786,210	0.17%	2,207		
April	30	685,034	0.15%	2,988		
May	30	687,806	0.15%	3,236		
June	30	680,723	0.15%	3,082		
July	30	596,452	0.13%	2,571		
August	32	972,142	0.21%	3,593		
September	32	989,884	0.21%	3,913		
October	32	1,040,302	0.22%	3,428		
November	32	1,452,033	0.31%	3,330		
December	32	1,237,151	0.27%	3,326		
	371	10,792,809	2.33%	36,166	\$ 672,937	2.36%
Schedule IV						
Large Power Industrial P-1						
January	1	2,808,000	0.61%	7,610		
February	1	3,031,200	0.65%	7,463		
March	1	3,358,800	0.73%	7,153		
April	1	3,103,200	0.67%	7,164		
May	1	2,700,000	0.58%	6,732		
June	1	2,574,000	0.56%	6,797		
July	1	2,217,600	0.48%	6,667		
August	1	2,401,200	0.52%	6,545		
September	1	2,599,200	0.56%	6,260		
October	1	2,120,400	0.46%	6,138		
November	1	2,566,800	0.55%	6,912		
December	1	2,937,600	0.63%	7,881		
	12	32,418,000	7.00%	83,322	\$ 1,581,988	5.55%

CUMBERLAND VALLEY ELECTRIC, INC.
CASE NO. 2005-00187
LOAD DATA

Rate Schedule	No. of Cust.	kWh Sales	Percent of Total kWh Sales	Monthly Peak Demands kW	Revenue	Percent of Total Revenue
Schedule IVA						
Large Power Rate - 50-2500 kW						
January	61	6,772,209	1.46%	20,622		
February	60	6,980,153	1.51%	20,340		
March	62	7,348,863	1.59%	20,949		
April	62	7,115,286	1.54%	19,989		
May	62	6,753,132	1.46%	21,357		
June	63	7,867,192	1.70%	21,351		
July	62	7,858,327	1.70%	22,448		
August	61	8,039,096	1.74%	21,652		
September	61	7,583,302	1.64%	23,493		
October	63	9,338,822	2.02%	23,141		
November	63	9,465,077	2.04%	23,656		
December	73	9,689,813	2.09%	24,493		
	753	94,811,272	20.48%	263,491	\$ 5,303,019	18.60%
Schedule VI						
Security Lights						
January		794,920	0.17%	2,068		
February		799,050	0.17%	2,078		
March		803,320	0.17%	2,089		
April		806,470	0.17%	2,097		
May		800,520	0.17%	2,082		
June		808,430	0.17%	2,102		
July		809,550	0.17%	2,105		
August		813,190	0.18%	2,115		
September		817,180	0.18%	2,126		
October		817,810	0.18%	2,127		
November		822,395	0.18%	2,139		
December		824,460	0.18%	2,144		
		9,717,295	2.10%	25,272	\$ 769,050	2.70%
Total for all Rate Classes					\$ 28,512,446	

Cumberland Valley Electric
Case No. 2005-00187
First Data Request of Commission Staff

Question 22 - Test year capitalization rate

Labor - Based on employee time sheets of work performed.

Payroll taxes - Allocation to accounts based on labor distribution of dollars paid.

Employee benefits (except R&S and past service pension costs) - Allocation to accounts based on labor distribution of dollars paid.

R & S and past service pension costs - Allocation to accounts where non-union employees labor is generally charged.

Transportation - Allocation of costs based on miles driven by account number per vehicle used.

Stores - Allocation based on material issued.

Property taxes - Allocation based on net plant investment.

There are no proposed changes to the capitalization rates used during the test year.

Witness: *J. Adkins*

For the calendar years 2001 through 2003
and the 12 month period ending December 31, 2004

Line No	Item (a)	Twelve Months Ended						Test year				
		2001		2002		2003		2004				
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)	Amount (l)	% (m)			
1	Wages charged to expense:											
2	Distribution expense	486,448	-4%	565,205	16%	616,407	9%	651,761	9%	651,761	6%	
3	Customer accounts expense	342,084	15%	377,667	10%	352,325	10%	395,912	-7%	395,912	12%	
4	Customer service and information	52,053	6%	53,889	4%	54,867	4%	58,196	2%	58,196	6%	
5	Sales expense											
6	Administrative and general expenses:											
	(a) Administrative and general	257,127	3%	272,344	6%	279,152	6%	286,467	2%	286,467	3%	
	(b) Office supplies and expense	6,411	31%	8,466	32%	36,112	32%	4,800	327%	4,800	-87%	
	(c) Outside services employed	71	-99%	3,506	4838%	113,367	4838%	82,800	3134%	82,800	-27%	
	(d) Property insurance											
	(e) Injuries and damages	1,573	-53%	2,080	32%	0	32%	0	-100%	0	-40%	
	(f) Employees hospitalization and bene.	91,242	382%	76,929	-16%	57,181	-16%	57,181	-26%	57,181	-40%	
	(g) Retirement and security											
	(h) Miscellaneous general	3,827	-50%	6,059	58%	1,800	58%	1,800	-70%	1,832	2%	
	(i) Maintenance of general plant											
7	Total administrative and general expenses L6(a) to L6(i)	360,251	23%	369,384	-3%	487,612	-3%	410,388	-3%	410,388	-3%	
8	Charged to clearing and others	5,443	-17%	26,440	386%	40,703	386%	40,703	54%	51,553	27%	
9	Total salaries and wages charged to expense and other L2 to L6 + L7 + L8	1,246,279	8%	1,392,585	12%	1,551,914	12%	1,551,914	11%	1,567,810	1%	
10	Wages capitalized	548,038	6%	620,482	13%	570,448	13%	570,448	-8%	624,108	9%	
11	Total salaries and wages	1,794,317	7%	2,013,067	12%	2,122,362	12%	2,122,362	5%	2,191,918	3%	
12	Ratio of salaries and wages charged to expense to total wages L9 / L11	69%		69%		73%		73%		72%		
13	Ratio of salaries and wages capitalized to total wages L10 / L11	31%		31%		27%		27%		28%		
14	Overtime wages	203,905	3%	245,870	21%	343,195	21%	343,195	40%	408,530	19%	
15	Overtime hours	7,720		9,044		12,217		12,217		14,054		

Cumberland Valley Electric
Salaries and Wages
December 31, 2004

Item 23
Page 2
of 2

Witness: Ted Hampton

Wage and salary increases are as follows:

	<u>Union</u>	<u>Non Union</u>
2004	3.75%	3.75%
2003	3.00%	3.00%
2002	3.00%	3.00%
2001	4.00%	4.00%
2000	4.50%	4.50%
1999	3.00%	3.00%

	Hours		12/31-2004	Date of	Percent Increase
	Regular	Overtime	Wage Rate	Last Increase	
Salary					
3317	2,096.00		\$33.44	01-Sep-2004	3.75%
7657	2,096.00		\$17.35	01-Sep-2004	3.75%
6651	2,096.00		\$34.06	01-Sep-2004	3.75%
8555	2,096.00		\$34.06	01-Sep-2004	3.75%
4575	2,096.00		\$56.79	01-Sep-2004	3.75%
1201	2,096.00		\$17.35	01-Sep-2004	3.75%
839	2,096.00		\$32.19	01-Sep-2004	3.75%
6285	2,096.00		\$29.30	01-Sep-2004	3.75%
1693	0.00		\$32.69	01-Jan-2005	
Union					
1409	2,096.00	54.50	\$15.60	01-Sep-2004	3.75%
1969	2,096.00	341.50	\$15.67	01-Sep-2004	3.75%
589	2,077.50	15.00	\$15.16	01-Sep-2004	3.75%
6132	2,096.00	257.00	\$15.16	01-Sep-2004	3.75%
5772	2,096.00	238.00	\$15.16	01-Sep-2004	3.75%
384	2,096.00	100.00	\$15.16	01-Sep-2004	3.75%
8231	2,096.00	75.50	\$15.16	01-Sep-2004	3.75%
5869	2,096.00	32.50	\$15.16	01-Sep-2004	3.75%
8777	2,096.00	100.00	\$20.43	01-Sep-2004	3.75%
6146	2,096.00	191.50	\$20.43	01-Sep-2004	3.75%
937	2,000.00	1,328.50	\$20.57	01-Sep-2004	3.75%
3475	2,000.00	924.00	\$20.57	01-Sep-2004	3.75%
8597	2,096.00	327.50	\$20.57	01-Sep-2004	3.75%
1010	2,095.00	591.00	\$20.57	01-Sep-2004	3.75%
720	2,095.00	595.00	\$20.57	01-Sep-2004	3.75%
429	2,096.00	901.00	\$20.57	01-Sep-2004	3.75%
7158	2,096.00		\$10.28		
9144	2,000.00	1,365.50	\$20.57	01-Sep-2004	3.75%
1047	2,094.50	19.00	\$15.16	01-Sep-2004	3.75%
4840	2,000.00	1,013.50	\$20.57	01-Sep-2004	3.75%
9522	2,000.00	820.00	\$20.57	01-Sep-2004	3.75%
6459	1,999.00	726.00	\$20.92	01-Sep-2004	3.75%
2949	2,096.00	363.00	\$20.43	01-Sep-2004	3.75%
3158	2,096.00	114.00	\$14.08	01-Sep-2004	3.75%
7001	2,096.00	7.50	\$15.16	01-Sep-2004	3.75%
7219	2,096.00	487.50	\$20.92	01-Sep-2004	3.75%
1620	2,096.00	26.00	\$15.16	01-Sep-2004	3.75%
1998	2,016.00	548.00	\$20.57	01-Sep-2004	3.75%
8388	2,096.00	130.00	\$20.57	01-Sep-2004	3.75%
7347	2,094.00	452.00	\$20.57	01-Sep-2004	3.75%
8035	2,088.00	953.00	\$19.27	01-Sep-2004	3.75%
542	984.00	474.50	\$20.57	01-Sep-2004	3.75%
3139	939.00	275.00	\$15.16	01-Sep-2004	3.75%
6442	864.00	79.50	\$15.16	01-Sep-2004	3.75%
7125	800.00	59.00	\$15.16	01-Sep-2004	3.75%
7917	304.00		\$13.38	01-Sep-2004	3.75%
Part Time and Summer					
7650	327.00	4.50	\$12.90	01-Sep-2004	3.75%
2593	192.00		\$12.90	01-Sep-2004	3.75%
8711	380.00		\$5.15	01-Sep-2004	3.75%
Retirees					
8261	864.00		\$11.90		
3230	920.00	64.00	\$19.83		
4645	1,216.00		\$28.24	01-Sep-2003	

Overtime is calculated as 1-1/2 times regular pay.
Employee #1693 replaced #4645, who retired 07/04
Employee #8261 retired 05/04, #3230 left 06/04

Cumberland Valley Electric
Case No. 2005-00187
Payroll Tax Information
Test year Ended December 31, 2005

Item 25
page 1 of 1
Witness: Jim Adkins

	Gross Wages		Bonus	Total Wages
	Regular	Overtime		
Salary				
3317	67,877.92		200.00	68,077.92
7657	35,209.52		200.00	35,409.52
6651	69,128.16		200.00	69,328.16
8555	69,128.16		200.00	69,328.16
4575	115,282.88			115,282.88
1201	35,209.52		200.00	35,409.52
839	65,336.16		200.00	65,536.16
6285	59,481.52		200.00	59,681.52
1693				0.00
Union				
1409	31,009.76	1,203.87	200.00	32,413.63
1969	32,050.88	7,832.92	200.00	40,083.80
589	30,729.30	337.80	200.00	31,267.10
6132	31,009.76	5,713.06	200.00	36,922.82
5772	31,009.76	5,289.24	200.00	36,499.00
384	31,009.76	2,231.93	200.00	33,441.69
8231	31,009.76	1,695.01	200.00	32,904.77
5869	31,009.76	719.25	200.00	31,929.01
8777	41,791.20	2,988.50	200.00	44,979.70
6146	41,791.20	5,739.80	200.00	47,731.00
937	40,109.92	40,202.21	200.00	80,512.13
3475	40,109.92	27,990.01	200.00	68,299.93
8597	42,084.64	9,804.77	200.00	52,089.41
1010	42,064.81	17,862.91	200.00	60,127.72
720	42,064.81	18,006.89	200.00	60,271.70
429	42,084.64	27,136.61	200.00	69,421.25
7158	21,546.88			21,546.88
9144	40,109.92	41,245.64	200.00	81,555.56
1047	30,987.02	424.64	200.00	31,611.66
4840	40,109.92	30,659.95	200.00	70,969.87
9522	40,109.92	24,826.59	200.00	65,136.51
6459	40,782.08	22,395.99	200.00	63,378.07
2949	41,791.20	10,939.90	200.00	52,931.10
3158	28,801.76	2,347.25	200.00	31,349.01
7001	31,009.76	167.25	200.00	31,377.01
7219	42,300.24	14,830.24	200.00	57,330.48
1620	31,009.76	581.35	200.00	31,791.11
1998	36,054.80	15,776.86	200.00	52,031.66
8388	38,029.52	3,623.92	200.00	41,853.44
7347	42,043.50	13,616.82	200.00	55,860.32
8035	39,266.96	26,896.57	200.00	66,363.53
542	18,757.60	14,103.26	200.00	33,060.86
3139	14,092.24	6,204.83	200.00	20,497.07
6442	13,001.44	1,803.29	200.00	15,004.73
7125	12,075.20	1,340.42	200.00	13,615.62
7917	4,067.52		200.00	4,267.52
Part Time and Summer				
7650	4,218.30	87.08		4,305.38
2593	2,476.80			2,476.80
8711	1,957.01			1,957.01
Retirees				
8261	10,281.60			10,281.60
3230	18,243.60	1,903.69		20,147.29
4645	34,269.20			34,269.20

- a. Franchise Fees paid to the city of Cumberland are the following the ones and is levied on all customers who reside within the city limits of Cumberland. The tax rate is equal to three (3) percent of the electric bill.

Amount of Franchise Fees for 2004: \$ 861.47

Cumberland Valley Electric, Inc.

Case No. 2005-00187

Analysis of Other Operating Taxes
12 Months Ended 12-31-04
"000 Omitted"

Line No.	Item (a)	Charged Expense (b)	Charged To Construction (c)	Charged To Other Accounts ¹ (d)	Amounts Accrued (e)	Amounts Paid (f)
1	Kentucky Retail					
	(a) State income					
	(b) Franchise fees				906.68	861.47
	(c) Ad valorem	385,033.52	740.64	9,381.84	395,156.00	510,955.67
	(d) Payroll (employers portion)	111,946.97	43,710.85	15,802.80		171,460.62
	(e) Other taxes - Sales				418,261.58	417,056.59
2	Total Retail (L1(a) through L1 (e))	496,980.49	44,451.49	25,184.64	814,324.26	1,100,334.35
3	Other jurisdictions					
	Total per books (L2 and L3)	496,980.49	44,451.49	25,184.64	814,324.26	1,100,334.35

¹ Explain items in this Column.

1(c) Charged to A/C 163.00 - Stores Expense Clearing

1(d) Charged to A/C 143.20 - Accounts Receivable - Jackson Energy, A/C 163.00 - Stores Expense Clearing, and A/C 184.10 - Transportation Expense Clearing.

Cumberland Valley Electric
Case No. 2005-00187
Statement of Electric Plant in Service
December 31, 2004

Format 26 3
Item 27
Page 1
of 1
Witness: *Jim Adkins*

Account Number	Account Description	31-Dec-2003 Balance	Additions	Retirements	31-Dec-2004 Balance
360	Land	5,485	0		5,485
362	Station equipment	159,571	56,137		215,708
364	Poles, towers and fixtures	17,092,060	1,080,208	205,717	17,966,551
365	Overhead conductor and devices	15,357,433	969,615	122,956	16,204,092
367	Underground conductor and devices	1,613,658	210,805	8,748	1,824,463
368	Line transformers	8,932,948	309,801	131,485	9,111,264
369	Services	5,456,903	289,701	97,643	5,648,961
370	Meters	3,205,259	248,242	6,221	3,447,280
371	Security lights	2,720,150	219,975	78,810	2,861,315
	Subtotal distribution plant	54,543,467	3,384,484	651,580	57,285,119
389	Land	98,652	0		98,652
390	Structures and improvements	1,357,634	0		1,357,634
391	Office furniture and equipment	566,742	25,624	19,403	572,963
392	Transportation equipment	1,717,254	126,054	105,057	1,738,251
394	Tools, shop and garage	36,812	6,177		42,989
395	Laboratory	71,357	9,828		81,185
396	Power operated	161,997	77,815		239,812
397	Communication	250,806	0		250,806
398	Miscellaneous	150,215	0		150,215
	Subtotal general plant	4,411,469	245,498	124,460	4,532,507
	Total electric plant in service	\$58,954,936	\$3,629,982	\$776,040	\$61,817,626

Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2005-00187
First Data Request of Commission Staff

Question 28 - Schedule of employee benefits available and number of employees covered under each benefit.

Benefits for the test year:	Total
Employee sick leave	75,667
Group insurance	393,942
Past service pension	120,972
401 (k) retirement	142,888
Retirement	110,706
Life and disability	79,212
Postretirement benefits	86,509
Total	<u>\$1,009,896</u>
Number of employees	45

Account Number	Description	Sick Leave Accrual		Health Insurance		Past Service		401K Retirement		Retirement		Workers' Comp	
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
107.20	Construction work in progr	17,612	23.3%	112,052	28.4%	37,207	30.8%	34,799	24.4%	28,800	26.0%	19,804	23.9%
108.80	Retirement work in progr:	1,018	1.3%	6,342	1.6%	2,118	1.8%	1,966	1.4%	1,628	1.5%	1,195	1.4%
143.00	Accounts receivable	5,347	7.1%	16,403	4.2%	3,971	0.0%	4,619	3.2%	3,068	0.0%	3,406	4.1%
163.00	Stores	1,909		11,938				3,708				2,134	
184.00	Transportation	1,819		11,336		3,772		3,508		2,919		1,925	
242.31	Employee vacation												
242.52	Annual meeting	99	5.1%	578	6.1%		6.4%	182	5.2%		5.4%	85	5.0%
583.00	Overhead line	829		5,528		1,836		1,705		1,401		1,030	
586.00	Meter	6,351		40,899		16,554		12,755		10,526		7,196	
587.00	Consumer installation	3		17				5				4	
588.00	Miscellaneous distribution		9.5%		11.8%		15.2%		10.1%		10.8%		9.9%
593.00	Overhead line	13,417		82,844		27,485		25,740		21,440		15,171	
593.03	Right of way	3		18				6				3	
597.00	Meters	474		3,195				1,007				547	
598.00	Miscellaneous maintenance	1,422	20.2%	9,342	24.2%	3,096	25.3%	2,903	20.8%	2,391	21.5%	1,731	21.1%
902.00	Meter reading	1,551		9,888				3,118				2,061	
903.00	Consumer records	11,781	17.6%	7,639	4.4%	24,791	20.5%	23,237	18.4%	19,244	17.4%	12,973	18.1%
908.00	Consumer assistance	2,141	2.8%	13,416	3.4%		0.0%	4,171	2.9%	3,463	3.1%	2,164	2.6%
920.00	Administrative	9,663		60,926				18,959		15,716		10,710	
921.00	Office supplies and exp	163		1,144				364				629	
935.00	Maintenance general plant	65	13.1%	438	15.9%	143	0.1%	137	13.6%	111	14.3%	68	13.8%
	Total	75,667	100.0%	393,942	100.0%	120,972	100.0%	142,888	100.00%	110,706	100.0%	82,835	100.0%

Account Number	Description	Life, Disability		SFAS No. 106		Payroll Taxes		Transportation		Stores	
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
107.20	Construction work in progr	19,327	24.4%	20,996	24.27%	41,346	24.1%	309,182	49.42%	153,433	99.7%
108.80	Retirement work in progre:	1,091	1.4%	1,188	1.37%	2,365	1.4%	5,820	0.93%		
143.00	Accounts receivable	2,628	3.3%	3,170	3.66%	6,980	4.1%	12,333	1.97%		
163.00	Stores	2,058		2,238	2.59%	4,414	2.6%	7,174	1.15%		
184.00	Transportation	1,966		2,119	2.45%	4,184	2.4%		0.00%		
242.31	Employee vacation				0.00%		0.0%		0.00%		
242.52	Annual meeting	103	5.2%	110	0.13%	224	0.1%		0.00%		
583.00	Overhead line	955		1,028	1.19%	2,033	1.2%	6,327	1.01%		
586.00	Meter	7,072		7,674	8.87%	15,056	8.8%	60,678	9.70%		
587.00	Consumer installation	3		3	0.00%	7	0.0%		0.00%		
588.00	Miscellaneous distribution		10.1%		0.00%		0.0%	5,275	0.84%		
593.00	Overhead line	14,104		15,508	17.93%	30,906	18.0%	146,843	23.47%	512	0.3%
593.03	Right of way	3		3	0.00%	7	0.0%	24,408	3.90%		
597.00	Meters	554		600	0.69%	1,163	0.7%	4,448	0.71%		
598.00	Miscellaneous maintenanc	1,614	20.5%	1,749	2.02%	3,445	2.0%	11,142	1.78%		
902.00	Meter reading	1,735		1,863	2.15%	3,684	2.1%	10,062	1.61%		
903.00	Consumer records	12,898	18.5%	14,008	16.19%	27,538	16.1%	9,959	1.59%		
908.00	Consumer assistance	2,316	2.9%	2,522	2.92%	4,940	2.9%	4,109	0.66%		
920.00	Administrative	10,513		11,438	13.22%	22,533	13.1%		0.00%		
921.00	Office supplies and exp	198		209	0.24%	480	0.3%	7,815	1.25%		
935.00	Maintenance general plant	75	13.6%	82	0.09%	155	0.1%	0	0.00%		
	Total	79,212	100.0%	86,509	100.00%	171,461	100.0%	625,576	100.00%	153,945	100.0%

