

The Board may, at its discretion, enter into a contract for the services of a General Manager.

2. The Board further recognizes that the nature of its being makes it necessary that the responsibility of day-to-day operations should be delegated to the General Manager with the Board's management role being reserved for broad policy decisions, the review of operational activities for conformity to policy, and for the consideration of concerns for the future.
3. All policies and other action of the Board of Directors shall be promulgated at regular or special meetings of the Board by an affirmative vote of a majority of the Board and reduced to writing. It shall be considered to be a breach of board etiquette for any Director to make a commitment in the name of the Cooperative unless that right has been previously approved by the the Board of Directors.
4. It shall be understood that the "flow" of authority for the management of the Cooperative shall pass through the General Manager, and the General Manager shall be the connecting link between the Board of Directors and the employed personnel. Accordingly, members of the Board of Directors shall refrain, as individuals, from discussing management problems with Cooperative personnel, other than the General Manager. However, the Board collectively may confer with personnel at any regular or special meeting.
5. The Board of Directors believes that the efficient management of the Cooperative can exist only through mutual understanding and complete cooperation between the Board and the General Manager. The General Manager is expected to produce results and to provide

the Board with an accounting of his stewardship. To accomplish these things, he must be given latitude to exercise independent judgement in executing Board policies. The Board acknowledges the necessity of granting this latitude which it does through its delegations to the General Manager.

B. Delegations

The General Manager is empowered and required to institute such actions as are necessary to manage the overall operations of the Cooperative in the most effective manner possible, except he may not engage in those actions which are by state or federal law, the Articles of Incorporation, the Bylaws, or specific General Policy conferred upon or reserved to the members or the Board of Directors.

These delegated responsibilities shall include, but are not necessarily limited to, the following:

1. Decisions pertaining to the day-by-day operation of the business activities of the Cooperative.
2. The development of long range plans, work programs, and budgets for consideration and approval by the Board of Directors.
3. The determination of organizational personnel needs and the recommendation of the Board of changes in the organization format necessary to meet changing needs.
4. The administration of the wage and salary plan for Cooperative personnel which has been adopted by the Board of Directors.
5. The administration of the various personnel functions of the Cooperative, including; the recruitment, selection, employment, training and development, promotion, demotion, and termination of employees,

6. The development of benefit programs for Cooperative employees and the recommendation to the Board of changes to be considered.
7. The development of control techniques by which management and the Board of Directors can better analyze the operation of the Cooperative so that more effective decisions for the future can be made.
8. The periodic review of insurance and bonding requirements of the Cooperative and the recommendation to the Board of changes to be made.
9. The purchase of equipment, material, and supplies within the limitations of the budget, Board policies, and accepted business practices.
10. The preparation of loan applications and other documents requiring Board approval.
11. The development of programs which will:
 - a. Inform the member-owners of the plans, programs, and activities of the Cooperative.
 - b. Promote the favorable image of the Cooperative.

The General Manager may delegate to other Cooperative personnel portions of the above responsibilities as he deems necessary so that the Cooperative may benefit from the most effective utilization of the skills, knowledge, and experience of its personnel.

C. Responsibility and Authority

In conformity with accepted management practice, the Board of Directors recognizes that the above delegations place great responsibility upon the General Manager. It also recognizes that this responsibility

cannot be fulfilled unless sufficient authority is granted to make it possible for the General Manager to make the decisions necessary to operate the business of the Cooperative properly. Accordingly, the Board of Directors grants to the General Manager all of the authority necessary to operate the Cooperative in accordance with its decisions, dictates, and policies.

However, the Board of Directors does hold the General Manager accountable to them for all actions taken by him or employed Cooperative personnel in the name of the Cooperative and the Board requires that the General Manager give them periodic reports on the activities of the Cooperative and its personnel and of the affairs of the Cooperative.

III. RESPONSIBILITY: The Board of Directors and the General Manager

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

APPROVED BY THE BOARD OF DIRECTORS



Ray Baird President

DATE ADOPTED: February 17, 1983

DATE EFFECTIVE February 17, 1983

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

MEMBERSHIP IN OTHER BOARDS OF DIRECTORS

- Q. Has any member of CVE's Board ever served on the Board of any other business ENTITY? If so, please state:
- a. the name and address of each entity;
 - b. the length of time they served on the other entity's board, and;
 - c. whether their relationship with the other entity's board was terminated and if so, why.
- R. Yes, one board member served at one time on the Knox County Hospital Board, Barbourville, KY. He resigned from that board.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

SOUTHEAST TRANSPORT

- Q. Please identify Ted Hampton's interest in Southeast Transport ("ST").
In what type of business activity does ST engage?
- a. From what location are ST operations and affairs conducted?
 - b. Is ST in any way affiliated with CVE?
 - c. Does any other CVE officer, board member, consultant, stockholder, or employee hold any interest in ST?
 - d. Is any CVE officer, board member, consultant, stockholder, or employee employed by ST, or have they contracted to perform any service for ST?
 - e. If ST is involved in the trucking business, where are its trucks stored/parked? Are they ever parked on CVE property? Have any CVE employees ever performed maintenance on ST trucks?
 - f. Who performs bookkeeping and accounting operations for ST, and in what locations are those functions performed?
 - g. Where are ST's records maintained?
- R. ST was a trucking business owned by Ted Hampton. ST has not engaged in any business activity for over three years.
- a. 123 Football Field Lane, Corbin, KY 40701
 - b. No.
 - c. No.
 - d. No.
 - e. The company has not engaged in business for over three years and has no trucks in the last couple of years. All trucks have been sold. Trucks may have been parked overnight on the property of CVE. Maintenance of these trucks was not performed by CVE employees

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

- f. The bookkeeping and accounting functions were performed by William R. Cook, CPA, 302 Falls St, London, KY 40741
- g.. These records are kept at the home of Ted Hampton.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

JACKSON CUMBERLAND ENERGY

- Q. Please identify Ted Hampton's interest in Jackson Cumberland Energy, Inc. ("JCE"). In what type of business activity does JCE engage?
- a. From what location are JCE's operations and affairs conducted?
 - b. Is JCE in any way affiliated with CVE?
 - c. Does any other CVE officer, board member, consultant, stockholder, or employee hold any interest in JCE?
 - d. Is any CVE officer, board member, consultant, stockholder, or employee employed by JCE, or have they contracted to perform any service for JCE?
 - e. Is any property owned, operated or maintained by JCE stored/parked on CVE property? Have any CVE employees ever used any property owned, operated or maintained by JCE?
 - f. Who performs bookkeeping and accounting operations for JCE, and in what locations are those functions performed?
 - g. Where are JCE's records maintained?
- R. JCE was a subsidiary formed several years ago by Jackson Energy Cooperative and CVE to explore electric distribution opportunities that might have occurred in a deregulated electric utility industry. Primary interest were in opportunities that might have occurred in areas served by these two Cooperatives in Kentucky or in areas in close proximity to their service areas

As of this date, no projects have been undertaken or initiated by JCE. Additionally JCE does not have any projects on its radar screen for the future at this time.

JCE has no equipment, no employees and CVE has incurred \$15 in expenses for this activity in 2004 during the test year in this application. See attached invoice.



0504044

COMMONWEALTH OF KENTUCKY
TREY GRAYSON, SECRETARY OF STATE
ANNUAL REPORT

(See Reverse Side for Filing Instructions)

You can file your annual report
online using a credit card. Visit
our web site at www.kysos.com

CORD # 0504044

DUE JUNE 30, 2004

(4) FILING FEE

\$15.00

(1) EXACT CORPORATE NAME AND CURRENT PRINCIPAL OFFICE ADDRESS

JACKSON CUMBERLAND ENERGY INCORPORATED
P.O. BOX 440
GRAY, KY 40743

(5) STATE OR COUNTRY OF INCORPORATION

KY

(2) THE PRINCIPAL OFFICE ADDRESS IS HEREBY CHANGED TO

DATE REC'D MAR 02 2004
Date Paid 3-4-04
Check # 35414
ACCOUNT # 92100-15100
02-29-04
03-07-04

(6) DATE OF INCORPORATION OR DATE
AUTHORIZED TO TRANSACT BUSINESS

11/13/2000

(3) CURRENT REGISTERED AGENT AND REGISTERED OFFICE ADDRESS
Changes made to the registered agent or registered office cannot be made on this form.
Complete (7) to request a form to be mailed or download form from web site

TED HAMPTON
CUMBERLAND GAP PARKWAY
P.O. BOX 440
GRAY, KY 40743

(7) MAIL A STATEMENT OF CHANGE OF AGENT OR OFFICE TO

(8) PRINCIPAL OFFICERS If the corporation has previously filed an annual report, verify the names & titles of officers listed below. Please note any additions to or changes in the principal officers and give the address for each person listed. If (8) is blank, type or print the names & business addresses of the current principal officers. If sole officer, please note

Treasurer	Fred Callihan	Address
Secretary	Fred Callihan	Address
Vice President	Don Schaefer	Address
President	Ted Hampton	Address
		Address
		Address

(9) DIRECTORS Type or print the names and business addresses of the corporation's directors. No listing of directors is verification that the corporation has dispensed with directors. Nonprofit corporations must list three (3) or more directors.

Name	Address
Name	Address
Name	Address
Name	Address

I VERIFY THAT THE INFORMATION IN THIS ANNUAL REPORT IS CURRENT AS OF THE DATE THIS REPORT IS EXECUTED.

TITLE

DATED

Signature of Officer or Chairman of the Board

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

MISCELLANEOUS CONTRACTORS

- Q. Please identify Baine Hampton, and his relationship, by blood or marriage, to Ted Hampton.
- a. Has CVE ever purchased any goods or contracted for any of his services?
 - b. Has CVE ever purchased any goods or contracted for any services of a business which Baine Hampton owns, operates or controls,? If so, provide details of:
 - (1) the transaction, including name of company;
 - (2) Baine Hampton's position in reference to that company;
 - (3) goods purchased and/or services contracted;
 - (4) price, date, quantity and whether the goods were purchased or services contracted pursuant to a bid process; and
 - (5) please produce records of any such transactions. Has Baine Hampton ever been employed by CVE in any capacity?
- R. Allen Hampton with a nick name of Baine is Ted Hampton's brother. He is a retired employee of the Knox County Board of Education. He owns no business of any kind and has never been an employee of CVE. He has done some small maintenance type projects for CVE in the distant past. These projects were so small as not to be significant in dollar amounts and too far in the past to be relevant.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

MISCELLANEOUS CONTRACTORS

- Q. Please identify Ronnie Corey and his relationship, by blood or marriage, to Ted Hampton.
- a. Has CVE ever purchased any goods or contracted for any of his services?
 - b. Has CVE ever purchased any goods or contracted for any services of a business which Ronnie Corey owns, operates or controls,? If so, provide details of:
 - (1) the transaction, including name of company;
 - (2) Ronnie Corey's position in reference to that company;
 - (3) goods purchased and/or services contracted;
 - (4) price, date, quantity and whether the goods were purchased or services contracted pursuant to a bid process; and
 - (5) please produce records of any such transactions.
 - c. Has Ronnie Corey ever been employed by CVE in any capacity.
- R. Ronnie Corey and his spouse, Brenda Corey, are the owners of 5C Construction Company and are not relatives of Ted Hampton.
- a. No
 - b. Yes
 - (1) Power line construction. 5C Construction Company
 - (2) President
 - (3) Power line construction.
 - (4) Services are contracted through a bid process.
 - (5) Documentation requested is too voluminous to provide, however, CVE will make such records available at its Gray, KY office for inspection at a mutually agreeable time.
 - c. Yes.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

MISCELLANEOUS CONTRACTORS

- Q. Please identify Estrich Shelton and his relationship, by blood or marriage, to Ted Hampton.
- a. Has CVE ever purchased any goods or contracted for any of his services?
 - b. Has CVE ever purchased any goods or contracted for any services of a business which Estrich Shelton owns, operates or controls,? If so, provide details of:
 - (1) the transaction, including name of company;
 - (2) Estrich Shelton's position in reference to that company;
 - (3) goods purchased and/or services contracted;
 - (4) price, date, quantity and whether the goods were purchased or services contracted pursuant to a bid process; and
 - (5) please produce records of any such transactions.
 - c. Has Estrich Shelton ever been employed by CVE in any capacity.
- R. Eskridge Shelton is the owner of Shelton Construction and furnishes CVE three trucks and four employees. He is no relative of Ted Hampton
- a. No
 - b. Yes
 - (1) Power Line Construction - Shelton Construction
 - (2) President
 - (3) Power line construction.
 - (4) Services are contracted through a bid process.
 - (5) Documentation requested is too voluminous to provide, however, CVE will make such records available at its Gray, KY office for inspection at a mutually agreeable time.
 - c. No

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

MISCELLANEOUS CONTRACTORS

- Q. Please identify Ken Lay and his relationship, by blood or marriage, to Ted Hampton.
- a. Has CVE ever purchased any goods or contracted for any of his services?
 - b. Has CVE ever purchased any goods or contracted for any services of a business which Ken Lay owns, operates or controls,? If so, provide details of:
 - (1) the transaction, including name of company;
 - (2) Ken Lay's position in reference to that company;
 - (3) goods purchased and/or services contracted;
 - (4) price, date, quantity and whether the goods were purchased or services contracted pursuant to a bid process; and
 - (5) please produce records of any such transactions.
 - c. Has Ken Lay ever been employed by CVE in any capacity.
- R. Ken Lay owns Lay Tree & Brush with his family and Ken Lay is the President. Ken Lay's father and Ted Hampton's fathers were first cousins.
- a. No
 - b. Yes
 - (1) ROW clearing - Lay Tree & Brush Company
 - (2) President
 - (3) ROW clearing
 - (4) Services are contracted through a bid process.
 - (5) Documentation requested is too voluminous to provide, however, CVE will make such records available at its Gray, KY office for inspection at a mutually agreeable time.
 - c. Yes, Ken Lay was an employee of CVE from 1956 to 1980 with three years spent in the military from 1959-1962,

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

RETIREMENT PLANS

- Q. Please state CVE's policy with reference to retirement plans for all officers, board members and employees. Please provide copies of the policy and specifics of any plan implemented pursuant to that policy for the past ten years.
- R. Cumberland Valley's retirement plans are a part of the Retirement & Security Program for Employees of National Rural Electric Cooperative Associations and its members. Cumberland Valley has not implemented any new retirement plans within the last ten years. The union contract filed as a part of the response to Item 47 of the Commissions Staff's Initial Data Request.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

SPECIAL RETIREMENT FUND

- Q. Please state whether Ted Hampton has any retirement fund created by CVE, or any entity acting under its authority? If so:
- a. By whom is the fund administered?
 - b. Identify the plan's accountant
 - c. Provide a prospectus/statement of earnings for the plan, including a breakdown of any and all CVE contributions over the past 20 years, as compared with any contributions that may have been made by Mr. Hampton.
 - d. Identify where any CVE contributions to Ted Hampton's retirement fund are reported in CVE's accounting. Identify also from what accounts those funds were drawn. Provide copies of any and all accounting documents showing all such contributions.
 - e. Where are the plan funds invested?
 - f. Have any other CVE board members, officers, employees, or relatives thereof ever been a participant in any such plan? If so, provide names, dates. And amounts. Provide any and all rules for participating in such plan(s).
- R. Ted Hampton participates only in the same retirement program offered by CVE that has been made available to CVE's salaried employees.