



Allen Anderson, Head Coach & CEO

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September 26, 2005

RECEIVED

SEP 28 2005

PUBLIC SERVICE
COMMISSION

Kentucky Public Service Commission
Ms. Beth O'Donnell, Executive Director
Post Office Box 615
Frankfort, Kentucky 40602

Dear Ms. O'Donnell

SUBJECT: First Data Request – Case No. 2005-00261

Please find enclosed five (8) copies and the original of the Second Data Request of Commission Staff on Case No. 2005-00261, dated September 16, 2005.

Should you require further information, please let us know.

Sincerely,

SOUTH KENTUCKY RECC

A handwritten signature in black ink, appearing to read 'Jeffery Greer', is written over the typed name and title.

Jeffery Greer
Chief Financial Officer

JG:cgw

k: PSCEExtensionLetter.jg

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

CASE NO. 2005 - 00261

RESPONSE TO PSC STAFF DATA REQUEST NO. 2

SOUTH KENTUCKY RECC
CASE NO. 2005-00261

Item No. 1
Page 1 of 1
Witness: Allen Anderson

12 - month ended Times Interest Earned Ratios

January 2005	1.05
February	1.23
March	1.02
April	1.12
May	1.21
June	0.82
July	1.13

**SOUTH KENTUCKY RECC
CASE NO. 2005-00261**

Item No. 2
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Witness: Allen Anderson

South KY does not anticipate achieving a TIER of 1.36 for the year end of 2005. The TIER for the year end of 2005 is anticipated to be approximately 1.1. The margins, TIER and other ratios are constantly monitored. It is anticipated that SK will still meet its RUS mortgage requirements for 2005.

If financial conditions continue to deteriorate, SK may have to apply for a rate increase sooner than originally projected.

**SOUTH KENTUCKY RECC
CASE NO. 2005-00261**

Item No. 3
Page 1 of 2
Witness: Allen Anderson

The existing building was not designed for the number of employees that are currently using the facility. When the existing facility was built the office had one cashier and two service men serving 2,250 members. At present there are 15 full-time employees using 10 vehicles to serve 6,600 members in the district. There is not adequate space to accommodate the employees that are using this facility. The new District Office has been designed to accommodate the 15 employees currently using this office, with an additional capacity for up to 17 employees.

The present facility does not have an actual warehouse. Material and supplies are being stored in the garage. This results in the garage being overcrowded and vehicles not being able to use the garage as a garage. Material is being stored in corners, around vehicles, and any place that can be utilized. Frequently it is necessary to obtain material from the Somerset Headquarters because there is no room. Not only does that reduce Somerset's Warehouse space, man hours, and fuel costs are expended needlessly. The office portion of the building is also being used to store material and supplies in hallways, office space, and closets. This has proved to be a very inefficient method of storing material and supplies.

The 2,293 feet for the warehouse was not strictly warehouse, but a combination of garage and storage space.

The existing facility can not be expanded since the terrain of the land falls off the cliff behind the building plus the front of the building lot was taken by the Commonwealth of Kentucky for highway improvements. That was the main reason to locate a different lot for constructing the new McCreary District Office.

The office portion of the McCreary District Office will consist of a total of 6,550', of which 1,350' will be for a community room. Consumers in that area have expressed a strong desire in having such a facility. This will accommodate that need from members in the McCreary District. The remaining 5,200' is for use as office space for South Kentucky employees to conduct daily business.

The total square footage for the warehouse, garage and transformer pad is 9,450'. Included in that total is 2,180' that is covered, but not enclosed. This is for the transformer pad to keep transformers and other material items out of the weather. 7,270' is enclosed for parking trucks, space for mechanics to work on vehicles and actual warehouse space.

**SOUTH KENTUCKY RECC
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Item No. 3
Page 2 of 2

Witness: Allen Anderson

South Kentucky RECC is committed to providing service to its members not only now but in the future. It is necessary to better serve members to have a modern facility large enough to protect equipment and machinery, store material, and provide efficient administrative facilities. Assuming the 1,651 square foot facility was deemed in 1959 to be sufficient, it is readily apparent that the future needs were not taken into consideration as that facility is now not sufficient. We hope to say in 2050 that our decision in 2005 resulted in a facility that still meets our needs.

**SOUTH KENTUCKY RECC
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Item No. 4
Page 1 of 1
Witness: Allen Anderson

- a. The McCreary County District does not provide centralized mapping service.
- b. The mapping system is centralized at the Somerset Headquarters. However, Servicemen, Staking Engineers, and Construction Crews serving the McCreary County District must be able to obtain access to the Mapping System. In order to have this capability, computer docking stations, and computer terminal access must be available. The new building will allow such access and space to use the computers while accessing the mapping system.

**SOUTH KENTUCKY RECC
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Item No. 5
Page 1 of 1
Witness: Allen Anderson

- a. The existing land and buildings were exchanged in a transaction with LEL, Limited on February 6, 2004, the existing land and buildings were assess for taxes at \$240,000, which is the value stated in the deed. The property has been appraised at \$325,000. There was no sale price / purchase amount of such.
- b. South Kentucky RECC paid \$360,000 to LEL, Limited and conveyed the existing land and building for the 4.33 acres for the new facility. In addition, South Kentucky RECC was given free use of the existing land and building with a value of \$2,000 per month for 18 months for a total value of \$36,000.
- c. South Kentucky RECC has entered into a lease. The lease is dated February 6, 2004, with LEL, Limited, the Lessor. The terms of the lease are as follows:

	<u>Monthly Lease Amount</u>
February to December, 2004	\$ 0
January to June, 2005	\$ 0
July 2005 Forward	\$ 2,000.00 per month