

FLEMING-MASON ENERGY
COOPERATIVE, INC.

P.O. BOX 328 • FLEMINGSBURG, KENTUCKY 41041 • (606) 845-2661 • FAX (606) 845-1008

June 30, 2005

Ms. Beth O'Donnell
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

Case 2005-00277

RECEIVED
JUL - 6 2005
PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

Please find enclosed the original and 10 copies of Fleming-Mason Energy's request for an order and certificate of public convenience and necessity.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony P. Overbey".

Anthony P. Overbey
President & CEO

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE)
APPLICATION OF FLEMING-MASON)
ENERGY COOPERATIVE CORPORATION)
FOR AN ORDER AND CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING APPLICANT)
TO CONSTRUCT A GARAGE, WAREHOUSE)
FIELDHOUSE AND REMODELING AT)
FLEMINGSBURG, KENTUCKY)**

RECEIVED
JUL - 6 2005
PUBLIC SERVICE
COMMISSION

APPLICATION

Case 2005-00277

Applicant, FLEMING-MASON ENERGY COOPERATIVE CORPORATION of Flemingsburg, Fleming County, Kentucky states as follows:

{Note: Fleming-Mason Energy Cooperative Corporation is abbreviated as FMECC herein.}

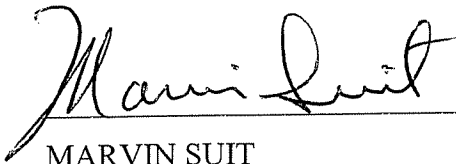
1. Applicant requests a certificate of public convenience and necessity authorizing the construction of a garage, warehouse, field house and remodeling of office facility at Flemingsburg, Kentucky, pursuant to KRS 278.020 and 807 KAR 5:001 (9).
2. Applicant is a Kentucky electric cooperative corporation (non-profit without capital stock) engaging in electric distribution business in Bath, Bracken, Fleming, Lewis, Mason, Robertson and Rowan counties of Kentucky under applicable state and federal laws.
3. That the post office address of the applicant is P.O. Box 328, Flemingsburg, Kentucky 41041.
4. Applicant is a consolidated cooperative corporation whose articles of consolidation were approved by the Kentucky Public Service Commission and are on file in Case No. 2001-244 of the Kentucky Public Service Commission.

5. The proposed **new construction** is a warehouse, office building, service center and field house to replace the existing facilities at Flemingsburg, Kentucky. The new construction will provide facilities which will provide warehouse space for electric distribution equipment, parking and maintenance facilities for digger derrick and bucket trucks, office space for construction and operation personnel. Remodeling will provide additional space for customer service administration and engineering personnel.
6. Applicant proposes to finance the new construction through the use of a Rural Utilities Service loan with a term of 35 years. No rate increases will be necessary for the financing and construction of the new facilities, a discussion of the planned financing is in Exhibit A – Financing.
7. The estimated cost of the new facilities is \$3,750,000.00.
8. The estimated cost of operation after the proposed facilities are completed is \$302,243.00 annually.
9. Copies of permits from the proper public authorities for the proposed new construction will be submitted when received from such authorities.
10. The proposed location of the new facilities is on existing acreage at the FMECC headquarters at Elizaville Road, Flemingsburg, Kentucky shown in Exhibit H.
11. A description of applicant's real estate was filed and is of record in PSC Case No. 2001-244 which is incorporated by reference herein.
12. Applicant files as a part of this application the following Exhibits with documents and copies attached thereto:

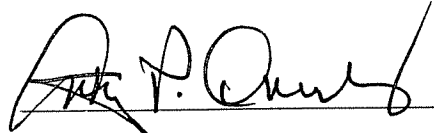
Exhibit	A	-	Explanation of financing
Exhibit	B	-	Detailed cost estimation of project
Exhibit	C	-	Description of facilities to be replaced
Exhibit	D	-	Detailed income & balance sheet
Exhibit	E	-	State of operations for 12 month period May 31, 2004 to April 30, 2005.
Exhibit	F	-	Notes outstanding as of April 30, 2005
Exhibit	G	-	Estimated cost of maintenance and operation of (1) Proposed facility and (2) current facilities
Exhibit	H	-	Project description, floor diagram, site plan and location map

WHEREFORE, applicant, FMECC respectfully petitions and applies to this commission for an order and certificate of public convenience and necessity authorizing the construction of a new garage, warehouse, field house and remodeling as set forth in the application and for all others orders or certificates to which this applicant may be entitled.

Respectfully submitted,



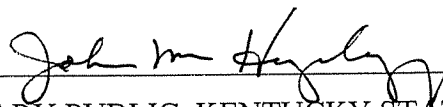
MARVIN SUIT
207 Court Square
Flemingsburg, KY 41041
ATTORNEY FOR APPLICANT



ANTHONY P. OVERBEY
PRESIDENT AND CEO
FLEMING-MASON ENERGY
COOPERATIVE CORPORATION
P. O. Box 328
Flemingsburg, KY 41041

STATE OF KENTUCKY)
COUNTY OF FLEMING)

Subscribed, sworn to and acknowledged before me Anthony P. Overbey,
as President and CEO of Fleming-Mason Energy Cooperative Corporation
this 29th day of June, 2005.



NOTARY PUBLIC, KENTUCKY STATE AT LARGE
My Commission Expires: July 1, 2006.

EXHIBIT A

FINANCING OF THE NEW FACILITY

1. 1994

FINANCING

The Cooperative plans to finance the construction of the facility through the Rural Utilities Service (RUS). The cost is currently not included in our proposed 2003-2006 workplan. FMECC will prepare a new workplan for 2006 and financing will be included in the new work plan. The funding of the project will be through RUS's guaranteed loan program, financed by the Federal Finance Bank (FFB). The loan for the 2003-2006 workplan using the same financial forecast without the new project has been approved by RUS.

The cooperative used a variable rate in the forecast for the project, however, the decision to choose fixed vs. variable will be made at the time the loan is requested from RUS. The Cooperative will monitor interest rate trends to determine the minimal rate risk in association with our current loan portfolio.

Our long-term financial forecast projected no need for member rate increases due to financing of the new construction. A list of key assumptions and key results of the financial forecast are included.

KEY ASSUMPTIONS
IN FINANCIAL ANALYSIS OF NEW HEADQUARTERS OFFICE

1. Estimates of consumers and usage used in the financial forecast were from the East Kentucky Power most recent forecast and approved by RUS.
2. A 1.50 TIER (times interest earned ratio) was selected as the basis for the study. Revenue increases were added to maintain this TIER.
3. G & T capital credits allocated by EKPC were not considered.
4. A variable interest rate was used for new loans averaging 2.50 in 2006 and increasing 0.25% per year for the ten-year study.
5. General Funds usage for plant was maintained at approximately their current level.
6. Operations, maintenance, customer accounts, depreciation, administrative and general expenses are projected from the historical averages of 2002-2004 and the 2005 budget.
7. Plant expansion and plant retirement are a function of the averages of the 2003-2006 Work Plan.
8. Purchased power costs were from East Kentucky's most recent financial forecast average for all of the member systems.

Fleming-Mason Energy Cooperative Corporation
Comments Regarding
Comparison of Selected Financial Information

Item 1: T.I.E.R. Goal

The computer program used to analyze the effect on the financial performance of FMECC requires a TIER goal. The program then uses that ratio to adjust operating parameters to meet the goal. The goal used is 1.50 as that was the request of RUS.

Item 2: Estimated T.I.E.R

The program predicts TIER and adjusts based upon plant expenses and long term debt. It shows that there is essentially no difference in TIER with or without the construction project.

Item 3: Operating Margins (excluding G & T and Lender CC)

The program predicts margins required to meet the TIER goal. It shows that more margins are required to meet TIER as interest on long term debt increases. The program was run increasing interest rates by .25% per year. It could have been ran on fixed rate but we feel this is a more realistic approach as rates are currently rising.

Items 4, 5, 6 and 7: Required increase per Kwh, required increase in Revenue, Average revenue per Kwh and Percent increase in Revenue to maintain a 1.5 TIER.

The program uses 1.5 as a basis for annual charges in revenue. All items show revenue requests will continue to increase either with or without the project. It shows that the effect on the percent of increase is approximately ½ percent or \$0.0002 per Kwh.

Item 8: Interest on L. T. D.

This item displays the effect on projected long term debt of construction plans. It is run using variable interest rate on all new loans and rates measuring .25% per year.

Item 9: Equity Ratio

This item shows there will be less than 1 % difference at the end of the forecast period and the difference declines at the end of the forecast.

Item 10: Debt Service Coverage

This shows that FMECC will be in financial condition to service its debt either with or without the project. It shows DSC declines because it used variable interest rates that are increased each year. In reality some loans will be converted to fixed rate as conditions change.

Item 11: General Funds at Year End

FMECC plans to continue using General Funds in the most effective manner. General Funds will be used for all items associated with the RUS approved 2003-2006 workplan.

Item 12: New Guaranteed Loans Required

This item shows that FMECC distribution system construction plans will require approximately \$4,000,000 per year to build to new customers and upgrade the system.

EXHIBIT B

DETAILED COST ESTIMATION OF THE PROJECT

**PRELIMINARY OPINION OF PROBABLE COST
FLEMING-MASON ENERGY COOPERATIVE
FLEMINGSBURG, KENTUCKY
PROJECT NO. 04063**

**BRANDSTETTER CARROLL INC.
ARCHITECTS ENGINEERS PLANNERS**

May 2, 2005

NEW FIELDHOUSE

Sitework	
Grading/Excavation	5,000
Seeding	800
Landscaping	2,500
Utilities	
Water	2,000
Electric	3,500
Sanitary	4,000
Storm Water	2,500
Concrete	
Footings/Foundations	11,650
Concrete Slab	20,500
Masonry	
8" CMU	14,450
4" Face Brick	11,200
Metals	
Steel Lintels	2,500
Steel Structural	4,500
Carpentry	
Prefabricated Shelter	220,000
Roof Trusses/Deck	8,650
Fascia/Trim	2,100
Finish Millwork	
Moisture Protection	
Insulation	
Rigid	1,980
Batt	1,200
Roofing	11,500
Gutters/Downspouts	2,800

NEW FIELDHOUSE (continued)

Doors/Windows	
Hollow Metal Doors	3,000
Overhead Door	1,500
Windows/Louvers	2,000
Finishes	
Painting	2,500
Seal Concrete	1,500
Gypsum Board	1,400
Specialties	
Miscellaneous	2,500
Handicap Toilet Accessories	5,000
Plumbing	22,000
HVAC	6,000
Electric	<u>19,000</u>
	Subtotal
	399,730

WAREHOUSE

Demolition	\$40,000
Site Work	
Excavation	\$160,000
Paving	\$240,000
Utilities	\$40,000
Landscaping/Grass	\$35,000
Building Construction	
Renovation of existing Warehouse	\$315,000
New Construction	<u>\$2,045,000</u>
	Subtotal
	\$2,875,000

Existing Office Building Renovation

Interior Space Renovation

4,680 sq. ft. @ \$60.00/sq.ft.

\$280,800

Finish Improvements

9,370 sq.ft. @ \$20.00/sq.ft.

\$187,400

Subtotal

\$468,200

TOTAL

\$3,742,930

EXHIBIT C

DESCRIPTION OF FACILITIES TO BE REPLACED

Description of Facilities to be Remodeled and Replaced

The existing building and associated facilities were built at 1449 Elizaville Road in 1965. There has not been any significant upgrades or renovations performed on the facility during this period. The only renovations made are the ones that were necessary for maintenance of the building. The site consists of three independent facilities. First, the main office is facing Elizaville Road and handles all the walk-in and drive-through traffic as well as member and other services to the Fleming-Mason Energy members.

The second building on the property is the warehouse. The warehouse handles all of the stocking process and is the central loading area for line personnel. This building also is occupied by the meter department and maintenance facilities. The maintenance functions performed include vehicles and electric equipment such as reclosers and transformers.

The third structure on the site is the fieldhouse. The fieldhouse is on the east end of the property and is used for company functions as well as for community events. All three buildings are showing signs of age and are in need of upgrade or relocation.

During the process of evaluating alternatives, it was determined that the warehouse must be expanded to meet the needs of the future electric needs. The warehouse was built at a time when only limited space was needed for equipment and the number of trucks was significantly less. There is no desire to relocate our office due to the proximity to Flemingsburg and the central location for the entire service area.

EXHIBIT D

BALANCE SHEET AS OF APRIL 30, 2005

USDA - RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	KY 052
	PERIOD ENDED	April-05

INSTRUCTIONS: See RUS Bulletin 1717B - 2

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service 61,599,076	29. Memberships 223,019
2. Construction Work in Progress 624,774	30. Patronage Capital 23,515,882
3. Total Utility Plant (1 + 2) 62,223,850	31. Operating Margins - Prior Years
4. Accum. Provision for Depreciation and Amort. 16,216,682	32. Operating Margins - Current Year 400,519
5. Net Utility Plant (3 - 4) 46,007,168	33. Non-Operating Margins 15,764
6. Non-Utility Property (Net)	34. Other Margins and Equities 4,016
7. Investments in Subsidiary Companies 179,564	35. Total Margins & Equities (29 thru 34) 24,159,201
8. Invest. In Assoc Org-Patronage Capital 12,340,021	36. Long-Term Debt - RUS (Net) 9,077,839
9. Invest. In Assoc Org-Other-General Funds	(Payments - Unapplied \$ _____)
10. Invest. In Assoc Org-Other-Nongen Funds 847,706	37. Long-Term Debt - RUS - Econ. Devel. (Net)
11. Invest. In Economic Development Projects	38. Long-Term Debt - FFB - RUS Guaranteed 19,124,775
12. Other Investments 50,845	39. Long-Term Debt - Other - RUS Guaranteed
13. Special Funds	40. Long-Term Debt Other (Net) 4,176,993
14. Total Other Property & Investments (6 thru 13) 13,418,136	41. Total Long-Term Debt (36 thru 40) 32,379,607
15. Cash - General Funds 358,079	42. Obligations Under Capital Leases - Noncurrent 131,444
16. Cash - Construction Funds - Trustee	43. Accumulated Operating Provisions 1,568,368
17. Special Deposits	44. Total Other Noncurrent Liabilities (42 + 43) 1,699,812
18. Temporary Investments	45. Notes Payable 1,220,000
19. Notes Receivable (Net)	46. Accounts Payable 4,167,920
20. Accounts Receivable-Sales of Energy (Net) 4,731,206	47. Consumers Deposits 582,210
21. Accounts Receivable - Other (Net) 141,911	48. Current Maturities Long-Term Debt
22. Materials and Supplies - Electric & Other 408,726	49. Current Maturities Long-Term Debt
23. Prepayments 224,701	- Economic Development
24. Other Current and Accrued Assets 94,651	50. Current Maturities Capital Leases
25. Total Current and Accrued Assets (15 thru 24) 5,959,274	51. Other Current and Accrued Liabilities 1,286,887
26. Regulatory Assets	52. Total Current & Accrued Liabilities (45 thru 51) 7,257,018
27. Other Deferred Debits 127,130	53. Regulatory Liabilities
28. Total Assets & Other Debits (5+14+25thru27) 65,511,708	54. Other Deferred Credits 16,071
	55. Total Liabilities and Other Credits 65,511,708
	(35 + 41 + 44 + 52 thru 54)

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS CONTAINED IN THIS REPORT (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED)

EXHIBIT E

**STATEMENT OF OPERATIONS FOR 12 MONTHS PERIOD
MAY 31, 2004 TO APRIL 30, 2005**

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
KY 052

FINANCIAL AND STATISTICAL REPORT

PERIOD ENDED
12 MONTH ENDING APRIL 30, 2005

INSTRUCTIONS: For detailed instructions, see RUS Bulletin 1717B-2

BORROWER NAME AND ADDRESS
FLEMING-MASON ENERGY
P. O. BOX 328
FLEMINGSBURG, KY 41041

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et.seq.) and may be confidential.

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
1. Operating Revenue and Patronage Capital		49,410,969		
2. Power Production Expense				
3. Cost of Purchased Power		40,120,895		
4. Transmission Expense				
5. Distribution Expense - Operation		1,087,515		
6. Distribution Expense - Maintenance		2,545,692		
7. Customer Accounts Expense		1,317,883		
8. Customer Service and Informational Expense		45,435		
9. Sales Expense		83,647		
10. Administrative and General Expense		1,122,925		
11. Total Operations & Maintenance Expense (2 thru 10)		46,323,991		
12. Depreciation and Amortization Expense		2,110,354		
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other		44,463		
15. Interest on Long-Term Debt		971,136		
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other		59,306		
18. Other Deductions		3,822		
19. Total Cost of Electric Service (11 thru 18)		49,513,072		
20. Patronage Capital & Operating Margins (1 minus 19)		(102,103)		
21. Non Operating Margins - Interest		45,946		
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments		(213,575)		
24. Non Operating Margins - Other		(2,938)		
25. Generation and Transmission Capital Credits				
26. Other Capital Credits and Patronage Dividends		51,242		
27. Extraordinary Items				
28. Patronage Capital or Margins (20 thru 27)		(221,429)		

EXHIBIT F

NOTES OUTSTANDING

April 30, 2005

FLEMING-MASON ENERGY
LONG-TERM DEBT
04/30/05

Note No. (a)	Interest Rate (b)	Original Date (c)	Balance Long Term Debt (d)
CFC NOTES:			
9001	7.00%	09/07/72	17,015
9003	7.00%	07/03/74	42,159
9005	Variable	04/03/75	48,452
9009	5.70%	07/19/77	142,314
9010	Variable	06/08/78	154,430
9013	Variable	10/01/79	416,810
9016	Variable	11/12/81	440,039
9017	Variable	02/08/89	611,398
9018	Variable	10/01/92	753,145
9019-001	Variable	02/03/94	896,625
9019-002	Variable	02/03/94	654,606
			\$4,176,993
FFB-RUS Guaranteed			
H0010	Variable	10/02/00	2,373,030
H0015	Variable	01/24/01	1,277,785
H0020	Variable	04/02/01	1,369,056
H0025	Variable	04/27/01	2,007,948
H0030	Variable	05/14/01	1,277,785
H0035	Variable	01/29/02	2,768,742
H0040	Variable	01/03/03	2,743,847
H0045	Variable	12/22/03	2,899,175
F0050	Variable	09/15/04	2,407,406
			\$19,124,775
RUS NOTES:			
0B270	2%	09/07/72	18,335
0B272	2%	09/07/72	18,331
1B280	5%	07/03/74	41,926
1B282	5%	07/03/74	41,926
1B290	5%	04/03/75	48,501
1B292	5%	04/03/75	48,501
1B300	5%	07/19/77	135,108
1B302	5%	07/19/77	135,108
1B310	5%	06/08/78	150,081
1B312	5%	06/08/78	150,081
1B320	5%	10/01/79	424,647
1B322	5%	10/01/79	424,647
1B330	5%	11/12/81	442,674
1B331	5%	11/12/81	279
1B333	5%	11/12/81	453,578
1B340	5%	02/08/89	686,278
1B343	5%	02/08/89	704,862
1B350	5%	10/01/92	818,230
1B355	5%	10/01/92	818,230
1B360	5%	02/03/94	1,287,580
1B362	5%	02/03/94	451,552
1B366	5%	02/03/94	1,777,384
			\$9,077,839

EXHIBIT G

**ESTIMATED COST OF MAINTENANCE AND OPERATION OF (1)
PROPOSED FACILITY AND (2) CURRENT FACILITIES**

FLEMING-MASON ENERGY COOPERATIVE CORPORATION

Estimated Annual Operating Costs for FMECC office.

<u>Operations Costs</u>	<u>Estimated Annual Cost</u>	<u>Basis of Estimate</u>
Depreciation	\$74,859	Based on value of \$3,742,930 at 50 yrs.
Insurance	\$41,588	Based on 2005 rate on \$3,742,930
Property Tax	\$10,765	Based on actual property tax rates in effect
Electric Utilities	\$36,732	Based Warehouse/Garage same as old
Water Utilities	\$ 7,355	Increased by 50%
General Maintenance	<u>\$130,944</u>	Increased by 50%
Total Annual Estimated Cost	\$302,243.00	

FLEMING-MASON ENERGY COOPERATIVE CORPORATION

Annual Operating Costs for Current FMECC Facilities

<u>Operations Costs</u>	<u>5/04 – 4/05 12 month cost</u>
Depreciation	\$15,230
Insurance	\$ 8,461
Property Taxes	\$ 559
Electric Utilities	\$24,428
Water Utilities	\$ 5,221
General Maintenance	<u>\$87,296</u>
Total Annual Estimated Cost	\$141,195

EXHIBIT H

11/11/11

**PROJECT DESCRIPTION, FLOOR DIAGRAM, SITE PLAN AND
LOCATION MAP**

Facility Expansion Study
Fleming – Mason RECC Building
Flemingsburg, Kentucky

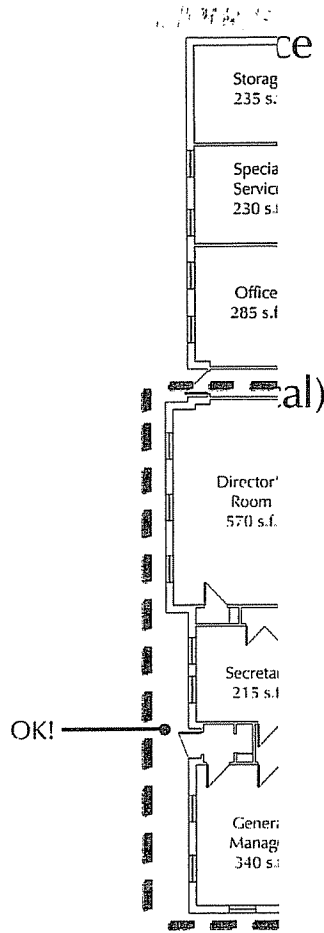
Executive Summary

The Cooperative offices and warehouse currently sit on a beautiful campus outside of Flemingsburg on KY 32. The red brick buildings were designed nearly 40 years ago and have been outgrown. Brandstetter Carroll Inc. was asked to conduct a planning study to determine how the existing office building might be expanded in order to meet today's needs. Upon interviewing staff and touring the complete facility and grounds, the Consultant found that an addition to the office building was not needed. Rather an "unpacking" and "repacking" of the office space would alleviate any overcrowding and reutilize space appropriately. The Consultant also concluded the warehouse and truck storage areas had been terribly outgrown and this became the focus for planning a "Phase One" project.

A thorough analysis of each building on the property was conducted and reviewed in graphic form with senior staff. These diagrams are included herein. The Office building will be renovated to provide a more user friendly place in which to conduct business from the perspective of both the customer and the employee. By reallocating some people and spaces, a more efficient work place has been accomplished. It was ultimately decided to demolish a portion of the warehouse facility to make way for a new trucking facility attached to a renovated office portion of the existing building. A recommendation was made to move the picnic shelter to a more pastoral setting across the property and develop the area into a more pleasant site for outdoor gatherings. An opinion of probable cost for each individual project is also included.



Building Analysis



Proposed Floor Plan

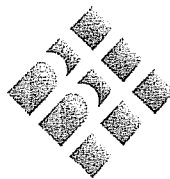
Proposed Floor Plan

The engineering department can easily be rearranged to create a more fluid work room. The Engineer's office will remain in its current location but with the addition of a door into the corridor. Dedicated storage for the department will allow for proper storage of maps and larger media.

The Records Room is an added room to the building. Centralizing storage will help to keep each department organized. This room can serve as a staff meeting room as well. The Records Room replaces the Superintendent's office.

Member Services is currently located adjacent to the lobby. This location is not considered necessary for good customer service and has been relocated in the building to allow for better organization of all departments. This new space allows for a display area to be developed.

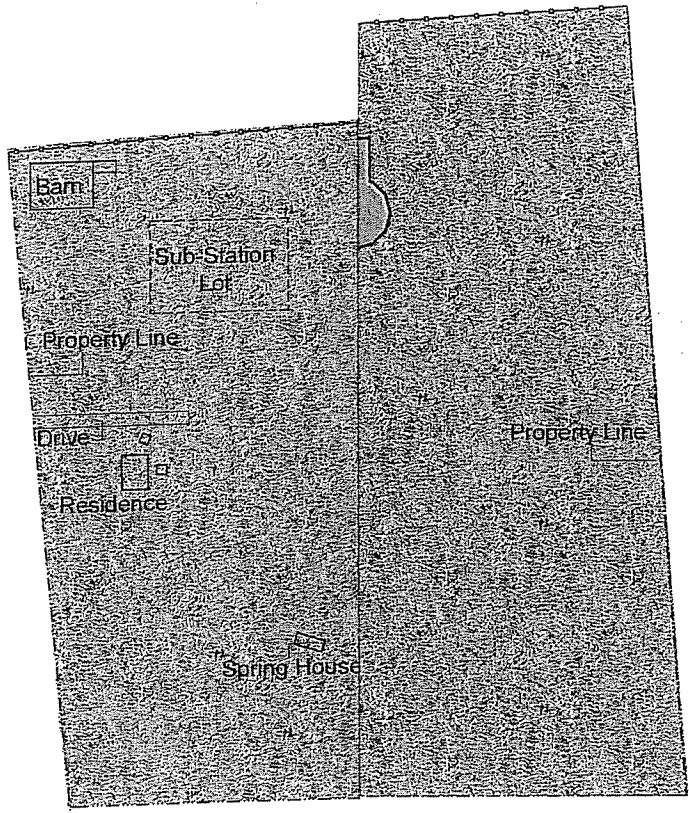
The meter storage and reading device is currently located where disruption is created when meter readers come in. By relocating this function to a dedicated space out of other work areas, a better environment for concentration is created.



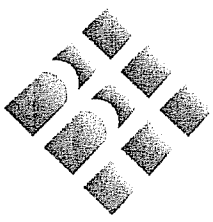
Brandstette

Architects Engineers
Lexington Cincinnati

Proposed Site Plan



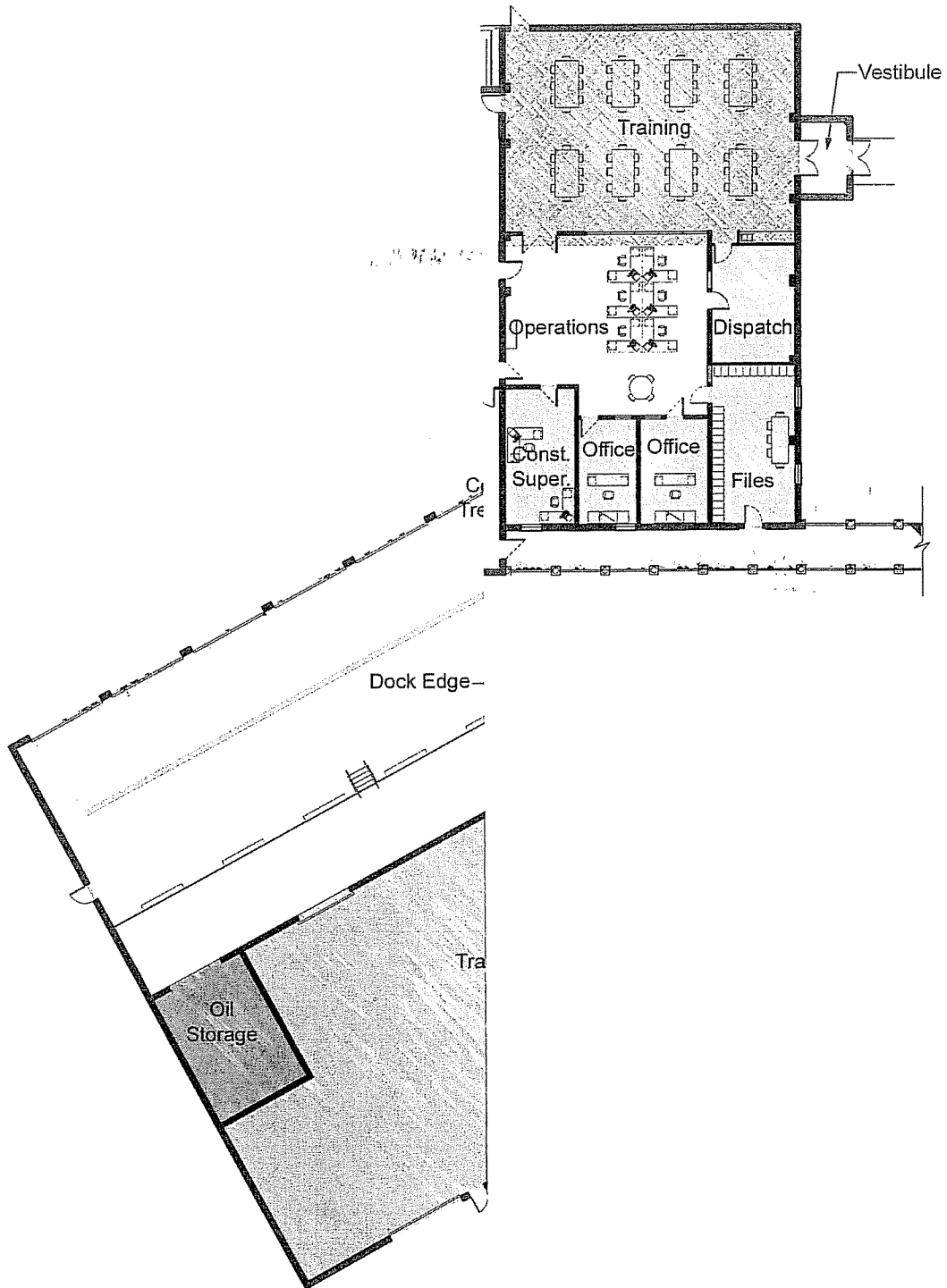
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Date: 6/28/05




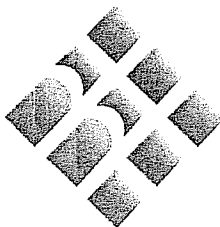
Brandsta RECC Building

Architects Fleming-Mason County
Lexington Flemingsburg, Kentucky

Warehouse Prop



3/32" = 1'-0" 
6/28/05



Brandstetter RECC Building

Architects Erling-Mason County
Lexington Cin Flemingsburg, Kentucky