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March 27, 2006

RECEIVED

MAR 30 2006

PUBLIC SERVICE  
COMMISSION

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Post Office Box 615  
Frankfort, Kentucky 40602-0615

Dear Ms. O'Donnell:

RE: Case No. 2005-00450 – Response to First Data Request of Commission Staff

Attached you will find an original and eleven (11) copies of South Kentucky Rural Electric Cooperative, Inc. response to the First Data Request of Commission Staff dated November 29, 2005.

A copy of this letter and response is being sent to the Office of Rate Intervention of the office of the Attorney General.

If additional information is needed, please advise.

Sincerely,

SOUTH KENTUCKY RECC

A handwritten signature in cursive script that reads 'Allen Anderson'.

Allen Anderson  
Chief Executive Officer



South Kentucky Rural Electric  
Case No. 2005-00450  
First Data Request of Commission Staff

1. Comparative income statement, cash flows and balance sheet

Included in Application as:

Exhibit	V
page	1
thru	3



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2. Rate of return

Included in Application as:

Exhibit	K
page	1
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3. Times interest earned ratio and debt service coverage

Included in Application as:

Exhibit	K
page	5
of	7





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4. Borrower Statistical Profile

The Borrower Statistical Profile was reviewed by management, board of directors and RUS, no formal action was taken by any of these parties.

Included in Application as:

Exhibit	16
page	1
thru	5



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5. CFC Key Ratio Trend Analysis

The CFC Key Ratio Trend Analysis was reviewed by management, board of directors and RUS, no formal action was taken by any of these parties.

Included in Application as:

Exhibit	17
page	1
thru	24



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6. KAEC Statistical Comparisons

Included in Application as:

Exhibit	18
page	1
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7. Capital structure

Included in Application as:

Exhibit	Z
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8 a.. Long term debt

Included in Application as:

Exhibit	5
page	1
of	2

8. b. Short term debt

Included in Application as:

Exhibit	5
page	3
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South Kentucky Rural Electric  
Case No. 2005-00450  
Schedule of Outstanding Long-Term Debt  
December 31, 2004

Item 8  
page 2 of 2  
Format 8a  
Schedule 1

Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	Cost Rate to Maturity (g)	Annualized Cost Col (d)x(g) (j)
<b>RUS loans</b>					
0B210	Mar-72	Mar-2007	79,977	2.00%	1,600
1B220	Feb-74	Feb-2009	238,534	5.00%	11,927
1B230	May-75	Apr-2010	327,988	5.00%	16,399
1B240	Feb-77	Feb-2012	418,635	5.00%	20,932
1B250	Sep-77	Sep-2012	1,156,679	5.00%	57,834
1B260	Apr-79	Mar-2014	1,716,878	5.00%	85,844
1B270	Apr-82	Apr-2017	1,096,416	5.00%	54,821
1B280	Apr-84	Apr-2019	1,861,840	5.00%	93,092
1B290	Jul-86	Jun-2021	2,167,621	5.00%	108,381
1B300	Nov-89	Oct-2024	3,429,375	5.00%	171,469
1B310	Dec-91	Nov-2026	2,927,877	5.00%	146,394
1B320	Aug-93	Aug-2028	4,400,037	5.00%	220,002
1B330	Aug-97	Jul-2032	3,687,632	1.50%	55,314
1B335	Aug-97	Jul-2032	3,680,564	1.12%	41,222
1B340	Mar-2001	Feb-2036	5,883,313	5.78%	340,055
1B341	Mar-2001	Feb-2036	4,808,305	5.41%	260,129
1B342	Mar-2001	Feb-2036	4,783,089	2.09%	99,967
1B343	Mar-2001	Feb-2036	1,954,010	4.99%	97,505
1B344	Mar-2001	Feb-2036	2,252,788	5.47%	123,228
1B350	Jun-2002	May-2037	6,755,389	5.31%	358,711
1B351	Jun-2002	May-2037	5,961,416	5.44%	324,301
1B352	Jun-2002	May-2037	2,979,010	5.02%	149,546
1B353	Jun-2002	May-2037	8,336,919	5.04%	420,181
	Economic development		-	0.00%	0
	Advance payment		(305,472)		
			<u>70,598,820</u>		<u>3,258,853</u>
<b>CFC loans</b>					
9001	Jun-72	Jun-2007	37,924	7.00%	2,655
9003	Mar-74	Feb-2009	119,733	7.00%	8,381
9006	May-75	May-2010	182,608	5.50%	10,043
9009	Feb-77	Feb-2012	225,959	4.20%	9,490
9011	Oct-77	Sep-2012	606,350	5.70%	34,562
9013	Apr-79	Apr-2014	911,436	6.00%	54,686
9017	May-82	Apr-2017	582,606	6.15%	35,830
9018	Apr-84	Apr-2019	966,092	4.20%	40,576
9019	Jul-86	Jul-2021	1,013,342	4.20%	42,560
9020	Nov-89	Nov-2024	1,579,032	4.20%	66,319
9021	Dec-91	Dec-2026	1,276,694	4.20%	53,621
9022	Sep-93	Aug-2028	1,932,362	4.20%	81,159
9023	Aug-97	Aug-2032	3,319,944	4.20%	139,438
			<u>12,754,082</u>		<u>579,322</u>
Total long term debt and annualized cost			<u>83,352,902</u>		<u>3,838,175</u>
Annualized cost rate [Total Col. (j) / Total Col. (d)]					4.60%
Actual test year cost rate [Total Col (k) / Total Reported in Col (d)]					



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9. Trial balance

Included in Application as:

Exhibit	Y
page	1
thru	12



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10. Comparing balance sheet with same month of preceding year

Included in Application as:

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South Kentucky Rural Electric  
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11. Comparing income statement with same month of preceding year

Included in Application as:

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12. Property held for future use

a. through g.

Response

None



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## 13. Non-utility property

<u>Description of property</u>	<u>Property Taxes</u>	<u>Account</u>	<u>Date Purchased</u>	<u>Cost</u>
Industrial site, 7.6 acres		121.00	1990	25,589
Farm building on above land	96	121.20	1990	19,706
Lot at 933 N Main Street		121.02	1993	50,461
House on above lot	247	121.22	1993	25,094
5.6 acre lot at 1522 W Steve Warriner Dr		121.03	1995	16,870
House on above lot	421	121.25	1995	65,073
Rental house on Sunflower Drive	310	121.27	2002	50,000
Meter pole services	803	121.25	various	20,648



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14. Jurisdictional plan allocations.

Response:

None.



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15. Bylaws and changes.



## SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

### ARTICLE I MEMBERSHIP

**SECTION 1.01. Eligibility.** Any natural person, firm, association, corporation, partnership, limited liability company, or body politic or political subdivision or agency hereof (each hereinafter referred to as "person", "applicant", "him", or "her") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him to receive electric service from South Kentucky Rural Electric Cooperative Corporation, (hereinafter called the "Cooperative"); however, no person shall hold more than one voting membership in the Cooperative.

**SECTION 1.02. Application for Membership.** Application for membership - wherein the applicant shall agree to purchase electric power and energy from the Cooperative and be bound by and to comply with all provisions of the Cooperative's Articles of Incorporation, Bylaws, and all rules, rate classifications, rate schedules and regulations adopted by the Board of Directors pursuant thereto (the obligations embraced by such agreement being hereinafter called "membership obligations") - shall be made in writing on such forms as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.04 together with any service deposit, service connection deposit or fee, facility extension fee or contribution in aid of construction (hereinafter referred to as other deposits and fees) that may be required by the Cooperative which membership fee and other deposits or fees shall be refunded in the event that application is denied by the Board.

**SECTION 1.03. Acceptance Into Membership.** Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become an active member on the date of his connection for electric service; PROVIDED, that the Board of Directors may by resolution deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause; PROVIDED FURTHER,

that any person whose application, for sixty (60) days or longer, has been submitted but not denied by the Board of Directors and who has not been connected by the Cooperative for electric service, may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the Board of Directors, shall have his application submitted to and approved or disapproved by the vote of the Directors at such meeting. Any application not denied by the Board of Directors hereunder shall be deemed to have been accepted.

**SECTION 1.04. Membership Fee and other Deposits or Fees.** The membership fee shall be set by the Board of Directors. Upon payment of membership fee and any other deposits or fees required, the applicant shall be eligible for membership and service. A service connection deposit or fee in such amount as shall be prescribed by the Cooperative and any other deposits or fees required shall be paid by the member for each additional service connection requested by him, however, a member requesting more than one service connection shall not be charged for an additional membership fee.

**SECTION 1.05. Termination of Membership.** Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, but only after due hearing if such is requested by him, by the affirmative vote of not less than two-thirds of all members of the Board expel a member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board. Any expelled member may be reinstated by the majority vote of the Board or by majority vote of the members at any annual or special meeting. The membership of any applicant who is not purchasing electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be deemed an inactive member and shall have no voting rights until he is receiving electric service.

Upon the withdrawal, death, cessation of existing or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, pro-

vided, however, that the Cooperative shall deduct from the amount of the membership fee, the amount of any debt or obligation owed by the member to the Cooperative.

**SECTION 1.06. Service to Non-Members.** With Board approval, the Cooperative may render service, upon the same terms and conditions as are applicable to members, to governmental agencies and political subdivisions and to other persons (non-members) who are non-members of the Cooperative to the extent of not more than 49% of the Cooperative's total business and provided further, that should the Cooperative acquire any electric facilities dedicated or devoted to the public use it may, for the purpose of continuing service and avoiding hardship continue to service the persons directly from such facilities at the time of such acquisition without requiring that such persons become members and provided further that such nonmembers shall have the right to become members upon nondiscriminatory terms.

**SECTION 1.07. Purchases of Electric Power and Energy; Power Production by Member, Application of Payment to All Accounts.** The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof, and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership; unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefore at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charge without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative any payment by him for service from the Cooperative may at the discretion of the Cooperative be applied to any of his outstanding accounts.

**SECTION 1.08. Excess Payment to be Credited as Member-Furnished Capital.** All amounts paid for electric service in excess of the cost thereof shall be furnished by Members as capital, and each member shall be credited with the capital so furnished as provided in Article VII of these Bylaws.

**SECTION 1.09. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs.** Each member grants to the Cooperative an easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities and shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of such easements or rights of way. The Board of Directors may expel from membership and/or discontinue electric service to any member who fails or refuses to comply with the provisions of this Bylaw.

Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

## **ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS**

**SECTION 2.01. Property Interest of Members.** Upon dissolution, of the Cooperative, after all debts and liabilities of the Cooperative shall have been paid, and, all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members eligible under law in the proportion which the aggregate patronage of each bears to the total patronage of all members, during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**SECTION 2.02. Non-Liability for Debts of the Cooperative.** The private property of the members shall be exempt from either execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

### ARTICLE III MEETING OF MEMBERS

SECTION 3.01. *Annual Meeting.* The annual meeting of the members shall be held during the month of June or July each year, at such place in one of the counties in Kentucky within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix; PROVIDED, that, for cause sufficient to it, the Board of Directors may fix a different date for such annual meeting not more than forty-five (45) days prior or subsequent to the day otherwise established for such meeting to this Section. It shall be the responsibility of the Board of Directors to make adequate plans and preparations of the annual meeting and any special meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. *Special Meetings.* A special meeting of the members may be called by the Board of Directors or by petition signed by not less than ten (10%) percent of the then-total members of the Cooperative, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in one of the counties in Kentucky within which the Cooperative serves, on such date, not sooner than thirty-five (35) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be assigned by him or those calling or petitioning for the same.

SECTION 3.03. *Notice of Member Meetings.* Written or printed notice of the place, date and hour of the meeting and, the purpose or purposes of said meeting shall be delivered to each member not less than five (5) days nor, except as provided in Article VII, more than forty-five (45) days prior to the date of the meeting, either personally or by mail, by or at the discretion of the President or the Secretary (or, in the case of a special meeting, at the direction of those calling the meeting). Any such notice delivered by mail may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in Kentucky Living. If mailed, such notice shall be deemed to be delivered when deposited in the United State mail addressed to the member at his address as it appears on the records of the Cooperative, with postage thereupon prepaid and postmarked at least five (5) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the members at his

address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting unless such attendance shall be for the express purpose of objection to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04. *Quorum.* Business may not be transacted at any meeting of the members unless there are present in person at least one (1%) percent of the then-total members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than forty-five (45) days later and to any place in one of the counties in Kentucky within which the Cooperative serves; PROVIDED, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03.

SECTION 3.05. *Voting.* Each member shall be entitled to only one vote upon each matter submitted to a vote any meeting of the members. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation of these Bylaws. Members may not cumulate their votes.

SECTION 3.06. *Proxies.* At any meeting of the members of any adjournment thereof, any member may vote by proxy, but only if such proxy (a) is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, (b) is executed by the member in writing and designates the holder thereof, which holder shall be a member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it

may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at the meeting or any adjournment thereof shall revoke any proxy or mailed vote theretofore executed, or mailed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No member may vote as proxy for more than three members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such members has given a written proxy to some other person eligible to vote such proxy.

#### **SECTION 3.07. Credentials and Election Committee.**

The Board of Directors shall consider before each annual or special meeting of members whether it is necessary to appoint a Credentials and Election Committee, if the Board deems it necessary, because of contested matters on the agenda or other good cause. If the Board has determined the appointment of such Committee is necessary, the Board shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of Cooperative members not less than three (3) nor more than five (5) who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for directors, and who are not close relations to or members of the same household of any such persons or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, or by proxy or mailed vote, to count all ballots or other votes cast in any election or in any matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the

validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors) and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

**SECTION 3.08. Agenda.** No proposal from a member or group of members shall be voted upon at the Annual Meeting unless it has been placed on the agenda at least forty (40) days prior to the date of such meeting. Any legitimate proposal may be placed on the agenda by any member with a petition signed by two hundred (200) additional members supporting the proposal, by filing a copy of the proposal with the Secretary within the time allowed, with a request that it be submitted to the Annual Meeting for consideration.

**SECTION 3.09. Order of Business.** The order of business at the Annual Meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Report on the number of members present in order to determine the existence of a quorum;
- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (3) Consideration of approval of minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, directors and committees;
- (5) Election of Directors; (or reports on the election of

- Directors);  
 Unfinished business;  
 (7) New business as proposed with Section 3.07 Guidelines, and  
 (8) Adjournment.

**ARTICLE IV  
Directors**

**SECTION 4.01. Number and General Powers.** The business and affairs of the Cooperative shall be managed by a Board of seven (7) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

**SECTION 4.02. Districts.** To insure the distribution of Board members throughout the are served by the Cooperative, the territory served or to be served by it shall be divided into districts and the number of directors to be elected from each are:

NAME OF DISTRICT	DISTRICT NUMBER	COUNTIES IN DISTRICT	NUMBER OF DIRECTORS
Pulaski-South	1	Pulaski County, south of Cumberland Parkway & Laurel	1
Russell	2	Russell-Adair	1
Pulaski-North	3	Pulaski, north of Cumberland Parkway and Rockcastle	1
Wayne	4	Wayne	1
Clinton	5	Clinton, Cumberland and Pickett Co., TN	1
McCreary	6	McCreary and Scott Co., TN	1
Casey	7	Casey and Lincoln	1

Not less than sixty (60) days before any meeting of the members at which Board members are to be elected, the Board shall review the composition of the seven districts, and if it finds the best interests of the Cooperative and its members will be served thereby, shall reconstitute the districts forth with.

**SECTION 4.03. Qualifications.** Any active member, in good standing, 18 years or older, shall be eligible to be a director; PROVIDED, however that no person shall be eligible to become or remain a director of the Cooperative who is; (1) a current or retired employee of the Cooperative, (2) a person who has been employed by the

Cooperative during the last five (5) years, (3) a close relative, as hereinafter defined, of an incumbent director or of an employee (including a retired employee) of the Cooperative, (4) a person who, by becoming or remaining a director, obtains direct personal financial gain by being affiliated or associated with any competing enterprise or a business selling electric energy, supplies, or services to the Cooperative or its members, (5) a convicted felon. Notwithstanding any of the foregoing provisions of this Section with regards to relatives, no incumbent director shall lose eligibility to remain a director or to be reelected as a director or if he becomes a close relative of another incumbent director or of a Cooperative employee (including a retired employee) because of marriage to which he was not a party. Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the Credentials and Election Committee to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, as the case may be. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more directors have an interest adverse to that of the Cooperative.

**SECTION 4.04. "Close Relative" Defined.** As used in these Bylaws, "close relative" means a person who, by blood or marriage, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

**SECTION 4.05. Election-Tenure.** Board members shall be elected by ballot, in the event of a contested election. Otherwise, board members may be elected by ballot, voice, hand, or other suitable means. Board members shall be elected by the members-at-large at the Annual Meeting of members, or at a special meeting thereof held for that purpose within a reasonable time thereafter. They shall serve for terms of four (4) years each, ending with the fourth annual meeting following the election, and until their successors shall have been elected, declared qualified and seated. The seating of a new director shall occur at the next regular scheduled meeting of the Board of Directors.

Board members of Districts 2, 3 and 6 shall be

elected in 2003 and each fourth year thereafter. Board members for Districts 4 and 7 shall be elected in 2004 and each fourth year thereafter. Board members for Districts 1 and 5 shall be elected in 2005 and each fourth year thereafter.

Board members whose terms are expiring are eligible for reelection.

It shall be the duty of the Board to appoint a committee on nominations consisting of not less than three (3) no more than five (5) members who shall be selected so as to give equitable representations on the committee to the geographical areas served or to be served by the Cooperative. No employee or member of the Board shall be appointed a member of such committee. A majority of the persons so designated shall constitute a quorum of the committee to nominate Directors. The Secretary of the Cooperative or the Cooperative's Attorney shall convene the initial meeting of the Nominating Committee, and the Committee shall then select its own Chairman and thereafter, the time and place of meetings shall be given to each member by letter deposited in the United States mail directed to him or her at the address of the members shown on the books of the Cooperative, not less than five (5) days prior to the meeting, but any member may waive such notice in writing, and does waive such notice if the member attends the meeting. The Nominating Committee shall continue in office for a period of one (1) year or until its successor committee is selected by the Board.

The Committee shall prepare and post at the principal office of the Cooperative at least fifty (50) days before the annual meeting date, a list of nominees for Directors. One (1) person shall be nominated for each vacancy to be filled. No person shall be nominated as a candidate for the Board of Directors unless that person is duly qualified and has requested to be nominated as a candidate by either making that request known by appearing in person before the Nominating Committee or presenting a written request that his or her name be placed in nomination. An incumbent director may be nominated as a director so long as the incumbent is duly qualified and has made that request known to the nominating committee.

A petition nominating another person may be filed with the Secretary not later than the fiftieth (50<sup>th</sup>) day prior to the date of the Annual Meeting provided that the same is signed by at least one (1) percent of the total qualified membership of the Cooperative. Only one person can be nominated per petition. The Secretary shall post such nominations in the principal office of the Cooperative.

In the event of a contested election, or if election by ballot is deemed necessary or desirable by the Board, then a ballot shall be mailed to each member of the Co-

operative at least fifteen (15) days before the date of the Annual Meeting. The ballot shall list persons nominated for the office of Director as herein set out.

Each member may vote for the Director or Directors of his choice by marking in the space provided thereon and shall return his ballot to the office of the Cooperative in a self-addressed envelope provided for this purpose by the Cooperative. All ballots so received shall be kept in sealed and locked containers. All ballots, to be valid, must be received at the principal office of the Cooperative at Somerset, Kentucky, not later than the last working day prior to the Annual Meeting and shall be sealed in an envelope provided by the Cooperative for that purpose.

All ballots shall be delivered in the sealed envelopes to the election tellers, who shall be the Cooperative's Accountants, unless other individuals are designated by the Board. Under the supervision of the Credentials and Election Committee, the election tellers shall count the same.

Each member of the Cooperative shall be entitled to cast one (1) vote for each vacancy to be filled, however, cumulative voting shall not be permitted.

The following ballots shall not be counted:

1. Unmarked ballots.
2. Ballots marked for more candidates than vacancies to be filled.
3. Ballots marked for more than one candidate for any one (1) vacancy.
4. Ballots other than the official ballot mailed.
5. Ballots arriving late.

The following ballots may be counted:

1. Ballots on which the mark is not in the place provided, but does show the intention of the voter.
2. Ballots on which there is an erasure or change of intention shown, but the Credentials and Election Committee is of the opinion that the ballot has not been tampered with.

The Credentials and Election Committee shall certify the number of votes received by each candidate. A final report shall be delivered by the Chairman of the committee to the President of the Cooperative's Board, who will announce the results at the Annual Meeting.

The person nominated for Director in his district, receiving the highest number of votes as certified by the Credentials and Election Committee, is the person elected. If more than one person receives the same number of votes, the Credentials and Election Committee shall at a meeting at a time and place to be fixed by them, at which

due notice shall be given to the nominees, cause the nominees or their representatives, or in the absence of a nominee or his representatives, some person designated by the Credentials and Election Committee to draw for the office and the person drawing the slip marked "elected" shall be the person elected.

**SECTION 4.06. Removal of Directors by Members.**

Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten (10%) percent of the then-total members of the Cooperative, which petition calls for a special member meeting the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled, to elect their successor(s), and which specified the place, time and date thereof not sooner than twenty-five (25) days after the filing of such petition or requests that the matter be acted upon at the subsequent annual member meeting will be held not sooner than twenty-five (25) days after the filing of such petition. Each page of the petition shall, in the forefront thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth (in alphabetical order) only twenty (20) of the names of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed twenty (20) days prior to the meeting of the members at which the charges(s) are to be considered, and shall have the opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor. PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some

evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

**SECTION 4.07. Vacancies.** Subject to the provisions of these Bylaws with respect to the filing of vacancies caused by the removal of Directors by the Members, or by the death, disability, or other incapacity of a Director, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A Director thus elected shall serve out the unexpired term of the Director whose office was originally vacated and until a successor is elected and qualified; PROVIDED, that such Director shall be from or with respect to the same directorate district as was the Director whose office was vacated. Vacancies shall be filled within a reasonable time, with due consideration given to the facts and circumstances surrounding the occurrence of the vacancy.

**SECTION 4.08. Compensation; Expenses.** Directors shall, as determined by the Board of Directors, receive, on a per diem basis, a fixed fee, which may include insurance benefits, for attending meetings of the Board of Directors, and subject to approval of the Board of Directors, for the performance of other cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in performing their duties. No director shall receive compensation for serving the Cooperative in any other capacity, unless the service of such director is temporary and shall be specifically authorized by the majority vote of the Board that such was an emergency measure; PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

**SECTION 4.09. Rules, Regulations, Rate Schedules and Contracts.** The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulations of the business and affairs of the Cooperative.

**SECTION 4.10. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and conditions, and shall, after the close of the fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial conditions as of the end of, such year. A full and accurate summary of such audit reports shall be published in the Kentucky Living magazine or presented to the members at or prior to the succeeding Annual Meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

## **ARTICLE V Meetings of Directors**

**SECTION 5.01. Regular Meetings.** A regular meeting of the Board of Directors shall be held monthly at such date, time and place in one of the counties in Kentucky within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; PROVIDED, that any director absent from any meeting of the board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy thereof is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days notice thereof to all directors.

**SECTION 5.02. Special Meetings.** A special meeting of the Board of Directors may be called by the President or by any four (4) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President, or the Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties of Kentucky within which the Cooperative serves, unless all Directors consent to its being held in some other place in Kentucky or elsewhere. Special meetings, upon prior notice otherwise provided in Section 5.03, may also be held via telephone conference call or other telephonic or electronic means including computer e-mail, without regard to the actual location of the Directors at the time of such a telephone conference meeting, or other telephonic or

electronic means including computer e-mail, if all the Directors consent thereto.

**SECTION 5.03. Notice of Directors' Meetings.** Written notice of the date, time, place or telephone conference call, or other telephonic or electronic means including computer e-mail, and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally or by mail or by computer e-mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any Director in the case of a meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

**SECTION 5.04. Quorum.** The presence in person of a majority of the Directors in office shall be required for the transaction of business and the affirmative votes of a majority of the Directors present and voting shall be required for any action to be taken; PROVIDED, that a Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office or present; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time, but shall cause the absent Directors to be duly and timely notified of the date, time and place of such adjourned meeting.

**SECTION 5.05. Board Action by Written Consent.** Without a Board meeting, the Board may take any action required, or permitted, to be taken at any Board meeting if the action is taken by all Directors as evidenced by their written consent which can be accomplished by computer e-mail.



**ARTICLE VI**  
**Officers; Miscellaneous**

**SECTION 6.01. Number and Title.** The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person. The above officers shall be Board members.

**SECTION 6.02. Election and Term of Office.** The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the Annual Meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding Annual Meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of Directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

**SECTION 6.03. Removal.** Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

**SECTION 6.04. Vacancies.** A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.05. President.** The President shall:

- (a) be the principal executive officer of the Board of Directors and shall preside at all meetings of the Board of Directors, and unless determined otherwise by the Board of Directors, at all meeting of the members;
- (b) sign, with the Secretary, deeds, mortgages, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed, and
- (c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by

the Board of Directors from time to time.

**SECTION 6.06. Vice President.** In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.07. Secretary.** The Secretary shall:

- (a) keep, or cause to be kept, the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;
- (d) have general charge of all the Cooperative's books and records; and,
- (e) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.08. Treasurer.** The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these Bylaws; and (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.09. Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be re-

leased from such duties, responsibilities and authorities.

**SECTION 6.10. Other Officers.** The Board of Directors may appoint a Chief Executive Officer, also known as the Head Coach, who shall assume the position formerly known as the General Manager, a Chief Operating Officer and a Chief Financial Officer who shall perform all duties, shall have all responsibilities, and may exercise all authority prescribed by the Board. The same individual may simultaneously hold more than one office. These officers are not required to be members of the Cooperative.

**SECTION 6.11. Bonds.** The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.12. Indemnification of Officers, Directors, Staff Employees and Agents.** The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by, or in the right of, the Cooperative) by reason of the fact that such person is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, upon a plea of *nolo contendere* or its equivalent, shall not of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any crimi-

nal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, staff employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in paragraph 1, (and, in addition, actions by or in the right of, the Cooperative) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

The indemnity herein provided shall be co-extensive with those authorized under Kentucky Revised Statute Chapter 271B and shall be effective in accordance with all of the terms and conditions of such statute.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Bylaw.

**SECTION 6.13. Reports.** The Cooperative shall submit at each Annual Meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## **ARTICLE VII Non-Profit Organization**

**SECTION 7.01. Interest of Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons. (Deposits are not to be construed as Capital furnished for purpose of this Section).

**SECTION 7.02. Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess

operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. All such amounts credited to the capital account of any patron shall have the pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, 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. PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. Any such retirements of capital shall be made as determined from time to time, by the Board of Directors. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successor in occupancy in all or a part of each patron's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph,

upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representative of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the cooperative, (and may deduct interest thereon at the Kentucky legal rate on judgments in effect when such amount became overdue, compounded annually).

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

#### **ARTICLE VIII DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION**

##### **SECTION 8.01. Disposition and Pledging of Property.**

(1) Not inconsistently with Kentucky Revised Statutes, Section 279.140, the Cooperative may authorize the sale, lease, or other disposition of any of the Cooperative's properties and assets only upon the affirmative votes of a majority of the then members of the Cooperative at a duly held meeting. (2) The board may sell any of the following property without authority from the members: (a) Property that is not necessary in operating and maintaining the system, but sales of such property shall not in any one year exceed ten percent in value of all the property of the Cooperative other than merchandise and property acquired for resale; (b) Services and electric energy; (c) Property acquired for resale; and (d) Merchandise.

**SECTION 8.02. Distribution of Surplus Assets on Dissolution.** Upon the Cooperative's dissolution, any

sets remaining after all liability or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors, be distributed without priority but on an equal basis among all persons who were active members on the last day at business of the Cooperative. PROVIDED, HOWEVER, that if in the judgment of the board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

#### **ARTICLE IX SEAL**

The Corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Kentucky."

#### **ARTICLE X FINANCIAL TRANSACTIONS**

SECTION 10.01. **Contracts.** Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 10.02. **Checks, Drafts, Etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 10.03. **Deposits, Investments.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

SECTION 10.04. **Fiscal year.** The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the thirty-first day of December of the same year.

#### **ARTICLE XI WAIVER OF NOTICE**

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws.

#### **ARTICLE XII AMENDMENTS**

These Bylaws may be altered, amended or repealed by the majority vote of the Board of Directors at any regular or special Board Meeting; or by unanimous written consent of the Directors without a meeting.

#### **ARTICLE XIII RULES OF ORDER**

Unless the Board of Directors determines otherwise at any time, and consistent with applicable law, the Articles of Incorporation or these Bylaws, parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members of the Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order.

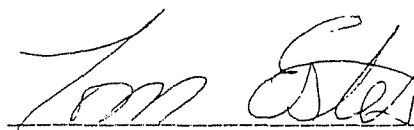
#### **ARTICLE XIV GENDER**

GENDER: Any inclusion in these Bylaws of the male pronouns, he or his, is fully intended to and shall, where applicable, be deemed to necessarily include and apply equally to the feminine gender pronouns, she or hers.

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I, Tom Estes, Secretary of South Kentucky Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct copy of the By-Laws as adopted by the Board of Directors at a meeting duly and regularly held on May 8, 2003; and as amended through the date signed.

Date May 8, 2003  
(signed)

  
Tom Estes, Secretary

**DARRELL L. SAUNDERS, P.S.C.**

ATTORNEY AT LAW  
700 MASTER STREET  
P.O. Box 1324  
**CORBIN, KENTUCKY 40702**  
PHONE (606) 523-1370  
FAX (606) 523-1372

March 9, 2006

South Kentucky Rural Electric  
Cooperative Corporation  
P.O. Box 910  
Somerset, KY 42502-0910

ATTENTION: Mr. Jeffrey Greer

RE: Changes to By-Laws for use in South  
Kentucky Rural Electric Cooperative  
Corporation's (SKRECC's) pending action  
before the Kentucky Public Service  
Commission seeking a rate increase

Dear Jeff:

As general counsel for SKRECC, I send this letter to advise of changes to South Kentucky Rural Electric Cooperative Corporation's by-laws since January 1, 1990.

The SKRECC by-laws were amended at a regular meeting of the board of directors held May 8, 2003. I was general counsel at that time and drafted the changes. The following substantive changes resulted from the by-laws as amended on May 8, 2003.

**SECTION 1.01. Eligibility.** An addition was made to add partnerships and limited liability companies as eligible members.

**SECTION 1.06. Service to Non-Members.** This section was amended to delete the limitation of service to non-members at 10% of the number of total members and to permit service to non-members to the extent of not more than 49% of the cooperative's total business in lieu of 40% as formerly written.

**SECTION 1.09. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Loan Management Programs.** This section was amended to provide that upon attaining membership status, a member grants to the cooperative an easement or right-of-way over, on or under the member's lands in lieu of the requirement that the member actually sign an easement.

**SECTION 4.03. Qualifications (Directors).** A clarification was made at subparagraph 4 regarding a director's eligibility where that director is affiliated or associated with any competing electrical enterprise or business selling electric energy, electric supplies or electric services to the cooperative or its members.

A new subparagraph (5) was added to disqualify a director if he/she is a convicted felon.

**SECTION 4.05. Election-Tenure.** To comply with changes in Kentucky law, the terms of service of directors was amended to four (4) years in lieu of three (3) years.

The years of elections for respective board districts were also updated.

**SECTION 5.02. Special Meetings (Board of Directors).** This section was amended to clarify that a special meeting may be called by the president or by any four (4) directors in lieu of three (3) directors as previously set forth.

**SECTION 5.03. Notice of Directors' Meetings.** An addition was made to allow notices to be sent by computer e-mail as well as regular mail.

**SECTION 5.05. Board Action by Written Consent.** A new Section 5.05 was added to allow the board to take action by unanimous written consent in lieu of a special meeting.

**SECTION 6.01. Number and Title (Officers).** A requirement was added that all officers as set forth in this section shall be board members.

**SECTION 6.10. Other Officers.** In lieu of a general manager, this was amended to section authorize the board to appoint a "Chief Executive Officer" also known as the "Head Coach who shall assume the position formerly known as the General Manager". The Chief Executive Officer's duties were specifically defined as "all responsibilities prescribed by the Board" and that such individual may simultaneously hold more than one office. This is in lieu of the former requirement that the Chief Executive Officer "perform such duties normally required".

**ARTICLE XII AMENDMENTS.** An addition was made to this section to allow amendments to the by-laws by unanimous written consent of the directors without a meeting.

For ease of reference, a copy of the by-laws now in effect is attached hereto.

Yours truly,



Darrell L. Saunders

DLS: mw  
Enclosure



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16. Equity management plan.

Included in Application as:

Exhibit	U
page	1
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17. Written policies for professional services.

Included in Application as:

Exhibit	9
page	1
thru	11



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18. Policies for compensation of directors.

Included in Application as:

Exhibit	10
page	2
thru	3



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19. Annual meeting information

Included in Application as:

Exhibit	P
page	1
of	17

The minutes of the annual meeting are included with this response.

**ANNUAL MEETING OF MEMBERS OF**  
**SOUTH KENTUCKY RURAL ELECTRIC**  
**COOPERATIVE CORPORATION**  
**JUNE 9, 2005**

The 67<sup>th</sup> Annual Meeting of the Members of South Kentucky Rural Electric Cooperative Corporation was held pursuant to notice at the Cooperative Farm located on West Highway 80, Somerset, Kentucky, on Thursday, June 9, 2005, with registration beginning at 5:00 p.m. and the business meeting of the cooperative following at 7:00 p.m.

Dennis Cannon, Program Emcee from KAEC, talked with the members about what an electric co-op is and what it means to be a member. Mr. Cannon then introduced Allen Anderson, Head Coach and CEO of South Kentucky Rural Electric Cooperative Corporation.

Mr. Anderson welcomed the members to the 2005 Annual Meeting. Mr. Anderson indicated that this was one of the largest co-op annual meetings in the nation. Mr. Anderson indicated to the members that he had 27 years of employment with the co-op and 4 years as CEO and Head Coach. Mr. Anderson acknowledged the special guests attending the 2005 Annual Meeting.

Presentation of Colors was presented by the American Legion/Veterans of Foreign Wars.

The Wells Family sang the National Anthem.

Mr. Anderson called upon Charles Gore, Director, representing District 2 in Russell County to give the Invocation.

Mr. Anderson asked for a moment of silence to honor all our of men and women who are serving this country in the military forces and also in memory of the two SKRECC employees that passed away this year.

Mr. Anderson introduced the 2005 South Kentucky Board of Directors and their spouses: Board President Richard Stephens and wife Patty of District 6, Vice President Charles Gore and wife Louella of District 2, Secretary/Treasurer Tom Estes and wife Teresa of District 7, William Shearer and wife Barbara of District 5, Glen Massengale and wife June of District 4, Jerry Purcell and wife Sue of District 3 and John T. Pruitt, Jr. and wife Carol of District 1. Mr. Anderson also introduced the Co-op Attorney, Darrell Saunders and his wife Sue.

Mr. Anderson then turned the meeting over to the Co-op Attorney, Darrell Saunders, to conduct the business session of the Annual Meeting.

The first order of business was to declare a quorum present at the 2005 Annual Meeting.

The second order of business was the reading of the notice and affidavit of mailing that was published in the May, 2005 issue of the Kentucky Living Magazine.

Minutes – A Motion was made and seconded by the membership to dispense with the reading of the Minutes of the 2004 Annual Meeting and to approve the Minutes as written. Motion carried.

Co-op Attorney, Darrell Saunders, reported that a full financial report had been published in the Annual Report, which was an insert in the Kentucky Living Magazine.

The 2005 Nominating Committee consisting of Sharon Ross, Ryan S. Powers, James Elmore, R. K. Mims, and Steve Tallent, nominated incumbent Directors, John Pruitt representing District 1 and William Shearer representing District 5 to each serve another term.

A Motion was made and seconded by the membership that the Nominating Committee's recommendations are accepted and the above nominees be re-elected by acclamation. Motion carried.

Co-op Attorney, Darrell Saunders, then asked the members if there was any unfinished business to be discussed. There being none, Attorney Saunders then turned the meeting back over to Allen Anderson, Head Coach and CEO.

Mr. Anderson indicated that it was a great honor for him to serve the membership and thanked the membership for their continued support of the co-op. Mr. Anderson thanked the seven Board Directors and the Attorney for all their dedication to the co-op and indicated to the membership that the Directors have an average of 18.5 years of rural electric cooperative experience. Mr. Anderson then recognized the 158-hardworking employees of South Kentucky and requested a round of applause for those employees. Mr. Anderson indicated that the employees have an average of 16.5 years of service.

Mr. Anderson indicated that the May issue of the Kentucky Living Magazine contained the Annual Report and that SKRECC in 2004 had \$72 million in operating revenue, which was up \$8 million from 2003. He indicated that the patronage capital and margins were \$1.1 million and the total assets were \$149 million, which was up \$10 million from 2003. Mr. Anderson indicated that margins had declined somewhat due to increased cost, but indicated that the co-op was still very strong. Mr. Anderson indicated that there had not been a rate increase at SKRECC since 1989 and there would not be one this year either.



Mr. Anderson indicated to the membership that SKRECC might be forced in late 2006 or early 2007 to ask for a small rate increase. Mr. Anderson indicated that the growth in membership and the KWH sales have helped keep the rates the same but since 9-11 the membership growth has slowed and we have experienced tremendous increases in transportation, fuel, insurance, taxes, material cost, investment in technology and wholesale power rates. Mr. Anderson indicated that wholesale power cost is 70% of our total cost. Mr. Anderson indicated SKRECC was 1/16 owner of East Kentucky Power, who supplies our power, and EKP's cost have gone up drastically from the price increases of coal, oil, gas, and new environmental regulations. Mr. Anderson indicated that SKRECC's total operating cost was down this past year by \$400,000.00 but our wholesale power cost was up by \$5 million.

Mr. Anderson indicated to the members that beginning in August of this year a new line item on the electric bill would be seen. Mr. Anderson indicated that this was an Environmental Surcharge. Mr. Anderson indicated this charge had been approved by the PSC to help recover the increased cost required of EKP to meet the new Federal Clean Air Act. Mr. Anderson indicated that this charge would be around 5%, but could vary from month to month. Mr. Anderson indicated that this charge does not stay at SKRECC and is passed directly on to EKP, who would use this to add required equipment to power plants in order to reduce the air pollution emissions.

Mr. Anderson indicated that even with the rising costs, Kentucky is still one of the lowest energy cost states in the nation.

Mr. Anderson indicated that the SKRECC Board of Directors voted to return to the members in 2004, \$650,000.00 in patronage capital refunds. Mr. Anderson indicated that this was the 13<sup>th</sup> consecutive year that SKRECC has returned patronage capital to its members. Mr. Anderson further indicated that SKRECC had also started refunding capital credits to the estates of deceased members and has done so since September 2002.

Mr. Anderson re-emphasized that our current mission statement continues to be "We are for People, Not Profit."

Mr. Anderson indicated that soon SKRECC would be breaking ground on a new district office in McCreary County and would follow over the next few years of constructing new facilities at each of our five office locations. Mr. Anderson indicated that the facilities at SKRECC were 60 years old and that in order to keep our level of commitment to service, to meet new ADA requirements and to properly plan to meet our future growth needs these facilities were needed.

Mr. Anderson closed his report by re-emphasizing that South Kentucky will continue to be cautious with spending and will continue to do everything it takes to keep providing reliable service. Mr. Anderson indicated that the door to South

Kentucky was always open and thanked all members for coming to the Annual Meeting.

Mr. Anderson then turned the meeting back over to Co-op Attorney, Darrell Saunders.

At this time, there being no further business to be discussed, a Motion was made and seconded to adjourn the business portion of the meeting. Motion carried.

Allen Anderson then introduced two special guests, Ron Sheets, President of KAEC, and Gary Crawford, Vice-President of Marketing and Member Services of East Kentucky Power.

Mr. Sheets briefly spoke about what KAEC was and how South Kentucky was a great co-op with great members. Mr. Sheets indicated that our state was the lowest state in the nation for electric and had the largest annual meetings. Mr. Sheets thanked the members for coming and allowing him to speak.

Mr. Crawford briefly spoke to the members about being the wholesale power provider, which was owned by the member co-ops. Mr. Crawford further spoke about how East Kentucky was focusing on building to meet the growth challenge, the new coal fire station and the increase in the cost of fuel in the last twelve months. Mr. Crawford closed by thanking the members for attending the Annual Meeting and allowing him to speak.

At this time the Directors departed from the stage and Dennis Cannon introduced Sara Todd who spoke about attending the Washington Youth Tour and how it had affected her and about being selected to attend the NRECA Youth Tour in San Diego.

Dennis Cannon then introduced the 2005 SKRECC High School Senior Scholarship winners and the 2005 Frankfort Youth Tour winners. CEO and Head Coach, Allen Anderson, presented each student with a scholarship letter and a college dictionary.

The 2005 SKRECC High School Senior Scholarship winners are as follows:

Troy Huddleston	-	Adair County High
Lindsay Price	-	Casey County High
Stefanie Wells Tallent	-	Clinton County High
Samantha Stapleton	-	Lincoln County High
Tabatha Hale	-	McCreary Central High
Hannah Morrow	-	Monticello High
Tyler Shelley	-	Pulaski County High

Morgan Carnes	-	Russell County High
Sarah Todd	-	Somerset High
Ashley Diamond	-	Southwestern High
Alicia Marie Pyles	-	Wayne County High

The 2005 SKRECC Frankfort Youth Tour winners are as follows:

Cory Wesley	-	Casey County High
Derek Harlan	-	Clinton County High
Matthew James Polston	-	Clinton County High
Brittany Thomas	-	McCreary County High
Vonda Garland	-	McCreary County High
Mitchell W. Lair	-	Monticello High
Sarah M. Creekmore	-	Pulaski County High
Mackenzie Tilley	-	Pulaski County High
Christin Hope Roberson	-	Russell County High
Heather Saunders	-	Southwestern High
Morgan Gregory	-	Wayne County High
Kala Means	-	Wayne County High

After conclusion of recognition of the students, the program was then turned back over to Dennis Cannon for the completion of the Annual Meeting Program.

\_\_\_\_\_  
DATE

\_\_\_\_\_  
TOM ESTES, SECRETARY

\_\_\_\_\_  
DATE

\_\_\_\_\_  
RICHARD STEPHENS, PRESIDENT



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20. Billing and consumer account information

a. By customer class the amount and percent of proposed revenue

Included in Application as:

Exhibit	G
page	1
of	2

b. Methodology for increases to customer charge and each rate charge

Included in Application as:

Exhibit	G
page	2
of	2

c. How demand charge determined

Response

South Kentucky does not propose to change any of the demand charges.

d. Monthly customer charge

Included in Application as:

Exhibit	G
page	2
of	2

e. Reconciliation of fuel adjustment charge (FAC)

Included in Application as:

Exhibit	13
page	3
of	3



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21. For each rate schedule (rate class)

a. through f. , excluding d.

Included in Application as:

Exhibit	J
page	1
thru	15

d. Monthly peak kw demands.

Response

South Kentucky does not accumulated that information for rate schedules.





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22. Capitalization rate

Included in Application as:

Exhibit	T
page	1
thru	2

There were no changes during, or after, the test year.



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23. Salaries and wages information

a. Schedule for test year and 3 calendar years preceding test year

Included in Application as:

Exhibit	1
page	9
of	19.1

b. Schedule showing union and non-union increases for test year and preceding 5 years.

There are no union employees.

Included in Application as:

Exhibit	1
page	1
of	19.1



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24. Payroll information for each employee:

a. through b.

Included in Application as:

Exhibit	1
page	3
thru	8

c. Rate and date of the last increase

Included in Application as:

Exhibit	1
page	10
thru	14

d. Calculation of percent of increase granted

Included in Application as:

Exhibit	1
page	1
of	1



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25. Payroll tax information

a. Base wages used

Included in Application as:

Exhibit	2
page	2
thru	7

b. Tax rates in effect

Included in Application as:

Exhibit	2
page	1
of	1





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26. Other tax rates in effect

a. Franchise taxes

Included in Application as:

Exhibit	4
page	1
of	6

b. Analysis of other taxes in Format 25b.

Included in Application as:

Exhibit	4
page	2
thru	6



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27. Electric plant in service

Included in Application as:

Exhibit	3
page	5
of	6



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28. Employee benefits available

Included in Application as:

Exhibit	T
page	2
of	2



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29. Executive Officers compensation

Included in Application as:

Exhibit	1
page	15
thru	19.1





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30. Advertising expenditures for Account 913, Advertising Expenses

Response

There were no advertising costs assigned to Account 913, Advertising. These costs were recorded in Accounts 930.10, General Advertising and in Account No. 930.23, Annual Meeting Expenses

Included in Application as:

Exhibit	11
page	2
of	11



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31. Analysis of Account No. 930, Miscellaneous General Expenses

Included in Application as:

Exhibit	11
page	1
of	11



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32. Analysis of Account No. 426, Other Income Deductions

Included in Application as:

Exhibit	8
page	1
of	2



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33. Name and address of board of directors

Included in Application as:

Exhibit	10
page	1
of	13





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34. Detailed analysis of compensation paid to each director

Included in Application as:

Exhibit	10
page	2 - 3
of	13



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35. Detailed analysis of expenses for professional services

Included in Application as:

Exhibit	9
page	5
thru	11



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36. Costs for preparation of this rate case

a. Detailed schedule of costs to date.

Response

There have been no costs incurred to date.

b. Itemized estimate of costs to prepare this application

Included in Application as:

Exhibit	12
page	1
of	1



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37. Estimate of draw down of unadvanced loan funds

South Kentucky advanced \$6,000,000 of loan funds from RUS on November 5, 2005. It is estimated that an additional \$4,000,000 will be advanced in the second quarter of 2006. This advance will also be from RUS unadvanced loan funds.





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38. List of depreciation expenses using Format 36

Included in Application as:

Exhibit	3
page	2
of	6



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39. Depreciation rates reflected in this filing

a. Rates identical to those in most recent filing

Response

No change in rates since last general application in Case No. 89-040.

b. If no.

Response

n/a



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40. Information for plotting depreciation guideline curve

Included in Application as:

Exhibit	3
page	4
of	6



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41. Charitable and political contribution

Included in Application as:

Exhibit	8
page	1
thru	2





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42. Lobbying activities

Response

South Kentucky does not provide lobbying activities.



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43. Pension costs and financial reporting

Included in Application as:

Exhibit	7
page	1
of	1



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44. Statement of Financial Accounting Standard (SFAS) No. 106  
a. through c.

Included in Application as:

Exhibit	6
page	1
thru	10



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45. SFAS No. 112

Response

South Kentucky has no plans that qualify for SFAS No. 112 treatment





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46. Events that may have material effect on South Kentucky's exhibits

Response

There are no known events at this time.



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47. Labor contracts

Response

There are no labor contracts.



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48. Investment in subsidiary.

a. Name of subsidiary

South Kentucky Services Corporation

b. Date of initial investment

The subsidiary was formed March 1, 1996. However, there have been no investments in stock or debt to the corporation.

c. Amount and type of investment.

None.

d. Balance sheet and income statement.

Attached as pages 2 and 3 of this Item 48.

e. Officers and compensation of officers, and compensation charged to subsidiary.

<u>Officer</u>	<u>Name and Position with South Kentucky RECC</u>	<u>Annual Compensation</u>	<u>Charged to Subsidiary</u>
President	Jeff Greer, CFO	95,748	13,697
VP	Charles Gore, Director	12,000	307
Sec / Treas	Glen Massengale, Director	12,000	307

PART A. STATEMENT OF OPERATIONS

NE O	YEAR TO DATE			THIS MONTH D	% FROM BUDGET	% CHANGE FROM LAST YEAR
	LAST YEAR A	THIS YEAR B	BUDGET C			
.0 OPERATING REVENUE & PATRONAGE CAPITAL....	239,652.90	255,449.94	.00	4,134.72	100.0	6.6
.0 POWER PRODUCTION EXPENSE.....	.00	.00	.00	.00	.0	.0
.0 COST OF PURCHASED POWER.....	.00	.00	.00	.00	.0	.0
.0 TRANSMISSION EXPENSE.....	.00	.00	.00	.00	.0	.0
.0 DISTRIBUTION EXPENSE-OPERATION.....	176,537.32-	179,620.03-	.00	14,614.69-	100.0-	1.7
.0 DISTRIBUTION EXPENSE-MAINTENANCE.....	.00	.00	.00	.00	.0	.0
.0 CONSUMER ACCOUNTS EXPENSE.....	.00	.00	.00	.00	.0	.0
.0 CUSTOMER SERVICE & INFORMATIONAL EXPENSE.....	.00	.00	.00	.00	.0	.0
.0 SALES EXPENSE.....	.00	.00	.00	.00	.0	.0
.0 ADMINISTRATIVE & GENERAL EXPENSE.....	115,198.86-	69,311.03-	.00	39,503.02-	100.0-	39.8-
.0 TOTAL OPERATIONS & MAINTENANCE EXPENSE...	291,736.18-	248,931.06-	.00	54,117.71-	100.0-	14.7-
.0 DEPRECIATION & AMORTIZATION EXPENSE.....	.00	.00	.00	.00	.0	.0
.0 TAX EXPENSE - PROPERTY & GROSS RECEIPTS..	.00	.00	.00	.00	.0	.0
.0 TAX EXPENSE - OTHER.....	.00	.00	.00	.00	.0	.0
.0 INTEREST ON LONG TERM DEBT.....	.00	.00	.00	.00	.0	.0
.0 INTEREST CHARGED TO CONSTRUCTION - CREDIT	.00	.00	.00	.00	.0	.0
.0 INTEREST EXPENSE - OTHER.....	.00	.00	.00	.00	.0	.0
.0 OTHER DEDUCTIONS.....	.00	.00	.00	.00	.0	.0
.0 TOTAL COST OF ELECTRIC SERVICE.....	291,736.18-	248,931.06-	.00	54,117.71-	100.0-	14.7-
=====						
.0 PATRONAGE CAPITAL & OPERATING MARGINS....	52,083.28-	6,518.88	.00	49,982.99-	100.0	112.5-
.0 NON OPERATING MARGINS - INTEREST.....	.00	.00	.00	.00	.0	.0
.0 ALLOW. FOR FUNDS USED DURING CONSTRUCTION	.00	.00	.00	.00	.0	.0
.0 INCOME (LOSS) FROM EQUITY INVESTMENTS....	.00	.00	.00	.00	.0	.0
.0 NON OPERATING MARGINS - OTHER.....	.00	.00	.00	.00	.0	.0
.0 GENERATION & TRANSMISSION CAPITAL CREDITS	.00	.00	.00	.00	.0	.0
.0 OTHER CAPITAL CREDITS & PATRONAGE DIVID..	.00	.00	.00	.00	.0	.0
.0 EXTRAORDINARY ITEMS.....	.00	.00	.00	.00	.0	.0
.0 PATRONAGE CAPITAL OR MARGINS.....	52,083.28-	6,518.88	.00	49,982.99-	100.0	112.5-
=====						
WTIOS						
TIER	.000	.000	.000	.000		
MARGINS TO REVENUE	.217	.026	.000	12.089		
POWER COST TO REVENUE	.000	.000	.000	.000		
INTEREST EXPENSE TO REVENUE	.000	.000	.000	.000		
CURRENT ASSETS : CURRENT LIABILITIES	1.1856					
MARGINS & EQUITIES AS % OF ASSETS	.2460					
LONG TERM DEBT AS % OF PLANT	.0000					
GENERAL FUNDS TO TOTAL PLANT	.0000					
QUICK ASSET RATIO	1.1856					

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
10.0 TOTAL UTILITY PLANT IN SERVICE	.00	29.0 MEMBERSHIPS	.00
11.0 CONSTRUCTION WORK IN PROGRESS	.00	30.0 PATRONAGE CAPITAL	.00
12.0 TOTAL UTILITY PLANT	.00	31.0 OPERATING MARGINS - PRIOR YEAR	99,645.81-
13.0 ACCUM PROV FOR DEP & AMORT	.00	32.0 OPERATING MARGINS-CURRENT YEAR	6,518.88-
14.0 NET UTILITY PLANT	.00	33.0 NON-OPERATING MARGINS	93,921.23
		34.0 OTHER MARGINS & EQUITIES	.00
15.0 NON-UTILITY PROPERTY (NET)	.00	35.0 TOTAL MARGINS & EQUITIES	12,243.46-
16.0 INVEST IN SUBSIDIARY COMPANIES	.00		
17.0 INV IN ASSOC ORG - PAT CAPITAL	.00	36.0 LONG TERM DEBT - RUS (NET)	.00
18.0 INV IN ASSOC ORG OTHR GEN FND	.00	(PAYMENTS-UNAPPLIED .00 )	
19.0 INV IN ASSOC ORG - NON GEN FND	.00	37.0 LNG-TERM DEBT-RUS-ECON DEV NET	.00
20.0 INV IN ECON DEVEL PROJECTS	.00	38.0 LNG-TERM DEBT-FFB-RUS GUAR	.00
21.0 OTHER INVESTMENTS	5,278.77	39.0 LONG-TERM DEBT OTHER-RUS GUAR	.00
22.0 SPECIAL FUNDS	.00	40.0 LONG TERM DEBT - OTHER (NET)	.00
23.0 TOT OTHER PROP & INVESTMENTS	5,278.77	41.0 TOTAL LONG TERM DEBT	.00
		42.0 OBLIGATION UNDER CAPITAL LEASE	.00
24.0 CASH - GENERAL FUNDS	7,961.64	43.0 ACCUM OPERATING PROVISIONS	.00
25.0 CASH - CONSTRUCTION FUND TRUST	.00	44.0 TOTAL OTHER NONCURR LIABILITY	.00
26.0 SPECIAL DEPOSITS	.00		
27.0 TEMPORARY INVESTMENTS	.00	45.0 NOTES PAYABLE	.00
28.0 NOTES RECEIVABLE (NET)	.00	46.0 ACCOUNTS PAYABLE	19,160.74-
29.0 ACCTS RECV - SALES ENERGY(NET)	.00	47.0 CONSUMER DEPOSITS	.00
30.0 ACCTS RECV - OTHER (NET)	36,520.00	48.0 CURR MATURITIES LONG-TERM DEBT	.00
31.0 MATERIAL & SUPPLIES-ELEC & OTH	.00	49.0 CURR MATURIT LT DEBT ECON DEV	.00
32.0 PREPAYMENTS	.00	50.0 CURR MATURITIES CAPITAL LEASES	.00
33.0 OTHER CURRENT & ACCR ASSETS	.00	51.0 OTHER CURRENT & ACCRUED LIAB	18,356.21-
34.0 TOTAL CURRENT & ACCR ASSETS	44,481.64	52.0 TOTAL CURRENT & ACCRUED LIAB	37,516.95-
		53.0 REGULATORY LIABILITIES	.00
35.0 REGULATORY ASSETS	.00	54.0 OTHER DEFERRED CREDITS	.00
36.0 OTHER DEFERRED DEBITS	.00	55.0 TOTAL LIABILITIES & OTH CREDIT	49,760.41-
37.0 TOTAL ASSETS & OTHER DEBITS	49,760.41		
	=====		=====

ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION

56.0 BALANCE BEGINNING OF YEAR	.00
57.0 AMOUNT RECEIVED THIS YEAR (NET)	.00
58.0 TOTAL CONTRIBUTIONS IN AID OF CONST	.00

C E R T I F I C A T I O N

I HEREBY CERTIFY THAT THE ENTRIES IN THIS REPORT ARE IN ACCORDANCE WITH THE ACCOUNTS AND OTHER RECORDS OF THE SYSTEM AND REFLECT THE STATUS OF THE SYSTEM TO THE BEST OF MY KNOWLEDGE AND BELIEF.  
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, REA, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

\_\_\_\_\_  
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE OF MANAGER

\_\_\_\_\_  
DATE





South Kentucky Rural Electric  
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First Data Request of Commission Staff

49. Dividends or income from subsidiary. Indicate how it is reflected in reports to the Commission and stockholders reports.

	<u>Dividends</u>	<u>Income</u>
Test year	0	(24,991)
2004	0	(95,138)
2003	0	127,454
2002	0	(64,628)

South Kentucky uses the equity method to account for the net income (loss) from South Kentucky Services Corporation. The net income (loss) is reflected in the PSC Annual Report included in the Income Statement on page 13, in Non operating income in Account 418, and in reports to members as non- operating income on the income statement.



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50. Schedule of purchase power costs

Included in Application as:

Exhibit	13
page	1
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