


  
**INTER COUNTY**  
ENERGY COOPERATIVE

A Touchstone Energy Cooperative 

December 20, 2006

**RECEIVED**

DEC 20 2006

**PUBLIC SERVICE  
COMMISSION**

Ms. Beth O'Donnell, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

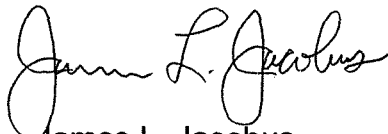
**Re: Case No. 2006-00415  
Application of Inter-County Energy Cooperative Corporation  
For An Adjustment of Rates**

Dear Ms. O'Donnell:

Please find enclosed the original and ten (10) copies of the Application of Inter-County Energy Cooperative Corporation For An Adjustment of Rates, Case No. 2006-00415.

Should you need additional information concerning this filing, please contact this office.

Sincerely,



James L. Jacobus  
President/CEO

JLJ/crl

CC: Kentucky Attorney General

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

**In the matter of:**

**RECEIVED**

**ADJUSTMENT OF RATES OF  
INTER COUNTY ENERGY  
COOPERATIVE CORPORATION**

DEC 20 2006  
PUBLIC SERVICE  
COMMISSION

**CASE NO. 2006-00415**

**APPLICATION**

Comes Inter County Energy Cooperative Corporation (hereafter referred to as "Inter County Energy" for an Application to change its retail electric power tariffs, states as follows:

1. Inter County Energy is filing this Application for the purpose of requesting permission from the Commission to increase its basic rates effective December 15, 2006, in such amounts as are set forth herein for all electricity sold. The rates and revenue applied for are considered necessary as minimum amounts by Inter County Energy's management and Board of Directors for Inter County Energy to maintain its financial integrity and sound operations.
2. The full name of Inter County Energy is "Inter County Energy Cooperative Corporation", and its address is 1009 Hustonville Road, P.O. Box 87, Danville, Kentucky 40422, (807 KAR 5:001, Section 8(1)).
3. The Articles of Incorporation and all amendments thereto for Inter County Energy were filed with the Commission in PSC Case No. 9486, Increase in Retail Rates of Inter County Rural Electric Cooperative Corporation (807 KAR 5:001, Section 8(3)).
4. This Application is supported by a 12 month historical test period ending July 31 2006, and includes adjustments for known and measurable changes (807 KAR 5:001, Section 10(1)).
5. Inter County Energy's annual reports, including the annual report for the most recent calendar year, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1). (807 KAR 5:001, Section 10(1)(a)2.)
6. Inter County Energy is not a limited partnership. (807 KAR 5:001, Section 10(1)(a)4.)
7. Inter County Energy has filed with this Application a Certificate of Good Standing dated within 60 days of the date of this Application. This is filed as South Kentucky Rural Electric's Exhibit A. (807 KAR 5:001, Section 10(1)(a)6.)

8. Inter County Energy does not conduct business under an assumed name and thus no Certificate of Assumed Name is needed for this Application. (807 KAR 5:001, Section 10(1)(a)6.)
9. Inter County Energy has attached the proposed tariff as Exhibit B. (807 KAR 5:001, Section 10(1)(a)7.)
10. Inter County Energy has attached the present and proposed tariffs in comparative form shown as Exhibit C. (807 KAR 5:001, Section 10(1)(a)8.)
11. Inter County Energy states that its members have been given notice of the filing of this Application in compliance with 807 KAR 5:001, Section 3-10(3)-(4). A copy is attached Exhibit D. (807 KAR 5:001, Section 10(1)(a)9.)as
12. Inter County Energy states that it provided written notice of its intent to file this rate case (Exhibit E) at least four (4) weeks prior to filing this Application, and that the Notice of Intent stated that the Application would be supported by a historical test period, which is July 31, 2006. (807 KAR 5:001, Section 10(2)). Inter County Energy's reasons for filing this Application to increase its rates and charges pursuant to the requirements of 807 KAR 5:001, Section 10(1)(s)1, are as follows:
  - a. Inter County Energy's last general rate increase was an Order with this Commission dated July 28, 1986, in Case No. 9486. Since that time Inter County Energy has continued to incur, in addition to specific increases and decreases in the cost of power which has been passed on to its customers, other customary increases in the costs of materials, equipment, taxes, labor, debt service and other fixed and occasional costs. In addition, Inter County Energy has needed to borrow moneys to finance its construction projects.
  - b. Inter County Energy finds that its financial operations have deteriorated substantially over the past few years. Net margins, excluding East Kentucky Power Cooperative's capital credit allocation and extraordinary items, have decreased from \$1,094,660 in 2002 to a loss of (\$1,374,830) for the test year of July 31, 2006.
  - c. For the test year ended July 31, 2006, Inter County Energy attained a Times Interest Earned Ratio (TIER) of 0.37. For the calendar year of 2005, the TIER was 0.51. Under terms of its joint mortgage agreement, Inter County Energy is required to maintain an operating TIER ratio of 1.25, based on an average of two of the three most current years. Unless Inter County Energy is granted the relief it seeks, it stands to be in jeopardy on this requirement. Further, it is necessary that it maintains in excess of this bare minimum in order to continue its financial integrity.

- d. Inter County Energy's Board of Directors, at a regular meeting held on September 14, 2006, reviewed the Cooperative's current financial situation and the results of its operations for the seven (7) months ended and twelve months ended July 31, 2006. After a thorough discussion of the situation, the Board voted unanimously to request that the staff of Inter County Energy, and consultants, prepare an increase in retail revenues to be filed with the Commission for approval. A resolution adopted by the Board of Directors at a meeting on November 17, 2006 is included herein as Exhibit F, for an increase of \$3,991,675.
13. Inter County Energy has included a complete description and quantified explanation for all proposed adjustments with proper support for any changes in price, no changes are proposed for activity levels, for its members with the Revenue Analysis shown as Exhibit G. (807 KAR 5:001, Section 10(6)(a).)
  14. Inter County Energy has included prepared testimony of each witness the utility proposes to use to support its Application. These testimonies are attached as Exhibits H-1, H-2, and H-3. (807 KAR 5:001, Section 10(6)(b).)
  15. Inter County Energy has included a statement showing the effect the new rates will have upon the revenues of Inter County Energy including, the total amount of revenues resulting from the increase and the percentage of the increase as shown in Exhibit G. (807 KAR 5:001, Section 10(6)(d).)
  16. Inter County Energy has included a schedule showing the effect upon the average bill for each customer classification to which the proposed increase will apply as Exhibit I. (807 KAR 5:001, Section 10(6)(e).)
  17. Inter County Energy has included an analysis of customer's bills in such detail that revenues from present and proposed rates can be readily determined for each rate class as the Billing Summary and is attached as Exhibit J. (807 KAR 5:001, Section 10(6)(g).)
  18. Inter County Energy has attached a schedule displaying its determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, with supporting schedules as Exhibit K. (807 KAR 5:001, Section 10(6)(h).)
  19. Inter County Energy has attached a reconciliation of its rate base and capital used to determine its revenue requirements as Exhibit L. (807 KAR 5:001, Section 10(6)(i).)
  20. Inter County Energy has included a current chart of accounts as Exhibit M. (807 KAR 5:001, Section 10(6)(j).)

21. Inter County Energy has included the independent auditor's annual report as Exhibit N. (807 KAR 5:001, Section 10(6)(k).)
22. Inter County Energy states that the Federal Rural Electric Regulatory Commission or Federal Communication Commission has not conducted any audits, and therefore, no reports are available. (807 KAR 5:001, Section 10(6)(l).)
23. Inter County Energy has not had a depreciation study performed either with this application or at any time in the past. (807 KAR 5:001, Section 10(6)(n).)
24. Inter County Energy has included a list of all commercially available or in-house developed computer software programs and models used in the development of this rate application as Exhibit O. (807 KAR 5:001, Section 10(6)(o).)
25. Inter County Energy has made no stock or bond offerings. (807 KAR 5:001, Section 10(6)(p).)
26. Inter County Energy has attached its annual report to members for 2006 and 2005 as Exhibit P. (807 KAR 5:001, Section 10(6)(q).)
27. Inter County Energy has included its monthly managerial reports providing financial results of operations for the twelve (12) months in the test period as Exhibit Q. (807 KAR 5:001, Section 10(6)(r).)
28. Inter County Energy requests a waiver of the requirement for filing Securities and Exchange Commission reports because Inter County Energy is not regulated by the SEC. (807 KAR 5:001, Section 10(6)(s).)
29. Inter County Energy has not had any amounts charged or allocated to it by an affiliate or general or home office or paid any moneys to an affiliate or general or home office during the test period or during the previous three (3) calendar years. (807 KAR 5:001, Section 10(6)(t).)
30. Inter County Energy has included a cost of service study based on a methodology generally accepted within the electric industry and based on current and reliable data for the test period as Exhibit R. (807 KAR 5:001, Section 10(6)(u).)
31. Inter County Energy states that the requirements of 807 KAR 5:001, Section 10(6)(f) and (v) are not applicable to Inter County Energy since it is not a local exchange carrier.
32. Inter County Energy has filed a detailed income statement and balance sheet reflecting the impact of all proposed adjustments for the historical test period as Exhibit S. (807 KAR 5:001, Section 10(7)(a).)

33. Inter County Energy has filed in Case No. 2003-00353 its most recent capital construction budget. This case is styled as "Application of Inter County Energy Cooperative for a Certificate of Public Convenience and Necessity." (807 KAR 5:001, Section 10(7)(b).)
34. Inter County Energy states that the requirements of 807 KAR 10(7)(c) for proposed pro forma plant additions, are not applicable to Inter County Energy.
36. In addition to the financial Exhibits required by 807 KAR 5:001, Section 10, financial information covering a twelve month historical test period ending July 31, 2006, other information required to be filed is as follows:

Exhibit T	Capitalization policies and Schedule of employee benefits
Exhibit U	Equity Management Plan
Exhibit V	Detailed comparative income statement, statement of cash flows and balance sheet.
Exhibit W	Schedule Showing Monthly Comparison of Balance Sheet Accounts from Test Year to Preceding Year
Exhibit X	Schedule Showing Monthly Comparison of Income Statement Accounts from Test Year to Preceding Year
Exhibit Y	Trial balance at end of test year
Exhibit Z	Capital Structure
Exhibit 1	Adjustment for salaries and wages
Exhibit 2	Adjustment for payroll taxes
Exhibit 3	Adjustment for depreciation
Exhibit 4	Adjustment for property taxes
Exhibit 5	Adjustment for long term and short term interest
Exhibit 6	Adjustment for postretirement benefits

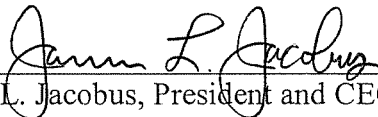
Exhibit 7	Adjustment for retirement costs
Exhibit 8	Adjustment for donations
Exhibit 9	Adjustment for professional fees
Exhibit 10	Adjustment for Director expenses
Exhibit 11	Adjustment for miscellaneous expenses
Exhibit 12	Adjustment for rate case expenses
Exhibit 13	Adjustment for plant disposal
Exhibit 14	Adjustment for non-recurring charges
Exhibit 15	Adjustment for purchase power
Exhibit 16	Adjustment for normalized revenue
Exhibit 17	Adjustment for additional revenues
Exhibit 18	RUS Borrower's Statistical Profile
Exhibit 19	CFC Key Ratio Trend Analysis
Exhibit 20	KAEC Statistical Comparison

WHEREFORE, Inter County Energy requests that the Public Service Commission approve the increase as expeditiously as possible and issue an order authorizing Inter County Energy to made effective those rates.

Dated at Inter County Energy, Danville, Kentucky this 18<sup>th</sup> day of December 2006.

Respectfully submitted

Inter County Energy Cooperative Corporation

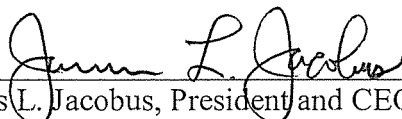
  
James L. Jacobus, President and CEO

COUNSEL:

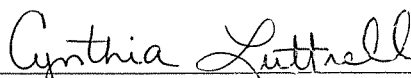
James William Barnett, Attorney at Law  
Sheehan, Barnett, Hays, Dean & Pennington, P.S.C.  
202 Bruce Court  
Danville, Kentucky 40422

  
James William Barnett, Attorney-at-Law  
Attorney for Inter County Energy

I, James L. Jacobus, President & CEO of Inter County Energy, declare that the statements contained in he foregoing are true to the best of my information and belief.

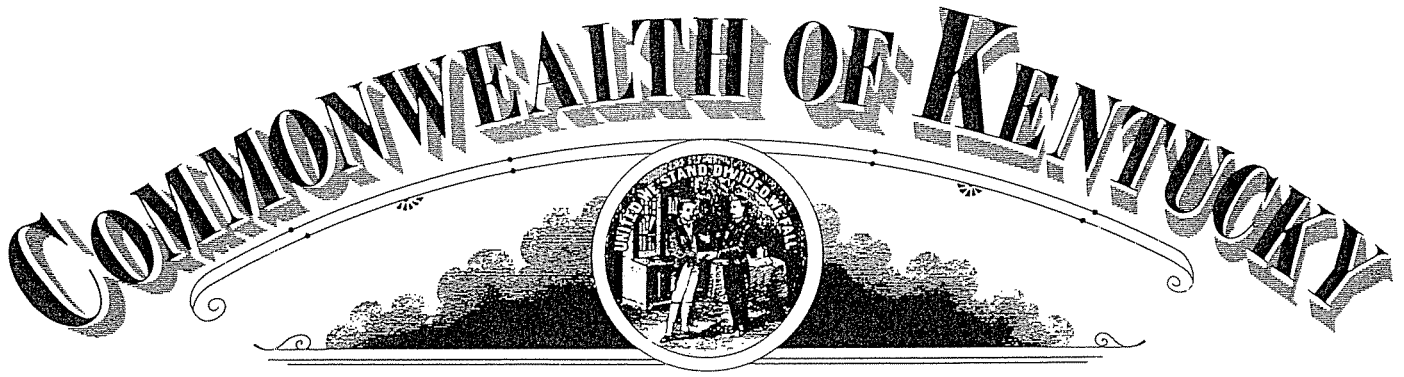
  
James L. Jacobus, President and CEO  
Inter County Energy

Subscribed and sworn to before me by James L. Jacobus, this 18<sup>th</sup> day of December, 2006

  
NOTARY PUBLIC, State at Large

MY Commission Expires: July 15, 2009.





**Trey Grayson**  
**Secretary of State**

**Certificate of Existence**

I, Trey Grayson, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records of the Office of the Secretary of State,

**INTER-COUNTY ENERGY COOPERATIVE CORPORATION**

is a nonprofit corporation duly incorporated and existing under KRS Chapter 273, whose date of incorporation is June 14, 1937 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of state have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 273.3671 has been delivered to the Secretary of State.

IN WITNESS THEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 14th day of November, 2006.



*Trey Grayson*

Trey Grayson  
Secretary of State  
Commonwealth of Kentucky  
vbennett/0024998 - Certificate ID: 39593

FOR ENTIRE TERRITORY SERVED

Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #25 SHEET NO. \_\_\_\_\_ 1 \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #24 SHEET NO. \_\_\_\_\_ 1 \_\_\_\_\_

INTER-COUNTY ENERGY

(Name of Utility)

CLASSIFICATION OF SERVICE

RATES FOR FARM AND HOME SERVICE SCHEDULE 1

APPLICABLE

In all territory served by the seller.

AVAILABILITY

Effective July 1, 2004, this Schedule is available to customers for all uses in the home and on the farm. All electric service is subject to the established rules and regulations of the seller. Customers served under Schedule 1 prior to July 1, 2004, shall remain on Schedule 1 and will be subject to the availability of service conditions set forth in the Tariff immediately prior to July 1, 2004.

TYPE OF SERVICE

Single phase and three phase where available, at available voltages.

MONTHLY RATE

Customer Charge	\$8.00 per meter per month	I
All over kWh	\$0.07445 per kWh	I

MINIMUM CHARGES

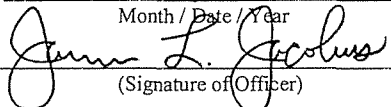
The minimum monthly charge under the above rate shall be \$8.00. I

SPECIAL RULES

Approval of the cooperative must be obtained prior to the installation of any motor having a rated capacity of 10 HP or more.

DATE OF ISSUE \_\_\_\_\_ December 19, 2006 \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_ January 19, 2007 \_\_\_\_\_  
Month / Date / Year

ISSUED BY \_\_\_\_\_  \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_ PRESIDENT/CEO \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #8 SHEET NO. \_\_\_\_\_ 1A \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #7 SHEET NO. \_\_\_\_\_ 1A \_\_\_\_\_

INTER-COUNTY ENERGY  
(Name of Utility)

**CLASSIFICATION OF SERVICE**

**SCHEDULE 1-A FARM AND HOME MARKETING RATE (ETS)**

**AVAILABILITY OF SERVICE**

This special marketing rate is available for specific marketing programs as approved by Inter-County Energy's Board of Directors. The electric power furnished under this marketing program shall be separately metered for each point of delivery and is applicable during the below off-peak hours. This rate is available to customers already receiving service under the Schedule 1, Farm and Home Service Rate. This marketing rate applies only to programs which are expressly approved by the Kentucky Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's Wholesale Power Rate Schedule E, the second (lower) energy rate.

**MONTHS**  
May through September  
  
October through April

**OFF PEAK HOURS – PREVAILING TIME**  
10:00 PM to 10:00 AM  
  
12:00 Noon to 5:00 PM  
10:00 PM to 7:00 AM

**RATES**

The energy rate for this program is listed below:

All kWh \$ .04467 **I**

**TERMS OF PAYMENT**

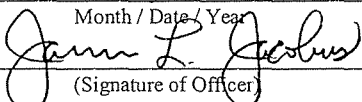
The customer's bill will be due the first day of each month. In the event the current monthly bill is not paid within fifteen (15) days from the issuance of the bill, ten percent (10%) shall be added to the bill.

**FUEL ADJUSTMENT CLAUSE**

All rates are applicable to the fuel adjustment clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kWh as billed by the wholesale power supplier plus an allowance for line losses. The allowance for line losses will not exceed ten percent (10%) and is based on a twelve (12) month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

DATE OF ISSUE \_\_\_\_\_ December 19, 2006 \_\_\_\_\_  
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Month / Date / Year

ISSUED BY \_\_\_\_\_  \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_ PRESIDENT/CEO \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. 7

REVISION #25 SHEET NO. 3

CANCELLING P.S.C. KY. NO. 7

REVISION #24 SHEET NO. 3

INTER-COUNTY ENERGY  
(Name of Utility)

**CLASSIFICATION OF SERVICE**

**SMALL COMMERCIAL AND SMALL POWER SCHEDULE 2**

**APPLICABLE**

In all territory served by the seller.

**AVAILABILITY**

Available to customers for single phase and three-phase commercial and industrial loads whose kilowatt demand is less than 50 kW for lighting and/or heating and/or power. Effective July 1, 2004, Schedule 2 will be available to churches and community buildings. All electric service is subject to the established rules and regulations of the seller.

**TYPE OF SERVICE**

Single phase and three phase where available, 60 Hz at available secondary voltage.

**CHARACTER OF SERVICE**

The electric service furnished under this rate schedule will be 60 Hz, alternating current, single phase or three phase service, present facilities permitting, and at the following nominal voltages: single phase 120, 120/240, 480, 240/480 volts; three phase 120/240, 120/208Y, 240/480, 277/480Y volts.

**MONTHLY RATE**

Demand Charges in Excess of 10 kW per month \$4.02 per kW.  
Customer Charge \$5.55 per meter per month  
All kWh per month \$0.06897 per kWh

**I**

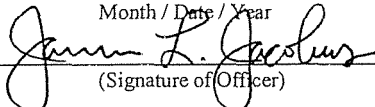
The Customer charge is without kWh usage. All kWh usage is billed at rates set forth above.

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge under the above rate shall be \$5.55.

DATE OF ISSUE December 19, 2006  
Month / Date / Year

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ISSUED BY   
(Signature of Officer)

TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. 7

REVISION #12 SHEET NO. 30

CANCELLING P.S.C. KY. NO. 7

REVISION #11 SHEET NO. 30

INTER-COUNTY ENERGY  
(Name of Utility)

**CLASSIFICATION OF SERVICE**

**LARGE INDUSTRIAL RATE SCHEDULE IND B1**

**APPLICABLE**

Applicable to contracts with demands of 500 to 4,999 kW with a monthly energy usage equal to or greater than 400 hours per kW of billing demand.

	<u>MONTHLY RATE</u>	
CUSTOMER CHARGE	\$535.00	
DEMAND CHARGE	\$5.39 per kW of Contract Demand	
EXCESS DEMAND CHARGE	\$7.82 per kW of Excess of Contract Demand	
ENERGY CHARGE	\$0.03648 per kWh	I

**BILLING DEMAND**

The billing demand (Kilowatt Demand) shall be the contract demand plus any excess demand. Excess demand occurs when the ultimate customer's highest demand during the current month coincident with EKPC's system peak (coincident peak), exceeds the contract demand. EKPC's system the peak demand is highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein.

**MONTHS**

October through April

May through September

**HOURS APPLICABLE FOR  
DEMAND BILLING - EST**

7:00 AM to 12:00 Noon

5:00 PM to 10:00 PM

10:00 AM to 10:00 PM

**MINIMUM MONTHLY CHARGE**

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

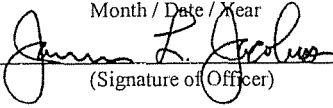
(a) The product of the contract demand multiplied by the respective demand charges, plus

DATE OF ISSUE December 16, 2006

Month / Date / Year

DATE EFFECTIVE January 16, 2007

Month / Date / Year

ISSUED BY 

(Signature of Officer)

TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR ENTIRE TERRITORY SERVED

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P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #25 SHEET NO. \_\_\_\_\_ 10 \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #24 SHEET NO. \_\_\_\_\_ 10 \_\_\_\_\_

INTER-COUNTY ENERGY

(Name of Utility)

CLASSIFICATION OF SERVICE

OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS SCHEDULE 6

AVAILABILITY

Available to all customers of the cooperative for dusk to dawn outdoor lighting in close proximity to the existing overhead and underground 120/240 volt secondary voltage.

RATE PER LIGHT PER MONTH

107,800 Lumen Directional Floodlight	\$31.28 per lamp per month	(I)
50,000 Lumen Directional Floodlight	\$17.01 per lamp per month	(I)
27,500 Lumen Directional Floodlight	\$ 12.16 per lamp per month	(I)
27,500 Lumen Cobra Head	\$ 11.33 per lamp per month	(I)
9,500 Lumen Security Light	\$ 9.10 per lamp per month	(I)
7,000 Lumen Security Light	\$ 9.08 per lamp per month	(I)
4,000 Lumen Decorative Colonial Post	\$ 11.53 per lamp per month	(I)
9,550 Lumen Decorative Colonial Post	\$ 14.84 per lamp per month	(I)

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the fuel adjustment clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kWh as billed by the wholesale power supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This fuel clause is subject to all other applicable provisions as set forth in 807 KAR 5:056.

Estimated kWh consumptions are as follows:

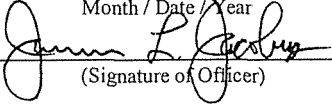
107,800 Lumen Light	-	360 kWh per month	
50,000 Lumen Light	-	159 kWh per month	
27,500 Lumen Light	-	87 kWh per month	
9,500 Lumen Light	-	39.3 kWh per month	(N)
7,000 Lumen Light	-	77 kWh per month	
4,000 Lumen Light	-	20 kWh per month	
9,550 Lumen Light	-	38.3 kWh per month	(N)

DATE OF ISSUE \_\_\_\_\_ December 16, 2006 \_\_\_\_\_

Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_ January 16, 2007 \_\_\_\_\_

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ISSUED BY \_\_\_\_\_  \_\_\_\_\_

(Signature of Officer)

TITLE \_\_\_\_\_ PRESIDENT/CEO \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_



	For Entire Territory Served
<u>Inter-County Energy Cooperative</u>	PSC No. <u>7</u>
Name of Issuing Corporation	Revision <u>#6</u> Sheet No. <u>21</u>
	Cancelling PSC No. <u>7</u>
	Revision <u>#5</u> Sheet No. <u>21</u>

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RULES AND REGULATIONS

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neglects to provide reasonable access to the premises, for fraudulent or illegal use of services, or for nonpayment of bills. When a dangerous condition is found to exist on the customer's premises, service shall be cut off without notice or refused. If discontinuance is for nonpayment of bills, the customer shall be given at least ten (10) days written notice, separate from the original bill and cut off shall be effective no less than 27 days after the mailing of original bill unless prior to discontinuance, a residential customer presents to the cooperative a written certificate, signed by a physician, registered nurse or public health office, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than thirty (30) days from the date the cooperative notifies the customer, in writing, of state and federal programs which may be available to aid in payment of bills and the office to contact for such possible assistance. All such disconnects will be made in accordance with 807 KAR 5:006, Section 14.

15. Reconnect Charge: When service has been discontinued by cooperative, for a period of twelve (12) months or less for any reason, a charge of \$30.00 dollars may be collected by cooperative before service is restored during regular working hours. Should the above mentioned service be required at times other than regular working hours, this charge will be sixty-five (\$65.00) dollars.

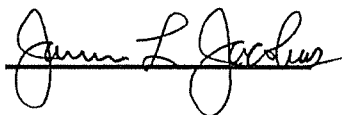
16. Termination of Contract by Customer: A customer who has fulfilled his contract terms and wishes to discontinue service must give at least three (3) days notice in writing, in person or by telephone to that effect, unless contract specifies otherwise. Notice to discontinue service prior to expiration of contract term will not relieve customer from any minimum or guaranteed payment under any contract or rate.

17. Service Charges for Temporary Service: A customer requesting electric service for a period not exceeding ninety (90) days will be required by cooperative to pay a temporary service charge equal to \$95.00 dollars to connect and to remove the service. Cooperative will meter the service and charge for the demand and the kWh that are used on the applicable rates. This rule applies to circuses, carnivals, fairs, temporary construction, temporary mobile homes and the like.

DATE OF ISSUE December 19, 2006

DATE EFFECTIVE January 19, 2007

ISSUE BY



TITLE: CHIEF EXECUTIVE OFFICER



Inter-County Energy Cooperative  
Name of Issuing Corporation

For Entire Territory Served  
PSC No. 7  
Revision #6 Sheet No. 23  
Cancelling PSC No. 7  
Revision #5 Sheet No. 23

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RULES AND REGULATIONS

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25. Meter Test: The cooperative will, at its own expense, make periodic test and inspection of its meters in order to maintain a high standard of accuracy. The cooperative will make additional tests or inspections of its meters at the request of customer. If such test shows that the meter is accurate within 2%, slow or fast, no adjustment will be made in customer's bill and the testing charge of forty (\$40) dollars per meter will be paid by customer. If the test determines the meter to be in excess of 2% slow or fast, an adjustment will be made in the customer's account in accordance with 807 KAR 5:006, Section 10, 18.

26. Normal Distribution Line Extensions: An extension of 1,000 feet or less of single phase line shall be made by the cooperative to its existing distribution line without charge for a prospective customer who shall apply for and contract to use the service for one (1) year or more and provides guarantee for such service. The "service drop" to the customer from the distribution line at the last pole shall not be included in the foregoing measurements. Extension of service to a customer who may require polyphase service may require the customer to pay in advance additional cost of construction which exceeds that for a single phase line.

When an extension of the cooperative's line to serve an applicant or group or applicants amounts to more than 1,000 feet per customer, the cooperative may, if not inconsistent with the filed tariff, require the total cost of the excessive footage over 1,000 feet per customer to be deposited with the cooperative by the applicants, based on the average estimated cost per foot of the total extension.

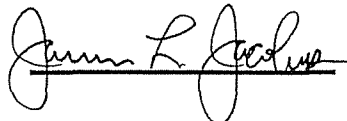
Each customer receiving service under such extension will be reimbursed under the following plan: Each year for a period of not less than ten (10) years, which for the purpose of this rule shall be the refund period, the cooperative shall refund to the customer or customers who paid for the excessive footage the cost of 1,000 feet of the extension in place for each additional customer connected during the year whose service line is directly connected to the extension installed and not to extensions or laterals there from, but in not case shall the total amount refunded

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DATE OF ISSUE December 19, 2006

DATE EFFECTIVE January 19, 2007

ISSUE BY



TITLE: CHIEF EXECUTIVE OFFICER

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. 7

REVISION #24 SHEET NO. 1

CANCELLING P.S.C. KY. NO. 7

REVISION #23 SHEET NO. 1

INTER-COUNTY ENERGY  
(Name of Utility)

CLASSIFICATION OF SERVICE

RATES FOR FARM AND HOME SERVICE SCHEDULE 1

APPLICABLE

In all territory served by the seller.

AVAILABILITY

Effective July 1, 2004, this Schedule is available to customers for all uses in the home and on the farm. All electric service is subject to the established rules and regulations of the seller. Customers served under Schedule 1 prior to July 1, 2004, shall remain on Schedule 1 and will be subject to the availability of service conditions set forth in the Tariff immediately prior to July 1, 2004.

TYPE OF SERVICE

Single phase and three phase where available, at available voltages.

MONTHLY RATE

Customer Charge	<del>\$5.55</del> per meter per month	\$ 8.00	I
First 500 kWh per month	\$0.06900 per kWh		
<del>All over 500 kWh per month</del>	\$0.06366 per kWh		

Energy Charge:  
 All kWh per month MINIMUM CHARGES \$ 0.0745 I  
 The minimum monthly charge under the above rate shall be \$5.55. \$ 8.00 ?

SPECIAL RULES

Approval of the cooperative must be obtained prior to the installation of any motor having a rated capacity of 10 HP or more.

DATE OF ISSUE December 12, 2006  
~~MAY 24, 2005~~  
 Month / Date / Year

DATE EFFECTIVE January 19, 2007  
~~JUNE 1, 2005~~  
 Month / Date / Year

ISSUED BY [Signature]  
 (Signature of Officer)

TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2004-00475 DATED MAY 24, 2005

PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 EFFECTIVE  
 6/1/2005  
 PURSUANT TO 807 KAR 5:011  
 SECTION 9 (1)

By [Signature]  
 Executive Director

2006.00 + 15      DECEMBER 12, 2006

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #7 SHEET NO. \_\_\_\_\_ 1A \_\_\_\_\_

INTER-COUNTY ENERGY  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #6 SHEET NO. \_\_\_\_\_ 1A \_\_\_\_\_

**CLASSIFICATION OF SERVICE**

**SCHEDULE 1-A FARM AND HOME MARKETING RATE (ETS)**

**AVAILABILITY OF SERVICE**

This special marketing rate is available for specific marketing programs as approved by Inter-County Energy's Board of Directors. The electric power furnished under this marketing program shall be separately metered for each point of delivery and is applicable during the below off-peak hours. This rate is available to customers already receiving service under the Schedule 1, Farm and Home Service Rate. This marketing rate applies only to programs which are expressly approved by the Kentucky Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's Wholesale Power Rate Schedule E, the second (lower) energy rate.

**MONTHS**  
May through September

**OFF PEAK HOURS - PREVAILING TIME**  
10:00 PM to 10:00 AM

October through April

12:00 Noon to 5:00 PM  
10:00 PM to 7:00 AM

**RATES**

The energy rate for this program is listed below:

All kWh ~~-\$0.03820~~ \$ 0.04467 J

**TERMS OF PAYMENT**

The customer's bill will be due the first day of each month. In the event the current monthly bill is not paid within fifteen (15) days from the issuance of the bill, ten percent (10%) shall be added to the bill.

**FUEL ADJUSTMENT CLAUSE**

All rates are applicable to the fuel adjustment clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kWh as billed by the wholesale power supplier plus an allowance for line losses. The allowance for line losses will not exceed ten percent (10%) and is based on a twelve (12) month moving average of such losses. This fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

DECEMBER 19 - 2006

DATE OF ISSUE MAY 24, 2005

Month / Date / Year

DATE EFFECTIVE JANUARY 19 - 2007

Month / Date / Year

~~JUNE 1, 2005~~

ISSUED BY Juan L. Jechus

Month / Date / Year

(Signature of Officer)

TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2004-00475 DATED MAY 24, 2005

2006.00415 DECEMBER 12.2006

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/1/2005  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By [Signature]  
Executive Director

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #24 SHEET NO. \_\_\_\_\_ 3 \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_ 7 \_\_\_\_\_

REVISION #23 SHEET NO. \_\_\_\_\_ 3 \_\_\_\_\_

INTER-COUNTY ENERGY  
(Name of Utility)

CLASSIFICATION OF SERVICE

SMALL COMMERCIAL AND SMALL POWER SCHEDULE 2

APPLICABLE

In all territory served by the seller.

AVAILABILITY

Available to customers for single phase and three-phase commercial and industrial loads whose kilowatt demand is less than 50 kW for lighting and/or heating and/or power. Effective July 1, 2004, Schedule 2 will be available to churches and community buildings. All electric service is subject to the established rules and regulations of the seller.

TYPE OF SERVICE

Single phase and three phase where available, 60 Hz at available secondary voltage.

CHARACTER OF SERVICE

The electric service furnished under this rate schedule will be 60 Hz, alternating current, single phase or three phase service, present facilities permitting, and at the following nominal voltages: single phase 120, 120/240, 480, 240/480 volts; three phase 120/240, 120/208Y, 240/480, 277/480Y volts.

MONTHLY RATE

Demand Charges in Excess of 10 kW per month \$4.02 per kW.  
Customer Charge \$5.55 per meter per month  
~~First 1,000 kWh per month \$0.07825 per kWh~~  
~~All over 1,000 kWh per month \$0.06576 per kWh~~

Energy Charge:  
All kWh per month 40.06897 T

The Customer charge is without kWh usage. All kWh usage is billed at rates set forth above.

MINIMUM MONTHLY CHARGE

The minimum monthly charge under the above rate shall be \$5.55.

DATE OF ISSUE DECEMBER 17, 2006  
MAY 24, 2005  
Month / Date / Year  
DATE EFFECTIVE JANUARY 19, 2006  
JUNE 1, 2005  
Month / Date / Year  
ISSUED BY James L. Jacobs  
(Signature of Officer)  
TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2004-00475 DATED MAY 24, 2005  
2006-00415 DECEMBER 12-2006

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/1/2005  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By [Signature]  
Executive Director

FOR ENTIRE TERRITORY SERVED

Community, Town or City

P.S.C. KY. NO. 7

REVISION #11 SHEET NO. 30

CANCELLING P.S.C. KY. NO. 7

REVISION #10 SHEET NO. 30

INTER-COUNTY ENERGY

(Name of Utility)

CLASSIFICATION OF SERVICE

LARGE INDUSTRIAL RATE SCHEDULE IND B1

APPLICABLE

Applicable to contracts with demands of 500 to 4,999 kW with a monthly energy usage equal to or greater than 400 hours per kW of billing demand.

	<u>MONTHLY RATE</u>
CUSTOMER CHARGE	\$535.00
DEMAND CHARGE	\$5.39 per kW of Contract Demand
EXCESS DEMAND CHARGE	\$7.82 per kW of Excess of Contract Demand
ENERGY CHARGE	<del>-\$0.03532</del> per kWh <b>\$ 0 . 0 3 6 4 8 I</b>

BILLING DEMAND

The billing demand (Kilowatt Demand) shall be the contract demand plus any excess demand. Excess demand occurs when the ultimate customer's highest demand during the current month coincident with EKPC's system peak (coincident peak), exceeds the contract demand. EKPC's system the peak demand is highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein.

MONTHS

October through April

May through September

HOURS APPLICABLE FOR

DEMAND BILLING - EST

7:00 AM to 12:00 Noon

5:00 PM to 10:00 PM

10:00 AM to 10:00 PM

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

(a) The product of the contract demand multiplied by the respective demand charges, plus

DATE OF ISSUE DECEMBER 14, 2006  
MAY 24, 2005  
Month / Date / Year

DATE EFFECTIVE JANUARY 19, 2007  
JUNE 1, 2005  
Month / Date / Year

ISSUED BY *James L. Gardner*  
(Signature of Officer)

TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2006-00415 DATED DECEMBER 12, 2006  
2004-00475 MAY 24, 2005

PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 EFFECTIVE  
 6/1/2005  
 PURSUANT TO 807 KAR 5:011  
 SECTION 9 (1)

By *[Signature]*  
 Executive Director

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. 7

REVISION #24 SHEET NO. 10

CANCELLING P.S.C. KY. NO. 7

REVISION #23 SHEET NO. 10

INTER-COUNTY ENERGY  
(Name of Utility)

**CLASSIFICATION OF SERVICE**

**OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS SCHEDULE 6**

**AVAILABILITY**

Available to all customers of the cooperative for dusk to dawn outdoor lighting in close proximity to the existing overhead and underground 120/240 volt secondary voltage.

**RATE PER LIGHT PER MONTH**

107,800 Lumen Directional Floodlight	\$22.95 per lamp per month	\$ 31.28	J
50,000 Lumen Directional Floodlight	\$12.48 per lamp per month	\$ 17.01	I
27,500 Lumen Directional Floodlight	\$8.92 per lamp per month	\$ 12.16	I
27,500 Lumen Cobra Head	\$8.31 per lamp per month	\$ 11.33	I
9,500 Lumen Security Light	\$6.68 per lamp per month (N)	\$ 9.10	I
7,000 Lumen Security Light	\$6.66 per lamp per month	\$ 9.03	I
4,000 Lumen Decorative Colonial Post	\$8.46 per lamp per month	\$ 11.53	I
9,550 Lumen Decorative Colonial Post	\$10.89 per lamp per month (N)	\$ 14.24	J

**FUEL ADJUSTMENT CLAUSE**

All rates are applicable to the fuel adjustment clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kWh as billed by the wholesale power supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This fuel clause is subject to all other applicable provisions as set forth in 807 KAR 5:056.

Estimated kWh consumptions are as follows:

107,800 Lumen Light	-	360 kWh per month
50,000 Lumen Light	-	159 kWh per month
27,500 Lumen Light	-	87 kWh per month
9,500 Lumen Light	-	39.3 kWh per month (N)
7,000 Lumen Light	-	77 kWh per month
4,000 Lumen Light	-	20 kWh per month
9,550 Lumen Light	-	38.3 kWh per month (N)

DATE OF ISSUE DECEMBER 19, 2006  
Month / Date / Year  
~~May 1, 2006~~

DATE EFFECTIVE JANUARY 19, 2007  
Month / Date / Year  
~~May 1, 2006~~

ISSUED BY *James L. Jacobus*  
(Signature of Officer)

TITLE PRESIDENT/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2006-00415 DATED DECEMBER 12, 2006

PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 EFFECTIVE  
 5/1/2006  
 PURSUANT TO 807 KAR 5:011  
 SECTION 9 (1)

By *[Signature]*  
 Executive Director

For Entire Territory Served

PSC No. 7

Revision ~~#5~~ #6 Sheet No. 20

Inter-County RECC

Name of Issuing Corporation

Canceling PSC No. 7

Revision ~~#4~~ #5 Sheet No. 20

RULES AND REGULATIONS

the office of the cooperative within ten (10) days from the date of the bill. Failure to receive a bill will not release the customer from the payment obligation. Customer may be disconnected for failure to pay or make acceptable payment arrangements upon ten (10) days written notice of the cooperative's intent to disconnect. However, in no case will the customer be disconnected in fewer than twenty-seven (27) days after the mailing date of the original bill.

Should the cooperative travel to the site of the service for the purpose of disconnecting the service for non-payment after proper notice, a trip charge of ~~\$22.00~~ <sup>30.00</sup> will be assessed the account, provided that the service is actually disconnected or payment of the arrearage is made by the customer in order to avoid disconnection. The utility will make a field collection charge only once in any billing period.

I

In the event the service is disconnected and the cooperative is required to travel to the site of the service for the purpose of restoring the service, a ~~\$22.00~~ <sup>30.00</sup> trip fee will be assessed to the account, provided the reconnection trip is made during regular working hours. Should reconnection be requested at times other than regular working hours, the reconnect trip fee will be ~~\$50.00~~ <sup>65.00</sup>.

I

65.00 I

A service fee of ~~\$10.00~~ <sup>25.00</sup> will be charged for each returned check.

12. Meter Reading: Each customer receiving service will be required to supply the cooperative with the reading of each meter in his name until such time that the cooperative no longer requires a reading from the member. The meter shall be read on the first day of each month and the reading returned to the cooperative's office prior to the 10th of each month. Upon failure by the customer to supply the cooperative with such meter readings for three (3) consecutive months, the cooperative will read the customer's meter and a service charge of ~~\$10.00~~ <sup>30.00</sup> will be made to the customer's account for the extra service rendered.

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13. Failure of Meter to Register: In the event a customer's meter should fail to register, the customer shall be billed from the date of such failure at the average consumption of the customer, based on like months.

14. Discontinuance of Service by Cooperative: The cooperative refuse or discontinue service to any customer, after proper notice for failure to comply with its rules and regulations or state and municipal rules and regulations, when a customer refuses or

PUBLIC SERVICE COMMISSION OF KENTUCKY  
EFFECTIVE

DATE OF ISSUE JANUARY 30, 1996  
Month, Day Year

DATE EFFECTIVE 2/1/96  
Month Day Year

FEB 29 1996  
1-19-2007

ISSUED BY Leo Hill

TITLE CHIEF EXECUTIVE OFFICER  
PURSUANT TO 807 KAR 5011, SECTION 9(1)

BY: Jordan C. Neel  
FOR THE PUBLIC SERVICE COMMISSION

For Entire Territory Served

PSC No. 7

Revision ~~#5~~<sup>#6</sup> Sheet No. 21

Inter-County RECC

Name of Issuing Corporation Canceling PSC No. 7

Revision ~~#4~~<sup>#5</sup> Sheet No. 21

RULES AND REGULATIONS

neglects to provide reasonable access to the premises, for fraudulent or illegal use of service, or for nonpayment of bills. When a dangerous condition is found to exist on the customer's premises, service shall be cut off without notice or refused. If discontinuance is for nonpayment of bills, the customer shall be given at least ten (10) days written notice, separate from the original bill, and cut off shall be effected not less than 27 days after the mailing of original bill unless prior to discontinuance, a residential customer presents to the cooperative a written certificate, signed by a physician, registered nurse or public health office, that such discontinuance will aggravate an existing illness or infirmity on the affected premises, in which case discontinuance may be effected not less than thirty (30) days from the date the cooperative notifies the customer, in writing, of state and federal programs which may be available to aid in payment of bills and the office to contact for such possible assistance. All such disconnects will be made in accordance with 807 KAR 5:006, Section 14.

15. Reconnect Charge: When service has been discontinued by cooperative, for a period of twelve (12) months or less for any reason, a charge of ~~\$22.00~~<sup>\$30.00</sup> dollars may be collected by cooperative before service is restored during regular working hours. Should the above mentioned service be required at times other than regular working hours, this charge will be fifty (~~\$50~~<sup>\$75.00</sup>) dollars.

16. Termination of Contract by Customer: A customer who has fulfilled his contract terms and wishes to discontinue service must give at least three (3) days notice in writing, in person or by telephone to that effect, unless contract specifies otherwise. Notice to discontinue service prior to expiration of contract term will not relieve customer from any minimum or guaranteed payment under any contract or rate.

17. Service Charges for Temporary Service: A customer requesting electric service for a period not exceeding ninety (90) day will be required by cooperative to pay ~~all costs for connection and disconnection incidental to the supplying and removing of service.~~ Cooperative will meter the service and charge for the demand and the kWh that are used on the applicable rates. This rule applies to circuses, carnivals, fairs, temporary construction, temporary mobile homes and the like. *a temporary service charge equal to \$95.00 dollars to connect and to remove the*

DATE OF ISSUE JANUARY 30, 1996

DATE EFFECTIVE FEB 29 1996

Month Day Year

Month Day Year

ISSUED BY Leo Hill

TITLE CHIEF EXECUTIVE OFFICER PURSUANT TO 807 KAR 5:011, SECTION 9(1)

BY: Jordan C. Paul  
FOR THE PUBLIC SERVICE COMMISSION

2007  
1-19-2007



For Entire Territory Served

PSC No. 7

Revision ~~#5#6~~ Sheet No. 23

Inter-County RECC

Name of Issuing Corporation Canceling PSC No. 7

Revision ~~#4#5~~ Sheet No. 23

RULES AND REGULATIONS

25. Meter Test: The cooperative will, at its own expense, make periodic test and inspection of its meters in order to maintain a high standard of accuracy. The cooperative will make additional tests or inspections of its meters at the request of customer. If such test shows that the meter is accurate within 2%, slow or fast, no adjustment will be made in customer's bill and the testing charge of ten ~~(\$10)~~<sup>40.00</sup> dollars per meter will be paid by customer. If the test determines the meter to be in excess of 2% slow or fast an adjustment will be made in the customer's account in accordance with 807 KAR 5:006, Section 10, 18.

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26. Normal Distribution Line Extensions: An extension of 1,000 feet or less of single phase line shall be made by the cooperative to its existing distribution line without charge for a prospective customer who shall apply for and contract to use the service for one (1) year or more and provides guarantee for such service. The "service drop" to the customer from the distribution line at the last pole shall not be included in the foregoing measurements. Extension of service to a customer who may require polyphase service may require the customer to pay in advance additional cost of construction which exceeds that for a single phase line.

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(C)

When an extension of the cooperative's line to serve an applicant or group of applicants amounts to more than 1,000 feet per customer, the cooperative may, if not inconsistent with its filed tariff, require the total cost of the excessive footage over 1,000 feet per customer to be deposited with the cooperative by the applicants, based on the average estimated cost per foot of the total extension.

Each customer receiving service under such extension will be reimbursed under the following plan: Each year for a period of not less than ten (10) years, which for the purpose of this rule shall be the refund period, the cooperative shall refund to the customer or customers who paid for the excessive footage the cost of 1,000 feet of the extension in place for each additional customer connected during the year whose service line is directly connected to the extension installed and not to extensions or laterals therefrom, but in no case shall the total amount refunded

DATE OF ISSUE ~~JANUARY 30, 1996~~

DATE EFFECTIVE ~~2/1/96~~

1-19-2004

ISSUED BY Leo Hill

TITLE CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
OFFICER

FEB 29 1996

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)

BY: Jordan C. Hill  
FOR THE PUBLIC SERVICE COMMISSION

Inter County Energy Cooperative  
Case No. 2006-00415  
**Existing and Proposed Rates and Charges**  
July 31, 2006

Exhibit C  
page 1 of 2  
Witness: Alan Zumstein

	<u>Rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Difference</u>
8	<b><u>Schedule 1, Farm and Home</u></b>			
9	Customer charge	\$5.55	\$8.00	\$2.45
10	First 500 kwh per month	\$0.06900	\$0.07445	\$0.00545
11	All over 500 kwh per month	\$0.06366	\$0.07445	\$0.01079
12				
13	Energy charge per ETS	\$0.03820	\$0.04467	\$0.00647
14				
15	<b><u>Schedule 2, Small Commercial and Small Power</u></b>			
16	Customer charge	\$5.55	\$5.55	\$0.00
17	Demand charge	\$4.02	\$4.02	\$0.00
18	First 1,000 kwh per month	\$0.07825	\$0.06897	(\$0.00928)
19	All over 1,000 kwh per month	\$0.06576	\$0.06897	\$0.00321
20				
21	<b><u>Schedule 4, Large Power Rate</u></b>			
22	Customer charge	\$11.10	\$11.10	\$0.00
23	Demand charge	\$4.02	\$4.02	\$0.00
24	Energy charge	\$0.05655	\$0.05655	\$0.00000
25				
26	<b><u>Schedule 5, All Electric Schools</u></b>			
27	Customer charge	\$0.00	\$0.00	\$0.00
28	Energy charge	\$0.05884	\$0.05884	\$0.00000
29				
30	<b><u>Schedule Ind B1, Large Industrial Rate</u></b>			
31	Metering charge	\$535.00	\$535.00	\$0.00
32	Demand charge			
33	Contract demand	\$5.39	\$5.39	\$0.00
34	Excess demand	\$7.82	\$7.82	\$0.00
35	Interruptible discount	(\$3.15)	(\$3.15)	\$0.00
36	Energy charge	\$0.03532	\$0.03648	\$0.00116

3 Existing and Proposed Rates and Charges

Witness: Alan Zumstein

4 July 31, 2006

5  
6 Rates Present Proposed Difference

7  
8 **Schedule Ind C1, Large Industrial Rate**

9 Metering charge \$535.00 \$535.00 \$0.00

10 Demand charge \$5.39 \$5.39 \$0.00

11 Energy charge \$0.03565 \$0.03565 \$0.00000

12  
13 **Schedule 6, Outdoor Lighting Service-Security Lights**

14 107,800 Lumen Directional Floodligh \$22.95 \$31.28 \$8.33

15 50,000 Lumen Directional Floodligh \$12.48 \$17.01 \$4.53

16 27,500 Lumen Directional Floodligh \$8.92 \$12.16 \$3.24

17 27,500 Lumen Cobra Head \$8.31 \$11.33 \$3.02

18 9,500 Lumen Security Light \$6.68 \$9.10 \$2.42

19 7,000 Lumen Security Light \$6.66 \$9.08 \$2.42

20 4,000 Lumen Decorative Colonial \$8.46 \$11.53 \$3.07

21 9,550 Lumen Decorative Colonial \$10.89 \$14.84 \$3.95


The present and proposed rate structure of Inter County Energy Cooperative are listed below:

<u>Rate Class</u>	<u>Rates</u>	
	<u>Present</u>	<u>Proposed</u>
<b>Schedule 1 and 1-A</b>		
Customer charge	\$5.55	\$8.00
All kwh per month	-	\$0.07445
First 500 kwh per month	\$0.06900	-
All over 500 kwh per month	\$0.06366	-
Energy charge per ETS	\$0.03820	\$0.04467
<b>Schedule 2</b>		
Customer charge	\$5.55	\$5.55
Demand charge	\$4.02	\$4.02
All kwh per month	-	\$0.06897
First 1,000 kwh per month	\$0.07825	-
All over 1,000 kwh per month	\$0.06576	-
<b>Schedule 4</b>		
Customer charge	\$11.10	\$11.10
Demand charge	\$4.02	\$4.02
Energy charge	\$0.05655	\$0.05655
<b>Schedule 5</b>		
Customer charge	\$0.00	\$0.00
Energy charge	\$0.05884	\$0.05884
<b>Schedule B1</b>		
Customer charge	\$535.00	\$535.00
Demand charge		
Contract demand	\$5.39	\$5.39
Excess demand	\$7.82	\$7.82
Interruptible discount	(\$3.15)	(\$3.15)
Energy charge	\$0.03532	\$0.03648
<b>Schedule C1</b>		
Customer charge	\$535.00	\$535.00
Demand charge	\$5.39	\$5.39
Energy charge	\$0.03565	\$0.03565
<b>Schedule OL</b>		
107,800 Lumen Directional Floodlight	\$22.95	\$31.28
50,000 Lumen Directional Floodlight	\$12.48	\$17.01
27,500 Lumen Directional Floodlight	\$8.92	\$12.16
27,500 Lumen Cobra Head	\$8.31	\$11.33
9,500 Lumen Security Light	\$6.68	\$9.10
7,000 Lumen Security Light	\$6.66	\$9.08
4,000 Lumen Decorative Colonial Post	\$8.46	\$11.53
9,550 Lumen Decorative Colonial Post	\$10.89	\$14.84
<b>Non Recurring Charges</b>		
Return check	\$10.00	\$25.00
Meter reading	\$10.00	\$30.00
Collection	\$22.00	\$30.00
Reconnect	\$22.00	\$30.00
Meter test	\$10.00	\$40.00
Temporary service	\$60.00	\$95.00
Overtime	\$50.00	\$65.00

The effect of the proposed rates on the average monthly bill by rate class are listed below:

<u>Rate Class</u>	<u>Increase</u>	
	<u>Dollar</u>	<u>Percent</u>
<b>Schedule 1</b>		
Farm and Home	\$13.21	15%
<b>Schedule 2</b>		
Small Commercial and Small Power	(\$0.00)	-0%
<b>Schedule 4</b>		
Large Power Rate	\$0.00	0%
<b>Schedule 5</b>		
All Electric Schools	\$0.00	0%
<b>Schedule Ind B1</b>		
Large Industrial Rate	\$438.46	2%
<b>Schedule Ind C1</b>		
Large Industrial Rate	\$0.00	0%
<b>Schedule 6</b>		
Outdoor Lighting Service	\$2.52	36%
<b>Non Recurring Charges</b>		
Return check	\$15	150%
Meter reading	\$20	200%
Collection	\$8	36%
Reconnect	\$8	36%
Meter test	\$30	300%
Temporary service	\$35	58%
Overtime	\$15	30%

  
INTER COUNTY  
ENERGY COOPERATIVE

A Touchstone Energy Cooperative 

September 18, 2006

Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602

Dear Ms. O'Donnell:

This is to advise, in accordance with the Commission's Administrative Regulation 807 KAR 5:001, Section 11(2), that on or about November 15, 2006, Inter County Energy Cooperative (hereafter Inter County Energy) intends to file an application for an increase in its retail rates based on a historical test year ending July 31, 2006.

If there are any questions concerning this matter, please contact me at your convenience.

Respectfully submitted,

James L. Jacobus, President & CEO

copy to:

Attorney General  
Utility Intervention and Rate Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601



Ernie Fletcher  
Governor

Mark David Goss  
Chairman

LaJuana S. Wilcher, Secretary  
Environmental and Public  
Protection Cabinet

Commonwealth of Kentucky  
Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Teresa J. Hill  
Vice Chairman

Christopher L. Lilly  
Commissioner  
Department of Public Protection

September 21, 2006

INTER-COUNTY ENERGY  
RECEIVED

SEP 22 2006

OFFICE OF PRESIDENT / CEO

James L. Jacobus  
President/CEO  
Inter-County Energy Cooperative Corporation  
1009 Hustonville Road  
P. O. Box 87  
Danville, KY 40423-0087

RE: Case No 2006-00415  
Inter-County Energy Cooperative Corporation  
(General Rates)  
Notice of intent to file rate application

This letter is to acknowledge receipt of notice of intent to file an application in the above case. The notice was date-stamped received September 21, 2006 and has been assigned Case No 2006-00415. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

Beth O'Donnell  
Executive Director

BOD/sh

INTER-COUNTY ENERGY  
COOPERATIVE CORPORATION

"A RESOLUTION OF THE BOARD OF DIRECTORS OF INTER-COUNTY  
ENERGY COOPERATIVE CORPORATION AUTHORIZING AND  
DIRECTING ITS PRESIDENT/CEO TO FILE WITH THE KENTUCKY  
PUBLIC SERVICE COMMISSION FOR A RATE INCREASE OF  
APPROXIMATELY \$3,991,675."

**WHEREAS,** Inter-County Energy Cooperative Corporation  
(Inter-County Energy) has applied for a general  
rate increase in 1986; and

**WHEREAS,** since the last application for a rate increase,  
approximately twenty (20) years ago, various  
expenses of Inter-County Energy have increased  
substantially; and

**WHEREAS,** to provide its members with a reliable source of  
power it is the opinion of the Board of Directors  
of Inter-County Energy that a rate increase is  
necessary to maintain Inter-County Energy in a  
sound financial condition; and

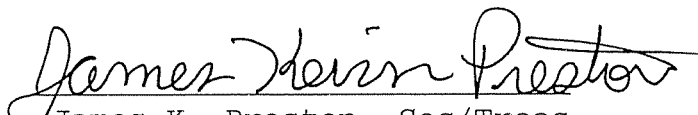
**WHEREAS,** the Board of Directors of Inter-County Energy  
hereby authorizes and directs its President/CEO,  
James L. Jacobus, to file with the Kentucky  
Public Service Commission for a rate increase in  
the amount of approximately \$3,991,675;

**BE IT THEREFORE RESOLVED** that this resolution was  
properly authorized and adopted on behalf of  
Inter-County Energy by the Board of Directors  
during the regular monthly Board of Directors  
meeting held November 17, 2006.

Corporate Seal

  
\_\_\_\_\_  
Paul G. Ballard, Chairman

ATTEST:

  
\_\_\_\_\_  
James K. Preston, Sec/Treas



Inter County Energy Cooperative  
Case No. 2006-00415  
**Revenue Analysis**  
July 31, 2006

Rate Schedule	Kwh Usage	Test Year Revenue	Normalized			Proposed Revenue	Percent of Total	Increase Amount	Percent
			Percent of Total	Case No. 2004-00475 Revenue	Percent of Total				
Schedule 1, Farm and Home	349,877,820	\$24,579,669	82%	\$24,579,669	82%	\$28,297,628	83%	\$3,717,959	15.1%
Schedule 1-A, ETS	735,167	28,083	0%	28,083	0%	32,840	0%	4,757	16.9%
Schedule 2, Small Power	6,745,368	543,780	2%	543,780	2%	543,776	2%	(4)	-0.0%
Schedule 4, Large Power Rate	22,976,319	1,680,337	6%	1,680,337	6%	1,680,337	5%	0	0.0%
Schedule 5, All Electric Schools	3,394,068	199,742	1%	199,742	1%	199,742	1%	0	0.0%
Schedule B1, Large Industrial Rate	28,726,609	1,360,910	5%	1,360,910	5%	1,394,233	4%	33,323	2.4%
Schedule C1, Large Industrial Rate	19,210,422	875,922	3%	875,922	3%	875,922	3%	0	0.0%
Schedule 6, Outdoor Lighting service	7,285,328	645,960	2%	645,960	2%	880,379	3%	234,419	36.3%
Envirowatts	58,800	1,620	0%	1,620	0%	1,620	0%	0	0.0%
Rounding differences						1,222		1,222	
Total from base rates	<u>439,009,901</u>	<u>29,916,024</u>	100%	<u>\$29,916,024</u>	100%	<u>\$33,907,699</u>	100%	<u>\$3,991,675</u>	13.3%
Fuel		3,622,483							
Environmental surcharge		<u>1,990,551</u>							
Total revenue from billings		<u>35,529,058</u>						<u>\$3,991,675</u>	

All revenues were normalized using rates that went into effect in connection with a flow through of East Kentucky Power Cooperative's increase in rates in EKPC Case No. 2004-00467 and Inter County Energy's flow through Case No. 2004-00482, effective June 1, 2005.

The proposed rate increase was allocated based on the Cost of Service Study (COSS) that is included as Exhibit R to this Application. The increase has been further allocated to rate schedules as follows:

**Schedule 1, Farm and Home**

The Customer Charge was increase from \$5.55 to \$8.00, with the reamaining increase assigned to the Energy Charge. The step rate for the first 500 kwh per month was eliminated. Inter County Energy proposes to have one flat rate for all kwh usage.

The COSS resulted in justification for a larger increase in the Customer Charge, however, Inter County Energy elected to keep the increase in the Customer Charge more gradual than what was reflected in the COSS.

**Schedule 2, Small Commercial and Small Power**

The step rate for the first 1,000 kwh per month was eliminated. The new rate is revenue neutral for this rate class.

**Schedule Ind B1, Large Industrial Rate**

The entire increase was assigned to the Energy Charge.

**OL, STL and DSTL, All Lighting**

All increases were based on the COSS.

All Customer Charges were established in Inter County Energy's last general rate increase, Case No. 9486, dated July 28, 1986. These charges were ordered by the Kentucky Commission based on the Cost of Service Study filed with that general rate increase. A copy of that study is on file in that Case, noted by reference.

Inter County Energy does not have monthly peak demands for rate schedules, only the amount of KW billed to each consumer.

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

In the Matter of:

ADJUSTMENT OF RATES OF  
INTER-COUNTY ENERGY  
COOPERATIVE CORPORATION

CASE NO. 2006-00415


**PREPARED TESTIMONY OF JAMES L. JACOBUS**

- Q1. Would you please state your name and business address?
- A1. James L. Jacobus, Post Office Box 87, Danville, Kentucky 40423-0087
- Q2. What is your occupation?
- A2. President/CEO of Inter-County Energy Cooperative Corporation (Inter-County Energy)
- Q3. How long have you been in your present position?
- A3. Approximately 7 ½ years.
- Q4. What is your professional background?
- A4. I obtained both a Bachelor Degree in Agriculture and Master Degree in Education from the University of Kentucky. I served as an instructor for Vocational Agricultural at Garrard County High School from 1978-1983. After a short private business venture for 2 years, I began my electric utility career in 1985 with the Kentucky Utilities Company as a Customer Services and Marketing Advisor.
- In April 1991, I took a Vice-President of Member Services and Marketing position with Inter-County Energy and was named the Cooperative's President/CEO on May 1, 1999. Of my 21 years of electric utility experience, the last 15 years have been at Inter-County Energy. I am also a graduate of the NRECA Management Internship Program held at the University of Nebraska in Lincoln, Nebraska and the NRECA CEO Leadership Laboratory held at the University of Wisconsin in Madison, Wisconsin.
- Q5. Mr. Jacobus, are you familiar with the contents of the Notice Application of Inter-County Energy which has been filed with this Commission to commence this Case?
- A5. Yes.

- Q6. Please state whether the statements of facts contained in the Notice are true.
- A6. Yes. To the best of my knowledge and belief, the statements of facts contained in this application are true.
- Q7. Mr. Jacobus, are you familiar with the exhibits which are filed with and form a part of the Notice Application of this Case?
- A7. Yes. I worked with Alan Zumstein, CPA, Jim Adkins and with Vickie Lay, Inter-County Energy's Vice President, Finance & Accounting in the preparation of these exhibits, and I am familiar with them. And in my opinion, the factual material contained in these is correct.
- Q8. When was the last General Rate Application filed by Inter-County Energy?
- A8. Inter-County Energy's last general rate increase was an Order with this Commission on July 28, 1986 in Case No. 9436.
- Q9. What is the purpose of this Notice Application of Inter-County Energy to this Commission?
- A9. To seek an increase in its rates in an amount necessary to obtain a TIER of 2.0.
- Q10. What considerations were given to increase the rates and charges of Inter-County Energy?
- A10. The joint mortgage agreements require that Inter-County Energy attain a TIER ratio of 1.25, based on an average of two of the three most current years. The TIER for the Test Year, excluding G & T Capital Credits was 0.46. TIER has decreased consistently from 2.19 in 2001 to 0.51 in 2005. The TIER giving effect to Test Year adjustments without an increase in revenues would result in a TIER of only 0.46.
- Q11. What is the Test Year used by Inter-County Energy for its financial data compiled to the Commission in this Case?
- A11. The twelve months ended July 31, 2006 was selected as the Test Year. The Management and Board of Directors of Inter-County Energy review the operations and TIER on a monthly basis. Noting the steady decline in margins and TIER, the Board of Directors authorized an Application be prepared to increase rates and charges sufficient to obtain a TIER of 2.0.
- Q12. Do the proposed increase in rates for Inter-County Energy in this Application provide for a fair and equitable allocation for the increase?
- A12. Total revenue was increased by 12.9 percent, based on normalized revenues. Inter-County Energy performed a Cost of Service Study with the assistance of Jim Adkins and designed the rate increase based on those results.


- Q13. In your opinion, are the proposed rates requested in this Application by Inter-County Energy necessary to maintain the financial integrity of the Cooperative?
- A13. Yes. To enable Inter-County Energy to maintain its financial integrity, it is necessary that it be permitted to increase its rates as proposed in this Application.
- Q14. Does this conclude your testimony in this Case?
- A14. Yes, it does.

Affiant, **JAMES L. JACOBUS**, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
**JAMES L. JACOBUS**

Subscribed and sworn to before me by the affiant, **JAMES L. JACOBUS**, this 18<sup>th</sup> day of December, 2006.

My Commission Expires July 15, 2009.

  
\_\_\_\_\_  
Notary Public, State of Kentucky At Large

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Adjustment of Rates of  
Inter County Energy  
Cooperative Corporation

CASE NO. 2006-00415

**PREPARED TESTIMONY OF VICKIE LAY**

- Q1. Would you please state your name, business address and title?
- A1. Vickie Lay, 1009 Hustonville Road, Danville, Kentucky 40422 and the VP, Finance and Accounting.
- Q2. How long have you been employed by Inter County Energy?
- A2. I have been employed by Inter county Energy for approximately 30 years.
- Q3. What is your educational background?
- A3. B.B.A. from Eastern Kentucky University with a major in Business Administration.
- Q4. Did you prepare or assist in the preparation of the financial exhibits for Inter County Energy in this Notice Application?
- A4. Yes.
- Q5. What considerations were given to increase the rates and charges of Inter County Energy.
- A5. The mortgage agreements require that Inter County Energy maintain a TIER of above 1.25 based on an average of two of the three most current years. The TIER for the Test Year of July 31, 2006, was 0.37. TIER has decreased consistently from a TIER of 1.87 in 2002. The TIER giving effect to adjustments without an increase in revenues, as reflected in Exhibit S, page 2 of 4, would result in a TIER of only 0.40 for the Test Year.
- Q6. Would you briefly describe the procedures used to arrive at the proposed increase in rates and charges.

- A6. Based on a review of Inter County Energy's trend toward declining margins and the need for continued investment growth, it was determined that Inter County Energy should seek a rate increase. The twelve months ended July 31, 2006 was selected as the test year. Revenues and expenses were normalized for known and measurable events. Inter County Energy determines that it would need a revenue increase of \$3,991,675 or approximately 15% to provide a 2.0x TIER.
- Q7. How was the proposed increase in revenues of \$3,991,675 allocated to rates?
- A7. Inter County Energy and James Adkins have prepared a Cost of Service Study and based its rate design on this study.
- Q8. Why was a TIER of 2.0x requested?
- A8. The financial condition of Inter County Energy has deteriorated substantially since 2002. In order to continue to meet debt service obligations, operating costs and maintain the minimum joint mortgage agreement requirements, it is necessary to request a TIER of 2.0x in this Application.
- Q9. In your opinion, are the adjusted rates requested in this Case by Inter County Energy necessary to maintain the financial integrity of the Cooperative?
- A9. The financial exhibits as shown in the application conclusively indicate the adjusted rates arising out of the Application for Rate Adjustment are necessary to prevent problems of a deteriorating financial position.
- Q10. Does this conclude your testimony in this case?
- A10. Yes, it does.

Affiant, VICKIE LAY, states that the answers given by her to the foregoing questions are true and correct to the best of her knowledge and belief.

  
VICKIE LAY

Subscribed and sworn to before me by the affiant, VICKIE LAY, this 18<sup>th</sup> day of December, 2006.

My Commission expires July 15, 2009.

  
Notary Public, State of Kentucky at Large

1 COMMONWEALTH OF KENTUCKY

2  
3 BEFORE THE PUBLIC SERVICE COMMISSION  
4

5  
6 In the Matter of:

7  
8 Adjustment of Rates of ) CASE NO.  
9 Inter County Energy ) 2006-00415  
10 Cooperative Corporation )  
11

12  
13 PREPARED TESTIMONY OF ALAN M. ZUMSTEIN  
14

15 Q1. Would you please state your name, residence and occupation.

16  
17 A1. Alan M. Zumstein, Lexington, Kentucky. I am a self-employed Certified  
18 Public Accountant. My address is 1032 Chetford Drive, Lexington, Kentucky  
19 40509.  
20

21 Q2. How long have you been practicing your profession?

22  
23 A2. I have been self-employed for approximately twenty-two years. Prior to that,  
24 I was employed by a local CPA firm for approximately six years.  
25

26 Q3. Are you familiar with accounting work and accounting procedures for rural  
27 electric cooperatives.  
28

29 A3. Yes. I have had much prior experience in electric cooperative accounting  
30 and have done accounting work in the preparation of rate cases for electric  
31 cooperatives for presentation to the Public Service Commission.  
32

33 Q4. Have you appeared before the Kentucky Public Service Commission and  
34 given testimony in electric cooperative cases?  
35

36 A4. Yes, I have.  
37

38 Q5. Did you prepare or assist in the preparation of the financial exhibits for Inter  
39 County Energy filed with its Notice Application in this case?  
40

41 A5. Yes.  
42

43 Q6. What considerations were given to increase the rates and charges of Inter  
44 County Energy.  
45



1 A6. The mortgage agreements require that Inter County Energy maintain a  
2 TIER of above 1.25 based on an average of two of the three most current  
3 years. The TIER for the Test Year of July 31, 2006, was 0.37. TIER  
4 has decreased consistently from a TIER of 1.87 in 2002. The TIER giving  
5 effect to adjustments without an increase in revenues, as reflected in Exhibit S,  
6 page 2 of 4, would result in a TIER of only 0.40 for the Test Year.

7  
8 Q7. Would you briefly describe the procedures used to arrive at the proposed  
9 increase in rates and charges.

10  
11 A7. A twelve months rolling TIER was reviewed by Inter County Energy, and  
12 giving effect to the steady decline in the TIER, it was determined that an  
13 application for increase in rates should be filed with the Public Service  
14 Commission. The twelve months ended July 31, 2006 was selected as  
15 as Test Year.

16  
17 All revenues were normalized using rates that went into effect in connection  
18 with a flow through of East Kentucky Power Cooperative's increase in rates  
19 effective May 24, 2005.

20  
21 Other expenses were normalized using rates and known changes, and adjusted  
22 as if they were in effect for the entire Test Year.

23  
24 The revenue proposed of \$3,991,675, or 13% increase, would provide for a  
25 TIER of 2.0.

26  
27 Q8. How was the proposed increase in revenues of \$3,991,675 allocated to rates?  
28

29 A8. Inter County Energy and James Adkins have prepared a Cost of Service  
30 Study and based its rate design on this study.

31  
32 Q9. Why was a TIER of 2.0 requested?  
33

34 A9. The financial condition of Inter County Energy has deteriorated substantially  
35 since 2002. In order to continue to meet debt service obligations, operating  
36 costs and maintain the minimum joint mortgage agreement requirements, it is  
37 necessary to request a TIER of 2.0 in this Application.  
38

39 Q10. In your opinion, are the adjusted rates requested in this Case by Inter County  
40 Energy necessary to maintain the financial integrity of the Cooperative?

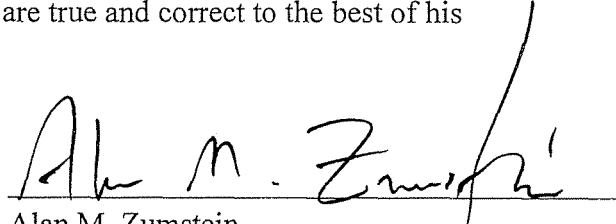
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A10. The financial exhibits as shown in the application conclusively indicate the adjusted rates arising out of the Application for Rate Adjustment are necessary to prevent problems of a deteriorating financial position.

Q11. Does this conclude your testimony in this case?

A11. Yes, it does.

Affiant, ALAN M. ZUMSTEIN, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

  
Alan M. Zumstein

Subscribed and sworn to before me by the affiant, ALAN M. ZUMSTEIN, this 8<sup>th</sup> day of December, 2006.

My Commission expires Sept. 2007.

  
Notary Public, State of Kentucky at Large

1  
2 COMMONWEALTH OF KENTUCKY  
3 BEFORE THE PUBLIC SERVICE COMMISSION

4 In the Matter of

5  
6 Adjustment of Rates of ) CASE NO  
7 Inter-County Energy ) 2006-00415  
8 Cooperative Corporation )  
9

10  
11 PREPARED TESTIMONY OF JAMES R. ADKINS  
12

13  
14 1 Q. Please state your name, your business address and job position?

15  
16 A My name is James R. Adkins. My business address is 1041 Chasewood  
17 Way, Lexington, KY 40513-1731. I am self-employed providing services  
18 to electric cooperatives in the areas of rates, rate design, cost of service  
19 studies, regulatory affairs, financial forecasting and other services.  
20

21 2 Q. What is your education background and business experience?

22  
23 A I am a graduate of the University of Kentucky with a Bachelors Degree in  
24 Commerce with a major in banking and finance granted in 1971 and a Masters  
25 of Science Degree in Accounting granted in 1976. My business experience for  
26 the last twenty-eight years has been with the electric utility industry and primarily  
27 with the rural electric cooperatives. I spent almost twenty-five years with East  
28 Kentucky Power Cooperative, Inc. ("EKPC") dealing with rates, regulatory affairs,  
29 cost of service studies, and helping its member distribution systems with their  
30 rate matters. I took an early retirement from EKPC in early 2002 due to health  
31 reasons. Since then I spent time providing consulting services to electric  
32 cooperatives and others. I was member of the Prime Group from early 2002  
33 through the first quarter of 2003 providing assistance in the rate area to  
34 cooperatives in this area of the country. I have been self-employed since  
35 the first quarter of 2003.  
36

37 3 Q. Have you ever provided testimony before the Kentucky Public Service  
38 Commission ("Commission")?  
39

40 A. I have provided testimony many times before this Commission for EKPC and  
41 its member distribution cooperatives in rate application proceedings for revenue  
42 requirement purposes, cost of service studies, rate design, and other special  
43 types of rates including cogeneration rates, economic development rates, etc.  
44 I have also provided testimony in fuel adjustment cases and administrative cases.

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4 Q. What has been your role in this rate application ?

A. My role in this rate application has been to provide assistance to Inter-County Energy Cooperative in its preparation and filing with this Commission. I have developed and completed the Cost of Service Study ("COSS") filed as a part of this application. I am also responsible for the rate designed proposed in this rate application.

8 Q Are you responsible for the Cost of Service Study filed in this rate application?

A I am responsible for the Cost of Service Study ("COSS") in this application. This COSS is consistent with the 1993 NARUC Electric Utility Cost Allocation Manual and is based on a methodology generally accepted within the industry. The results of this study indicate that the Rate Schedules 1, 1-A, B-1 and 6 are not providing revenue sufficient to meet the revenue requirements for those rate classes. The COSS also indicates that the rates for some of the other rate classes are providing revenues in excess of their revenue requirements. Since several rate schedules are not producing sufficient revenue, these classes are the only ones where are rates are being increased. The amount of increase allocated to Schedule 1 will provide revenue slightly less than full revenue requirements. The increase for Schedule B-1 is not very significant but this increase will bring it to full revenue requirements for this class. The increases for Schedule 6 will bring this rate class to full revenue requirements.

9 Q What rate design changes are being proposed in this rate application?

A. One change in rate designed is being proposed in this rate application. For Schedule 1, the two step energy rate is being combined into a one step energy rate. Additionally for Schedule 1, the customer charge is being increased to \$8.00 per month and the remaining increase has been allocated to the energy rate. For Schedule 1-A, the energy rate is now set at sixty percent (60%) of the the energy rate while in the past it had been sixty percent (60%) of the second step of the energy rate.

For Schedule B-1, the energy rate has been increased leaving the demand rates at their current amounts. All lighting rates in Schedule 6 are being increased by the same percentage amount.

10 Q. What is the end result of this COSS and the proposed rate design?

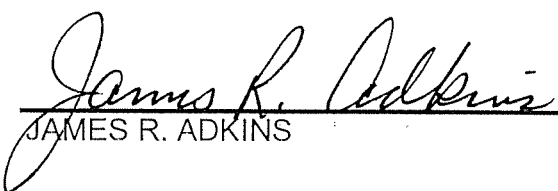
A. The end result of the COSS and proposed rate design is a better allocation of costs to serve among the various rate classes, a more even distribution of margins requirements from the various rate classes, and a rate design that tracks costs in a better manner.

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11 Q. Does this conclude your testimony?


A. This concludes my testimony.

Affiant, James R. Adkins, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
JAMES R. ADKINS

Suscribed and sworn to before me by the affiant, JAMES R. ADKINS, this 18<sup>th</sup> day of December, 2006.

My Commission expires July 15, 2009.

  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

Inter County Energy Cooperative  
Case No. 2006-00415  
Effect on Average Bill  
July 31, 2006

Exhibit I  
page 1 of 3  
Witness: Alan Zumstein

**Schedule 1, Farm and Home**

	<u>Present</u>	<u>Proposed</u>
Customer charge	\$5.55	\$8.00
First 500 kwh per month	\$0.06900	\$0.07445
All over 500 kwh per month	\$0.06366	\$0.07445

<u>kwh Useage</u>	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase Amount</u>	<u>Percent</u>
0	\$5.55	\$8.00	\$2.45	44.1%
25	7.28	9.86	2.59	35.5%
50	9.00	11.72	2.72	30.3%
100	12.45	15.45	2.99	24.1%
200	19.35	22.89	3.54	18.3%
300	26.25	30.34	4.08	15.6%
400	33.15	37.78	4.63	14.0%
500	40.05	45.23	5.18	12.9%
600	46.42	52.67	6.25	13.5%
700	52.78	60.12	7.33	13.9%
800	59.15	67.56	8.41	14.2%
900	65.51	75.01	9.49	14.5%
1,000	71.88	82.45	10.57	14.7%
1,100	78.25	89.90	11.65	14.9%
1,200	84.61	97.34	12.73	15.0%
1,300	90.98	104.79	13.81	15.2%
1,400	97.34	112.23	14.89	15.3%
1,500	103.71	119.68	15.96	15.4%
1,600	110.08	127.12	17.04	15.5%
1,700	116.44	134.57	18.12	15.6%
1,800	122.81	142.01	19.20	15.6%
1,900	129.17	149.46	20.28	15.7%
2,000	135.54	156.90	21.36	15.8%
<b>1,244</b>	<b>87.44</b>	<b>100.65</b>	<b>13.21</b>	<b>15.1%</b>

The average monthly kwh useage is 1,244

Inter County Energy Cooperative  
Case No. 2006-00415  
Effect on Average Bill  
July 31, 2006

Exhibit I  
page 2 of 3  
Witness: Alan Zumstein

**Schedule 2, Small Commercial and Small Power**

	<u>Present</u>	<u>Proposed</u>
Customer charge	\$5.55	\$5.55
Demand charge	\$4.02	\$4.02
First 1,000 kwh per month	\$0.07825	\$0.06897
All over 1,000 kwh per month	\$0.06576	\$0.06897

Average kwh useage	<u>2,750</u>
Average demand useage	<u>7</u>

	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase Amount</u>	<u>Percent</u>
Average useage	\$221.68	\$221.68	(\$0.00)	-0.0%

**Schedule 4, Large Power Rate**

	<u>Present</u>	<u>Proposed</u>
Customer charge	\$11.10	\$11.10
Demand charge	\$4.02	\$4.02
All kwh per month	\$0.05655	\$0.05655

Average kwh useage	<u>18,440</u>
Average demand useage	<u>73</u>

	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase Amount</u>	<u>Percent</u>
Average useage	\$1,348.76	\$1,348.76	\$0.00	0.0%

**Schedule 5, All Electric Schools**

	<u>Present</u>	<u>Proposed</u>
Customer charge	\$0.00	\$0.00
Energy charge	\$0.05884	\$0.05884

Average kwh useage	<u>56,568</u>
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	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase Amount</u>	<u>Percent</u>
Average useage	\$3,328.45	\$3,328.45	\$0.00	0.0%

Inter County Energy Cooperative  
Case No. 2006-00415  
Effect on Average Bill  
July 31, 2006

Exhibit I  
page 3 of 3  
Witness: Alan Zumstein

**Schedule Ind B1, Large Industrial Rate**

	<u>Present</u>	<u>Proposed</u>
Metering charge	\$535.00	\$535.00
Demand charge		
Contract demand	\$5.39	\$5.39
Excess demand	\$7.82	\$7.82
Interruptible discount	(\$3.15)	(\$3.15)
Energy charge	\$0.03532	\$0.03648
Average kwh useage		<u>377,982</u>
Average demand useage		<u>568</u>
Average excess contract demand		<u>123</u>

	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase Amount</u>	<u>Percent</u>
Average useage	\$17,906.71	\$18,345.17	\$438.46	2.4%

**Schedule Ind C1, Large Industrial Rate**

	<u>Present</u>	<u>Proposed</u>
Metering charge	\$535.00	\$535.00
Demand charge	\$5.39	\$5.39
Energy charge	\$0.03565	\$0.03565
Average kwh useage		<u>1,600,869</u>
Average demand useage		<u>2,855</u>

	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase Amount</u>	<u>Percent</u>
Average useage	\$72,993.51	\$72,993.51	\$0.00	0.0%



Inter County Energy Cooperative  
Case No. 2006-00415  
**Revenue Analysis**  
July 31, 2006

Rate Schedule	Kwh Useage	Test Year Revenue	Normalized		Proposed Revenue	Increase Amount	Increase Percent
			Percent of Total	Case No. 2004-00475 Revenue			
Schedule 1, Farm and Home	349,877,820	\$24,579,669	82%	\$24,579,669	\$28,297,628	\$3,717,959	15.1%
Schedule 1-A, ETS	735,167	28,083	0%	28,083	32,840	4,757	16.9%
Schedule 2, Small Power	6,745,368	543,780	2%	543,780	543,776	(4)	-0.0%
Schedule 4, Large Power Rate	22,976,319	1,680,337	6%	1,680,337	1,680,337	0	0.0%
Schedule 5, All Electric Schools	3,394,068	199,742	1%	199,742	199,742	0	0.0%
Schedule B1, Large Industrial Rate	28,726,609	1,360,910	5%	1,360,910	1,394,233	33,323	2.4%
Schedule C1, Large Industrial Rate	19,210,422	875,922	3%	875,922	875,922	0	0.0%
Schedule 6, Outdoor Lighting service	7,285,328	645,960	2%	645,960	880,379	234,419	36.3%
Envirowatts	58,800	1,620	0%	1,620	1,620	0	0.0%
Rounding differences					<u>1,222</u>	<u>1,222</u>	
Total from base rates	<u>439,009,901</u>	29,916,024	100%	<u>\$29,916,024</u>	<u>\$33,907,699</u>	<u>\$3,991,675</u>	13.3%
Fuel		3,622,483					
Environmental surcharge		<u>1,990,551</u>					
Total revenue from billings		<u><u>35,529,058</u></u>				<u>\$3,991,675</u>	

Schedule 1  
 Farm and Home service  
**Rate Class A10-A19**

Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed	
	Rate	Revenues	Rates	Revenues	Rates	Revenues

Customer Charge	281,153	\$5.55	\$1,560,399	\$5.55	\$1,560,399	\$8.00	\$2,249,224
Energy charge per kWh							
First 500 kwh per month	139,709,354	\$0.06900	9,639,945	\$0.06900	9,639,945		
All over 500 kwh per month	210,168,466	\$0.06366	13,379,325	\$0.06366	13,379,325		
Total kwh	<u>349,877,820</u>					\$0.07445	26,048,404
Billing adjustments			<u>0</u>		<u>0</u>		<u>0</u>
Total from base rates			24,579,669		<u>\$24,579,669</u>		<u>\$28,297,628</u>
Fuel adjustment			2,945,558				
Environmental surcharge			<u>1,613,199</u>				
Total revenues			<u>\$29,138,426</u>				
Amount				\$0			\$3,717,959
Percent				0.0%			15.1%

Schedule 1 - A  
 Farm and Home Marketing Rate (ETS)  
**Rate E18**

	Billing Determinants		Actual		Normalized Case No. 2004-00475		Proposed	
			Rate	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	0		\$5.55	\$0	\$5.55	\$0	\$8.00	\$0
Energy charge per ETS kWh	735,167		\$0.03820	28,083	\$0.03820	28,083	\$0.04467	32,840
Billing adjustments				<u>0</u>		<u>0</u>		<u>0</u>
Total from base rates				28,083		<u>\$28,083</u>		<u>\$32,840</u>
Fuel adjustment				6,481				
Environmental surcharge				<u>2,068</u>				
Total revenues				<u>\$36,632</u>				
Amount						\$0		\$4,757
Percent						0.0%		16.9%

Schedule  
Envirowatts

Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed	
	Rate	Revenues	Rates	Revenues	Rates	Revenues

Customer Charge	0	\$5.55	\$0	\$5.55	\$0	\$15.00	\$0
Energy charge per ETS kWh	58,800	\$0.02755	1,620	\$0.02755	1,620	\$0.02755	1,620
Billing adjustments			0		0		0
Total from base rates			1,620		<u>\$1,620</u>		<u>\$1,620</u>
Fuel adjustment			0				
Environmental surcharge			0				
Total revenues			<u>\$1,620</u>				
Amount					\$0		\$0
Percent					0.0%		0.0%

Schedule 2  
Small Commercial and Small Power  
Rate B20; B25; B26; B28

Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed		
	Rate	Revenues	Rates	Revenues	Rates	Revenues	
Customer Charge	2,453	\$5.55	\$13,614	\$5.55	\$13,614	\$5.55	\$13,614
Demand charges	16,153	\$4.02	\$64,934	\$4.02	\$64,934	\$4.02	\$64,934
Energy charge per kWh							
First 1,000 kwh per month	1,733,915	\$0.07825	135,679	\$0.07825	135,679		
All over 1,000 kwh per month	5,011,453	\$0.06576	329,553	\$0.06576	329,553		
Total kwh	<u>6,745,368</u>					\$0.06897	465,228
Billing adjustments		<u>0</u>		<u>0</u>			<u>0</u>
Total from base rates		543,780		<u>\$543,780</u>			<u>\$543,776</u>
Fuel adjustment		56,027					
Environmental surcharge		<u>92,807</u>					
Total revenues		<u>\$692,614</u>					
Amount				\$0			(\$4)
Percent				0.0%			-0.0%

Schedule 4  
Large Power Rate  
Rate C40; C45; C46

Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed		
	Rate	Revenues	Rates	Revenues	Rates	Revenues	
Customer Charge	1,246	\$11.10	\$13,831	\$11.10	\$13,831	\$11.10	\$13,831
Demand Charge	91,395.28	\$4.02	\$367,409	\$4.02	\$367,409	\$4.02	\$367,409
Energy charge per kWh	22,976,319	\$0.05655	1,299,311	\$0.05655	1,299,311	\$0.05655	1,299,311
Billing adjustments		(214)		(214)		(214)	
Total from base rates		1,680,337		1,680,337		1,680,337	
Fuel adjustment		190,032					
Environmental surcharge		138,994					
Total revenues		<u>\$2,009,363</u>					
Amount				\$0		\$0	
Percent				0.0%		0.0%	

Schedule AES  
All Electric Schools  
Rate D50

Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed	
	Rate	Revenues	Rate	Revenues	Rate	Revenues
Customer Charge	60	\$0.00	\$0	\$0.00	\$0	\$0
Energy charge per kWh	3,394,068	\$0.05884	199,707	\$0.05884	199,707	\$0.05884
Billing adjustments			35		35	
Total from base rates			199,742		199,742	
Fuel adjustment			28,449			
Environmental surcharge			0			
Total revenues			<u>\$228,191</u>		<u>\$199,742</u>	<u>\$199,742</u>
Amount					\$0	\$0
Percent					0.0%	0.0%

Schedule B1  
Large Industrial Rate (500 KW to 4,999 KW)  
Rate B10

	Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed	
		Rate	Revenues	Rates	Revenues	Rates	Revenues
Metering Charge	76	\$535.00	\$40,660	\$535.00	\$40,660	\$535.00	\$40,660
Demand Charge:							
Contract demand	43,179.24	\$5.39	232,736	\$5.39	232,736	\$5.39	232,736
Excess demand	9,321.00	\$7.82	72,890	\$7.82	72,890	\$7.82	72,890
Interruptible discount	0.00	(\$3.15)	0	(\$3.15)	0	(\$3.15)	0
Energy charge per kWh	28,726,609	\$0.03532	1,014,624	\$0.03532	1,014,624	\$0.03648	1,047,947
Billing adjustments			0		0		0
Total from base rates			1,360,910		\$1,360,910		1,394,233
Fuel adjustment			238,709				
Environmental surcharge			81,877				
Total revenues			\$1,681,496				
Amount					\$0		\$33,323
Percent					0.0%		2.4%



Schedule C1  
Large Industrial Rate (500 KW to 4,999 KW)  
Rate C10

	Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed	
		Rate	Revenues	Rates	Revenues	Rates	Revenues
Metering Charge	12	\$535.00	\$6,420	\$535.00	\$6,420	\$535.00	\$6,420
Demand Charge	34,258.00	\$5.39	184,651	\$5.39	184,651	\$5.39	184,651
Energy charge per kWh	19,210,422	\$0.03565	684,852	\$0.03565	684,852	\$0.03565	684,852
Billing adjustments			<u>0</u>		<u>0</u>		<u>0</u>
Total from base rates			875,922		<u>\$875,922</u>		<u>\$875,922</u>
Fuel adjustment			157,227				
Environmental surcharge			<u>61,606</u>				
Total revenues			<u>\$1,094,755</u>				
Amount					\$0		\$0
Percent					0.0%		0.0%

Schedule 6  
Outdoor Lighting Service

Billing Determinants	Actual		Normalized Case No. 2004-00475		Proposed	
	Rate	Revenues	Rates	Revenues	Rates	Revenues
107,800 Lumen Directional Floodlight	374	\$22.95	\$8,583	\$22.95	\$31.28	\$11,698
50,000 Lumen Directional Floodlight	1,616	\$12.48	20,168	\$12.48	\$17.01	27,487
27,500 Lumen Directional Floodlight	2,225	\$8.92	19,847	\$8.92	\$12.16	27,049
27,500 Lumen Cobra Head	1,343	\$8.31	11,160	\$8.31	\$11.33	15,210
9,500 Lumen Security Light	0	\$6.68	0	\$6.68	\$9.10	0
7,000 Lumen Security Light	84,694	\$6.66	564,062	\$6.66	\$9.08	768,760
4,000 Lumen Decorative Colonial Pos	2,617	\$8.46	22,140	\$8.46	\$11.53	30,174
9,550 Lumen Decorative Colonial Pos	0	\$10.89	0	\$10.89	\$14.84	0
kWh						
Billing adjustments						
Total from base rates			645,960			880,379
Fuel adjustment						
Environmental Surcharge			0			
Total revenues			<u>\$645,960</u>			
Amount			\$0			\$234,419
Percent			0.0%			36.3%

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**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**Computation of Rate of Return**  
July 31, 2006

	Actual <u>Test Year</u>	Adjusted <u>Test Year</u>
Net margins	(\$1,374,830)	\$2,492,678
Non-cash patronage dividends	0	0
Interest on long-term debt	<u>2,165,551</u>	<u>2,492,678</u>
Total	<u>790,721</u>	<u>4,985,356</u>
<b>Net rate base</b>	<u>67,620,783</u>	<u>67,626,378</u>
Rate of return	<u>1.17%</u>	<u>7.37%</u>
<b>Equity Capitalization</b>	<u>74,907,523</u>	<u>78,775,031</u>
Rate of return	<u>1.06%</u>	<u>6.33%</u>

**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**Determination of Rate Base**  
 July 31, 2006

	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
Gross rate base:		
Total electric plant	\$82,125,283	\$82,229,899
Material and supplies (13 months average for test year)	271,375	271,375
Prepayments (13 months average for test year)	251,983	251,983
Working capital:		
12.5% of operating expense less cost of power	875,707	875,707
	83,524,347	83,628,963
Deductions from rate base:		
Accumulated depreciation	15,903,564	16,002,585
Consumer advances	-	-
Net rate base	\$67,620,783	\$67,626,378

	<u>Material</u>	<u>Prepayments</u>
July 2005	262,056	204,843
August	231,522	159,841
September	283,734	86,341
October	291,226	31,145
November	263,982	219,870
December	284,471	411,165
January 2006	269,763	425,699
February	263,614	397,130
March	269,747	354,432
April	267,956	311,023
May	259,366	267,680
June	252,715	224,953
July	327,721	181,652
Average	271,375	251,983

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**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**Computation of Rate of Return**  
July 31, 2006

Test Year	Calendar Year				
	1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001
Net margins	(\$1,374,830)	(\$835,626)	\$1,924,191	\$2,665,551	\$1,958,027
Interest on long-term debt	2,165,551	1,711,137	1,122,246	1,258,081	1,651,867
<b>Total</b>	<b>790,721</b>	<b>875,511</b>	<b>3,046,437</b>	<b>3,923,632</b>	<b>3,609,894</b>
<b>Net rate base</b>	<b>67,620,783</b>	<b>66,442,989</b>	<b>60,675,969</b>	<b>54,807,949</b>	<b>49,913,872</b>
<b>Rate of return</b>	<u>1.17%</u>	<u>1.32%</u>	<u>5.56%</u>	<u>7.51%</u>	<u>7.23%</u>

Test Year	Calendar Year				
	1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001
Return excluding G & T patronage dividends:					
Net margins	(\$1,374,830)	(\$835,626)	\$1,924,191	\$2,665,551	\$1,958,027
G & T patronage dividends	-	-	1,283,364	1,570,891	1,249,626
Interest on long-term debt	2,165,551	1,711,137	1,122,246	1,258,081	1,651,867
<b>Total</b>	<b>790,721</b>	<b>875,511</b>	<b>1,763,073</b>	<b>2,352,741</b>	<b>2,360,268</b>
<b>Net rate base</b>	<b>67,620,783</b>	<b>66,442,989</b>	<b>60,675,969</b>	<b>54,807,949</b>	<b>49,913,872</b>
<b>Rate of return, excluding G &amp; T</b>	<u>1.17%</u>	<u>1.32%</u>	<u>3.22%</u>	<u>4.50%</u>	<u>4.73%</u>

**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**Determination of Rate Base**  
July 31, 2006

Test Year	Calendar Year				
	1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001
\$82,125,283	\$79,833,292	\$73,516,435	\$66,713,210	\$62,784,351	\$59,048,253
271,375	284,471	210,433	228,360	342,733	413,629
251,983	411,165	442,348	241,789	232,698	149,586
875,707	834,704	749,474	750,358	686,314	640,236
83,524,347	81,363,632	74,918,690	67,933,717	64,046,096	60,251,704
15,903,564	14,920,643	14,242,099	13,124,808	11,767,530	10,334,611
-	-	622	960	1,672	3,221
<b>\$67,620,783</b>	<b>\$66,442,989</b>	<b>\$60,675,969</b>	<b>\$54,807,949</b>	<b>\$52,276,894</b>	<b>\$49,913,872</b>

Gross rate base:

Total electric plant  
Material and supplies  
(13 months average for test year)  
Prepayments  
(13 months average for test year)  
Working capital:  
12.5% of operating expense  
less cost of power

Deductions from rate base:

Accumulated depreciation  
Consumer advances

**Net rate base**

**Inter County Energy Cooperative****Case No. 2006-00415****TIER and DSC Calculations**

July 31, 2006

	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
<b>TIER:</b>		
Margins, excluding G&T		
capital credits and extraordinary item:	(\$1,374,830)	\$2,492,678
Interest on long term debt	2,165,551	2,492,678
 TIER	 0.37	 2.00
<b>DSC:</b>		
Margins, excluding G&T		
capital credits	(\$1,374,830)	\$2,492,678
Depreciation expense	2,540,379	2,643,443
Interest on long term debt	2,165,551	2,492,678
Principal payment on		
long term debt	1,337,634	1,337,634
 DSC	 0.95	 1.99

DSC = (Margins + depreciation + interest  
/ interest + principal payments)

**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**TIER and DSC Calculations**  
July 31, 2006

	Test Year 2006	Calendar Year				
		1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001

**TIER calculations:**

Margins, excluding G&T  
capital credits  
Interest on long term debt

(\$1,374,830)	(\$835,626)	\$442,376	\$640,827	\$1,094,660	\$708,401
2,165,551	1,711,137	1,183,924	1,122,246	1,258,081	1,651,867

**Modified TIER**

0.37	0.51	1.37	1.57	1.87	1.43
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Margins, including G&T  
capital credits  
Interest on long term debt

(\$1,374,830)	(\$835,626)	\$442,376	\$1,924,191	\$2,665,551	\$1,958,027
2,165,551	1,711,137	1,183,924	1,122,246	1,258,081	1,651,867

**TIER**

0.37	0.51	1.37	2.71	3.12	2.19
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**DSC calculations:**

DSC = (Margins + depreciation + interest)  
/ (interest + principal payments)

Margins, excluding G&T  
capital credits  
Depreciation expense  
Interest on long term debt  
Principal payment on  
long term debt

(\$1,374,830)	(\$835,626)	\$442,376	\$640,827	\$1,094,660	\$708,401
2,540,379	2,402,650	2,201,193	2,080,612	1,975,574	1,864,991
2,165,551	1,711,137	1,183,924	1,122,246	1,258,081	1,651,867
1,337,634	1,414,078	1,406,697	1,156,525	1,117,655	953,656

**Modified DSC**

Margins, including G&T  
capital credits  
Depreciation expense  
Interest on long term debt  
Principal payment on  
long term debt

0.95	1.05	1.48	1.69	1.82	1.62
(\$1,374,830)	(\$835,626)	\$442,376	\$1,924,191	\$2,665,551	\$1,958,027
2,540,379	2,402,650	2,201,193	2,080,612	1,975,574	1,864,991
2,165,551	1,711,137	1,183,924	1,122,246	1,258,081	1,651,867
1,337,634	1,414,078	1,406,697	1,156,525	1,117,655	953,656

**DSC**

0.95	1.05	1.48	2.25	2.48	2.10
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**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**Equity Capitalization**  
**July 31, 2006**

Proposed	Calendar Year				
	Test Year 2006	2005	2004	2003	2002

**Equity Capitalization:**  
**without G&T patronage capital**

Total margins and equities	\$27,985,183	\$24,117,675	\$24,724,117	\$25,483,680	\$23,690,535	\$21,177,887
Less G&T Patronage capital	0	0	0	1,283,364	2,854,255	4,103,881
Long-term debt	27,985,183	24,117,675	24,724,117	24,200,316	20,836,280	17,074,006
Total	50,789,848	50,789,848	45,332,877	39,473,809	37,025,729	32,017,863
Equity capitalization ratio	36%	32%	35%	39%	36%	35%

**Equity Capitalization:**  
**with G&T patronage capital**

Total margins and equities	\$27,985,183	\$24,117,675	\$24,724,117	\$25,483,680	\$23,690,535	\$21,177,887
Long-term debt	50,789,848	50,789,848	45,332,877	39,473,809	37,025,729	32,017,863
Total	\$78,775,031	\$74,907,523	\$70,056,994	\$61,570,094	\$57,862,009	\$49,091,869
Equity capitalization ratio	36%	32%	35%	41%	39%	40%

**Equity to Total Assets:**  
**with G&T patronage capital**

Total margins and debt	\$78,775,031	\$74,907,523	\$70,056,994	\$62,853,458	\$60,716,264	\$53,195,750
Total assets	85,049,421	81,177,913	80,257,044	73,407,850	67,523,950	65,004,604
Total	\$163,824,452	\$156,085,436	\$150,314,038	\$138,617,449	\$125,720,868	\$111,815,516
Equity to total asset ratio	48%	48%	47%	48%	48%	48%

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Witness: Alan Zumstein

**Inter County Energy Cooperative**  
**Case No. 2006-00415**  
**Reconciliation of Rate Base and Capital**  
 July 31, 2006

Reconciliation of Rate Base and Capital used to determine revenue requirements  
 are as follows:

<b>Equity Capitalization, with</b>	
<b>G&amp;T capital credits</b>	74,907,523
G&T capital credits	<u>(7,231,058)</u>
	67,676,465
Reconciling items:	
Capital credits from associated organizations	
(Allocated but unpaid)	(1,735,554)
Working capital requirements	875,707
Material and supplies, 13 month average	271,375
Prepayments, 13 month average	251,983
Cash and temporary investments	(1,288,559)
Accounts receivable	(3,751,452)
Other receivables	(36,455)
Material and supplies	(327,721)
Prepayments	(181,652)
Other deferred debits	(403,743)
Accumulated operating provisions	1,619,321
Notes payable	-
Accounts payable	2,750,089
Consumer deposits	395,175
Accrued expenses	1,505,805
	<hr/>
<b>Net Rate Base</b>	<u><u>67,620,783</u></u>

\*\* \* WATER-COUNTY ENERGY \* \* \*  
CHART OF ACCOUNTS

ALL ACCOUNTS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79
G/L NUMBER	DESCRIPTION	ACCOUNT TYPE	START DATE	END DATE																																																																										
105.999	CONSTRUCTION WORK IN PROGRESS	S																																																																												
106.000	COMPLETED CONSTRUCTION NOT CLASSIFIED	A																																																																												
107.200	CWIP-FURGE-ACCOUNT	A	11/30/1992																																																																											
107.201	CWIP - STORM DAMAGE	A																																																																												
107.203	CWIP - STORM DAMAGE	A																																																																												
107.204	CWIP - 8/03 STORM DAMAGE	A																																																																												
107.210	CWIP - INDIRECT LABDR	A																																																																												
107.220	CWIP - RIGHT-OF-WAY WIDENING	A																																																																												
107.230	WORK PLAN	A																																																																												
107.240	AUDITORIUM CONSTRUCTION	A																																																																												
107.250	CWIP - REPAIR ROOF	A																																																																												
107.251	CWIP - LESANDN OFFICE BLDG/VAC	A																																																																												
107.252	CWIP-OFFICE RENOVATION & CARPETING	A																																																																												
107.253	CWIP - RADIO SYSTEM	A																																																																												
107.254	CWIP - NEW OFFICE BUILDING	A																																																																												
107.255	CWIP - LEBANON REMODELING	A																																																																												
107.256	CWIP - DUDLEY PROPERTY	A																																																																												
107.260	CWIP - MEETING ROOM	A																																																																												
107.270	CWIP - MARION CO SPEC HOUSE	A																																																																												
107.280	CWIP - OVERHEAD	A																																																																												
107.290	CWIP - SYSTEM INSPECTION	A																																																																												
107.300	CWIP - SPECIAL EQUIPMENT	A																																																																												
107.310	GENERAL PLANT EQUIPMENT	A																																																																												
107.990	ACCUM PROVISION FOR DEPRECIATION & AMORT.	A																																																																												
108.500	DEPREC DIST PLANT	A																																																																												
108.562	ACCUM. DEPREC. - STATION EQUIP.	A																																																																												
108.564	ACCUM. DEPREC. - PILES, TOWERS & FIXTURES	A																																																																												
108.565	ACCUM. DEPREC. - O/H CONDUCTOR & DEVICES	A																																																																												
108.567	ACCUM. DEPREC. - URD CONDUCTOR & DEVICES	A																																																																												
108.568	ACCUM. DEPREC. - LIRE TRANSFORMERS	A																																																																												
108.669	ACCUM. DEPREC. - SERVICES	A																																																																												
108.570	ACCUM. DEPREC. - METERS	A																																																																												
108.571	ACCUM. DEPREC. - INSTALL. UN-CONS. PREMISES	A																																																																												
108.700	DEPREC GEN PLANT	A																																																																												
108.790	ACCUM DEPREC. - STAGE IMP.	A																																																																												
108.791	ACCUM DEPREC. - OFFICE FRNT & EQ	A																																																																												
108.792	ACCUM DEPREC. - TRANSP. EQ.	A																																																																												
108.793	ACCUM DEPREC. - STORES EQ.	A																																																																												
108.794	ACCUM DEPREC. - TOWLS & SHUP. EQ.	A																																																																												
108.795	ACCUM DEPREC. - LABORATORY EQ.	A																																																																												
108.796	ACCUM DEPREC. - POWER OPER. EQ.	A																																																																												
108.797	ACCUM DEPREC. - COMMUNICATIONS EQ.	A																																																																												
108.799	ACCUM DEPREC. - MISCELLANEOUS EQ.	A																																																																												
108.500	RHIP	A																																																																												
108.801	RWIP - STORM DAMAGE	A																																																																												
108.803	RWIP - STORM DAMAGE	A																																																																												
108.804	RWIP - 8/03 STORM DAMAGE	A																																																																												
108.810	RWIP - INDIRECT LABDR	A																																																																												
108.880	RWIP - OVERHEAD	A																																																																												
121.000	NONUTILITY PROPERTY (MARION CU HOUSE)	A																																																																												



\*\* \* INTER-COUNTY ENERGY \* \* \*  
CHART OF ACCOUNTS

ALL ACCOUNTS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
G/L NUMBER	DESCRIPTION	ACCOUNT TYPE	START DATE	END DATE																																																																							
122.999	INVESTMENTS IM ASSOC. ORG.	A																																																																									
123.100	PATRONAGE CAPITAL - EKPC	A																																																																									
123.110	PATRONAGE CAPITAL - KAEC	A																																																																									
123.120	PATRONAGE CAPITAL - NRUCFC	A																																																																									
123.130	PATRONAGE CAPITAL - NISC (FRMLY CADP)	A																																																																									
123.140	PATRONAGE CAPITAL - WRTC	A																																																																									
123.220	CAPITAL TERM CERTIFICATES	A																																																																									
123.210	EKPC MEMBERSHIP FEE	A																																																																									
123.230	MTL RURAL TELECOMMUNICATIONS COOP.	A																																																																									
123.240	ENVISION ENERGY SERVICES - MEMBERSHIP	A																																																																									
123.250	CFC MEMBERSHIP FEE	A																																																																									
123.250	KAEC - CU	A																																																																									
123.270	CADP MEMBERSHIP FEE	A																																																																									
123.280	KAEC - CD	A																																																																									
123.290	TOUCHSTONE ENERGY - MEMBERSHIP	A																																																																									
123.300	COOPERATIVE RESPONSE CENTER	A																																																																									
123.310	FEDERATED REINS EXCHANGE	A																																																																									
124.000	BUSINESS DEVEL. CORP	A																																																																									
124.010	INDUST. DEVEL. CORP.	A																																																																									
124.020	CENTRAL KY JOB TRAINING CONSORTIUM	A																																																																									
124.021	CENTRAL KY TECHNICAL COLLEGE	A																																																																									
124.030	FNB - TRUST ACCOUNT	A																																																																									
124.040	US TREAS. NOTES	A																																																																									
124.041	FEDERAL NATL MORTGAGE ASSN	A																																																																									
124.050	US TREAS. NOTES	A																																																																									
124.060	US TREAS. NOTES	A																																																																									
131.000	FNB - CASH ACCOUNT	A																																																																									
131.010	CASH ACCT. - CONSTR. FUND	A																																																																									
131.020	CASH ACCOUNT - LEBANON	A																																																																									
131.030	CASH ACCT. PAYROLL	A																																																																									
131.050	CASH ACCT. - AUTOMATIC PMTS	A																																																																									
131.400	CASH ACCT. TRANSFER	A																																																																									
131.999	A/R MISC CASH CLEARING	A																																																																									
135.000	WORKING FUNDS	A																																																																									
135.010	WORKING FUNDS - TRAVEL ADV	A																																																																									
136.020	COMMERCIAL PAPER INVEST.	A																																																																									
141.000	NOTES REC. GEOTHERMAL LOANS	A																																																																									
141.100	NOTES REC. MARION CO IND FNDT	A																																																																									
141.999	NOTES REC. GEOTHERMAL LOANS CLEARING	A	9/01/1995																																																																								
142.100	ACCTS. RECEIVABLE - CUSTOMER	A																																																																									
142.110	ACCTS. REC. AGENCY VOUCHERS	A																																																																									
142.999	ACCTS RECEIVABLE - CLEARING	A																																																																									
143.000	ACCTS. REC. - OTHER	A																																																																									
143.010	ACCT. REC. - R&S & 401K	A																																																																									
143.020	ACCTS. REC. - LTD INS.	A																																																																									
143.030	ACCTS. REC. - ACCIDENT INS.	A																																																																									
143.040	ACCTS. REC. - LIFE INS.	A																																																																									
143.050	ACCT. REC. - COLUMBIA INS.	A																																																																									
143.060	ACCTS REC. - KAEC (ACRE CONTRIBUTIONS)	A																																																																									
143.070	ACCTS. RECEIVABLE - WINTERCARE	A																																																																									



\*\*\* INTER-COUNTY ENERGY \*\*\*  
CHART OF ACCOUNTS

ALL ACCOUNTS

ACCOUNT TYPE	START DATE	END DATE	DESCRIPTION	G/L NUMBER
A	12/29/1997		ACCTS. REC. - FOOD FUND	143.071
A			AFLAC CANCER INSURANCE	143.072
A			LIFE INS. - METROPOLITAN	143.080
A			DELTA DENTAL INSURANCE	143.090
A			A/R MISC CLEARING FROM A/P	143.998
A			A/R CLEARING FROM PAYROLL	143.999
A			PROV. FOR UNCOLL. ACCOUNTS	144.100
A			MATERIALS & SUPPLIES - ELECTRIC	154.000
A			MERCHANDISE	155.000
A			SCHOOL APPLIANCES	155.100
A			STORES EXPENSE	163.000
A			LIABILITY INSURANCE	165.100
A			401 (K) PLAN	165.110
A			R & S PENSION PLAN	165.111
A			MAJOR MEDICAL INS.	165.120
A			LONG TERM DISABILITY	165.130
A			DIRECTOR'S LIFE INS.	165.140
A			LIFE INSURANCE	165.150
A			WORKERS/COMP INSURANCE	165.160
A			LIFE INS. - RETIRED EMPLOYEES	165.170
A			MAJOR MED. - RETIRED EMPLOYEES & DIR.	165.180
A			ASSOC. MEMBERSHIP DUES	165.200
A			MREGA MTG. EXP.	165.210
A			AVENIR MAINT PREPAYMENT	165.220
A			RUS CUSHION OF CREDIT (LOAN PREPAYMENT)	165.230
A			INTEREST RECEIVABLE	171.000
A			TRANSPORTATION EXPENSE	184.000
A			TRANSP. EXP. VEHICLE USAGE	184.200
A			TRANSPORTATION DEFAULT EQUIPMENT	184.999
A			RATE APPLICATION	186.020
A			DEFERRED DEBIT - OTHER	186.040
A			DEFERRED DEBIT - ORCOM CONVERSION	186.050
A			DEFERRED DEBIT - CTC	186.060
A			DEFERRED DEBIT - PAST SVC. LIABILITY	186.070
A			POST RETIREMENT BENEFITS	186.080
A			DEFERRED DEBIT - FUEL ADJUSTMENT	186.090
A			DEFERRED DEBIT - ENV SURCHARGE	186.100
A			CFC CONVERSION FEES	189.000
L			MEMBERSHIPS ISSUED	200.100
L			PATRONS CAPITAL CREDITS	201.100
L			DONATED CAPITAL	208.000
L			GAIN ON RETIRED CAPITAL CREDITS	217.000
L			OPERATING MARGINS-PRIOR YEARS	219.100
L			OPERATING MARGINS-CURRENT YEAR	219.110
L			OPERATING MARGINS-PRIOR YEAR DEFICITS	219.120
L			NON-OPERATING MARGINS	219.200
L			LONG TERM DEBT - RUS	224.030
L			REA NOTES EXECUTED - CONSTRUCTION	224.040
L			OTHER LONG TERM DEBT	224.120
L			CFC NOTES EXECUTED	224.130



\* \* \* INTER-C: Y ENERGY \* \* \*  
CHART OF ACCOUNTS

ALL ACCOUNTS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
G/L NUMBER	DESCRIPTION	ACCOUNT TYPE	START DATE	END DATE																																																																											
224.140	EKPC - MARKETING LOANS	L																																																																													
224.200	LONG TERM DEBT - FFB	L																																																																													
224.300	FFB NOTES EXECUTED	L																																																																													
224.500	ADV PMT UNAPPLIED - LONG TERM DEBT	L																																																																													
228.300	ACCUM. PROV. FOR PENSIONS & BENEFITS	L																																																																													
231.100	NOTES PAYABLE - CFC LOW	L																																																																													
232.100	ACCOUNTS PAYABLE - GENERAL	L																																																																													
232.110	ACCOUNTS PAYABLE - MEMBERS	L																																																																													
232.120	ACCOUNTS PAYABLE - APPLIANCES	L																																																																													
232.300	ACCOUNTS PAYABLE - EMPLOYEE LOANS	L																																																																													
232.310	ACCOUNTS PAYABLE - EMPLOYEE SAVINGS	L																																																																													
232.320	ACCOUNTS PAYABLE - CREJIL UNION	L																																																																													
232.330	ACCOUNTS PAYABLE - NRECA SECTION 125	L																																																																													
232.340	ACCTS. PAYABLE - NRECA DEFERRED COMPENSATION	L																																																																													
232.990	ACCOUNTS PAYABLE - CLEARING	L																																																																													
232.999	A/R CLEARING	L																																																																													
235.000	CONSUMER DEPOSITS	L																																																																													
236.100	ACCURED PROPERTY TAXES	L																																																																													
236.200	ACCURED FEDERAL UNEMPLOYMENT TAX	L																																																																													
236.300	ACCURED SOCIAL SECURITY TAX	L																																																																													
236.400	ACCURED STATE UNEMPLOYMENT TAX	L																																																																													
236.500	KY SALES & USE TAX	L																																																																													
236.510	ENVIRONMENTAL SURCHARGE	L																																																																													
236.600	ACCURED MARION CO. SCHOOL TAX	L																																																																													
236.700	ACCURED WASHINGTON SCHOOL TAX	L																																																																													
236.800	SCHOOL TAX - MADISON CO.	L																																																																													
236.810	ACCURED TAYLOR CO. SCHOOL TAX	L																																																																													
236.820	ACCURED HARRODSBURG SCHOOL TAX	L																																																																													
236.830	ACCURED LINCOLN CO. SCHOOL TAX	L																																																																													
236.840	DANVILLE FRANCHISE TAX	L																																																																													
236.900	ACCURED BURGIN SCHOOL TAX	L																																																																													
236.910	ACCURED BOYLE CO. SCHOOL TAX	L																																																																													
236.920	ACCURED STAMFORD FRANCHISE TAX	L																																																																													
236.930	ACCURED GARRARD CO. SCHOOL TAX	L																																																																													
236.940	ACCURED MERCER CO. SCHOOL TAX	L																																																																													
236.950	ACCURED LARUE CO. SCHOOL TAX	L																																																																													
236.960	ACCURED CASEY CO. SCHOOL TAX	L																																																																													
236.970	ACCURED DANVILLE SCHOOL TAX	L																																																																													
236.980	ACCURED ROCKCASTLE CO. SCHOOL TAX	L																																																																													
236.990	ACCURED NELSON CO. SCHOOL TAX	L																																																																													
237.100	ACCURED INTEREST - REAL NOTES	L																																																																													
237.300	ACCURED INTEREST - CFC NOTES	L																																																																													
237.400	ACCURED INTEREST - OTHER	L																																																																													
237.500	ACCURED INTEREST - FFB LOANS	L																																																																													
240.000	MATURED INTEREST	L																																																																													
241.000	FEDERAL INCOME TAX	L																																																																													
241.100	STATE INCOME TAX	L																																																																													
241.110	DANVILLE PAYROLL TAX	L																																																																													
241.120	BOYLE CO PAYROLL TAX	L																																																																													
241.130	GARRARD CO PAYROLL TAX	L																																																																													



\*\*\* INTER-CL Y ENERGY \*\*\*  
CHART OF ACCOUNTS

ALL ACCOUNTS

ACCOUNT TYPE	START DATE	END DATE	DESCRIPTION	S/L NUMBER
L			MARION CO PAYROLL TAX	241.140
L			LEBANON PAYROLL TAX	241.150
L			MERCER CO PAYROLL TAX	241.160
L			CASEY CO PAYROLL TAX	241.170
L			LINCOLN CO PAYROLL TAX	241.180
L			NELSON CO PAYROLL TAX	241.190
L			JUNCTION CITY PAYROLL TAX	241.200
R			ACCOUNT CREATED IN ERROR	242.100
L			ACCURED PAYROLL	242.200
L			ACCURED LIABILITY - SICK LEAVE	242.500
L			ACCURED LIABILITY - SICK LEAVE	242.510
L			ACCURED LIABILITY - VACATION LEAVE	242.600
L			ACCURED LIABILITY - PAST YEARS SERVICE	242.700
L			ACCURED LIABILITY - OFFICE, FURNITURE, EQUIP	242.800
L			CUSTOMER ADVANCE FOR CONSTRUCTION	252.000
L			CUSTOMER ADVANCE FOR CONSTR. - C.R. BLANKENSHIP	252.100
L			DEFERRED CREDIT - POLE RENTAL	253.000
L			TOTAL UTILITY PLANT IN SERVICE	359.999
S			LAND & LAND RIGHTS	360.000
A			STATION EQUIPMENT	362.000
A			STATION EQUIPMENT - ACCUM DEPREC	362.999
A			POLES, TOWERS & FIXTURES	364.000
A			POLES, TOWERS & FIXTURES - ACCUM DEPREC	364.999
A			OVERHEAD CONDUCTOR & DEVICES	365.000
A			OVERHEAD CONDUCTOR & DEVICES - ACCUM DEPREC	365.999
A			UNDERGROUND CONDUCTOR & DEVICES	367.000
A			UNDERGROUND CONDUCTOR & DEVICES - ACCUM DEPREC	367.999
A			LINE TRANSFORMERS	368.000
A			LINE TRANSFORMERS - ACCUM DEPREC	368.999
A			SERVICES - ACCUM DEPREC	369.000
A			SERVICES - ACCUM DEPREC	369.999
A			METERS	370.000
A			METERS - ACCUM DEPREC	370.999
A			INSTALLATION ON CONSUMERS PREMISES	371.000
A			INSTALLATION ON CONSUMERS PREM. - ACCUM DEPREC	371.999
A			LAND & LAND RIGHTS	389.000
A			STRUCTURES & IMPROVEMENTS	390.000
A			OFFICE FURNITURE & EQUIPMENT	391.000
A			TRANSPORTATION EQUIPMENT	392.000
A			STORES EQUIPMENT	393.000
A			TOOLS, SHOP & GARAGE EQUIPMENT	394.000
A			LABORATORY EQUIPMENT	395.000
A			POWER OPERATED EQUIPMENT	396.000
A			COMMUNICATION EQUIPMENT	397.000
A			MISCELLANEOUS EQUIPMENT	398.000
X			DEPREC. EXPENSE - DIST. PLANT	403.600
X			DEPREC. EXPENSE - GENERAL PLANT	403.700
X			PROPERTY TAXES	408.100
X			FEDERAL UNEMPLOYMENT TAX	408.200
X			SOCIAL SECURITY TAX	408.300



ALL ACCOUNTS  
\* \* \* INTER-COUNTY ENERGY \* \* \*  
CHART OF ACCOUNTS

S/L NUMBER	DESCRIPTION	ACCOUNT TYPE	START DATE	END DATE
408.400	STATE UNEMPLOYMENT TAX	X		
408.500	PSC ASSESSMENT	X		
408.600	STANFORD OCCUPATIONAL TAX	X		
415.000	REVENUE FROM MERCHANDISING - CELLULAR PHONES	X		
415.100	REVENUE FROM MERCHANDISING - PEDESTALS	X		
415.200	REVENUE FROM MERCHANDISING - KY KINGDOM	X		
415.300	REVENUE FROM MERCHANDISING - SURGE PROT	X		
415.400	REVENUE FROM MERCHANDISING - WORLDCOM COMM	X		
415.500	REVENUE FROM MERCHANDISING - LAKE VILLAGE WATER	X		
415.600	REVENUE FROM MERCHANDISING - SEWER MAINTENANCE	X		
415.700	REVENUE FROM MERCHANDISING - ETS UNITS	X		
415.800	REVENUE FROM MERCHANDISING - CR CARD REBATE	X		
415.900	REVENUE FROM MERCHANDISING - ELECTRIC GRILLS	X		
416.000	EXPENSE OF MERCHANDISING - CELL PHONES	X		
416.100	EXPENSE OF MERCHANDISING - PEDESTALS	X		
416.200	LAKE VILLAGE WATER - ANSW SVC	X		
416.300	EXPENSE OF MERCHANDISING - SURGE PROTECTION	X		
416.400	EXPENSE OF MERCHANDISING - KY KINGDOM TICKETS	X		
416.500	EXPENSE OF MERCHANDISING - SEWER MAINTENANCE	X		
416.700	EXPENSE OF MERCHANDISING - ETS UNITS	X		
416.800	EXPENSE OF MERCHANDISING - CREDIT CARD	X		
416.900	EXPENSE OF MERCHANDISING - ELECTRIC GRILLS	X		
419.040	INTEREST INCOME - CFC	R		
419.090	INTEREST INCOME - FNB TRUST ACCOUNT	R		
419.100	COMMISSION INCOME - FNB	R		
419.110	INTEREST INCOME - TVA BONDS	R		
419.150	INTEREST INCOME - KAEC CO	R		
419.210	INTEREST INCOME - FEDERATED CASH FNB	R		
419.220	INTEREST INCOME - KAEC CO	R		
419.230	INTEREST INCOME - US TREASURY NOTES	R		
419.250	INTEREST INCOME - REPURCHASE AGREEMENTS	R		
419.260	INTEREST INCOME - US TREASURY NOTES	R		
419.270	INTEREST INCOME - CFC COMMERCIAL PAPER	R		
419.280	INTEREST INCOME - NRECA CREDIT BALANCE	R		
419.290	INTEREST INCOME - FARMERS BANK (LEBANON)	R		
419.300	INTEREST INCOME - US TREASURY NOTES	R		
419.310	INTEREST INCOME - MARKETING LOANS	R		
419.320	INTEREST INCOME - AUTOMATIC PMT ACCT.	R		
419.330	INTEREST INCOME - MARKON CO IND FUND	R		
419.340	INTEREST INCOME - RUS CUSHION OF CREDIT	R		
421.000	NON-OPERATING MARGINS OTHER	R		
421.100	GAIN ON DISPOSITION OF PROPERTY	X		
421.200	LOSS ON DISPOSITION OF PROPERTY	X		
423.000	G&T CAPITAL CREDITS	R		
424.100	CFC PATRONAGE CAPITAL	R		
424.200	KAEC - PATRONAGE CAPITAL	R		
424.300	CADP - PATRONAGE CAPITAL	R		
424.310	NRTC - PATRONAGE CAPITAL	R		
424.320	ENVISION ENERGY SERVICES - EARNINGS	R		
424.330	CRC - EQUITY INVESTMENT EARNINGS	R		





\*\* \* INTER-CO...Y ENERGY \* \* \*  
CHART OF ACCOUNTS

ALL ACCOUNTS

G/L NUMBER	DESCRIPTION	ACCOUNT TYPE	START DATE	END DATE
424.340	FEDERATED - PATRONAGE/EQUITY	R		
426.100	DONATIONS	X		
426.300	PENALTIES	X		
426.500	OTHER DEDUCTIONS	X		
427.100	INTEREST ON REA LOANS	X		
427.200	INTEREST ON OTHER LONG TERM DEBT	X		
427.400	INTEREST ON FFS LOANS	X		
428.000	AMORTIZATION OF LOAN EXPENSE	X		
431.000	INTEREST EXPENSE - OTHER	X		
431.100	INTEREST EXPENSE - CFC LINE OF CREDIT	X		
431.110	INTEREST EXPENSE - PCIF LINE OF CREDIT	X		
431.200	INTEREST EXPENSE - EKPC MARKETING LOANS	X		
435.100	ACCUM.EFFECT ON PRIOR YR ACCT. CHANGE	X		
440.100	RESIDENTIAL SALES - RURAL	R		
440.110	FUEL ADJ. ON RESIDENTIAL SALES	R		
440.111	ENV SURCHG ON RESIDENTIAL SALES	R		
440.120	ETS SALES	R		
440.130	FUEL CRG ON ETS	R		
440.131	ENV SURCHG ON ETS	R		
440.140	ENVIRONMENT	R		
442.100	COMMERCIAL & INDUSTRIAL SALES - SMALL	R		
442.110	FUEL ADJ. SM COMMERCIAL SALES	R		
442.111	ENV SURCHG ON SM COMMERCIAL SALES	R		
442.200	COMMERCIAL & INDUSTRIAL SALES - LARGE	R		
442.210	FUEL ADJ. LG COMMERCIAL SALES	R		
442.211	ENV SURCHG ON LG COMMERCIAL SALES	R		
442.300	LARGE INDUSTRIAL (2300 KVA)	R		
442.310	FUEL ADJ. ON LG INDUSTRIAL SALES	R		
442.311	ENV SURCHG ON LG INDUSTRIAL SALES	R		
442.320	COMMERCIAL SALES - IND RATE B	R		
442.330	FUEL ADJ ON INDUSTRIAL RATE B	R		
442.331	ENV SURCHG ON INDUSTRIAL RATE B	R		
450.000	FORFEITED DISCOUNTS	R		
451.000	MISCELLANEOUS SERVICE REVENUES	R		
454.000	RENT FROM ELECTRIC PROPERTY	R		
454.100	TEMPORARY SERVICE RENTAL	R		
454.200	CREDIT CARD REVENUE	R		
454.300	KY UTILITIES - POLE YARD RENTAL	R		
454.400	COMMUNITY ROOM RENTAL	R		
456.000	OTHER ELECTRIC REVENUES	R		
555.000	PURCHASED POWER	X		
580.000	OPERATION - SUPERVISION & ENGINEERING	X		
583.000	OVERHEAD LINE EXPENSE	X		
583.001	OVERHEAD LINE EXPENSE - 2/94 STORM DAMAGE	X		
583.002	OVERHEAD LINE EXPENSE - 3/94 STORM DAMAGE	X		
583.003	OVERHEAD LINE EXPENSE - 2/03 STORM DAMAGE	X		
583.004	OVERHEAD LINE EXPENSE - 8/03 STORM DAMAGE	X		
583.100	OVERHEAD LINE EXPENSE - LINE INSPECTION	X		
583.200	OVERHEAD LINE EXPENSE - PCB CLEAN-UP & SUPPLIES	X		
583.300	TRANSFORMER DAMAGE - PERRY ROGERS RD	X		



\* \* \* INTER-COUNTY ENERGY \* \* \*  
CHART OF ACCOUNTS

ALL ACCOUNTS

G/L NUMBER	DESCRIPTION	ACCOUNT TYPE	START DATE	END DATE
583.400	TRANSFORMER DAMAGE - LANCASTER SUB-STATION	X		
583.500	OPER. EXP. - WINTER STORM	X		
583.600	SYSTEM IMPROVEMENT	X		
584.000	UNDERGROUND LINE EXPENSES	X		
585.000	METER EXPENSES	X		
585.001	METER EXPENSES - 2/94 STORM DAMAGE	X		
586.002	METER EXPENSES - 3/94 STORM DAMAGE	X		
586.003	METER EXP - STORM DAMAGE 2/03	X		
586.004	METER EXP - STORM DAMAGE 8/03	X		
587.000	CONSUMER INSTALLATION EXPENSES	X		
588.000	MISCELLANEOUS DISTRIBUTION EXPENSE	X		
589.000	RENTS	X		
590.000	MAINTENANCE SUPERVISION & ENGINEERING	X		
593.000	MAINTENANCE OF OVERHEAD LINES	X		
593.001	MAINT. OF OVERHEAD LINES - 2/94 STORM DAMAGE	X		
593.002	MAINT. OF OVERHEAD LINES - 3/94 STORM DAMAGE	X		
593.003	MAINT. OF OVERHEAD LINES - 2/03 STORM DAMAGE	X		
593.004	MAINT. OF OVERHEAD LINES - 8/03 STORM DAMAGE	X		
593.100	MAINT OF OVERHEAD LINES - RIGHT-OF-WAY CLEARING	X		
593.101	MAINT OF R/W - 2/94 STORM DAMAGE	X		
593.102	MAINT. OF R/W - 3/94 STORM DAMAGE	X		
593.103	MAINT. OF R/W - 2/03 STORM DAMAGE	X		
593.104	MAINT. OF R/W - 8/03 STORM DAMAGE	X		
593.200	MAINTENANCE - POLE TREATMENT	X		
593.500	MAINT. EXP. - WINTER STORM	X		
594.000	MAINTENANCE OF UNDERGROUND LINES	X		
595.000	MAINTENANCE OF LINE TRANSFORMERS	X		
595.001	MAINT. OF LINE TRANSFORMERS - 2/94 STORM DAMAGE	X		
595.002	MAINT. OF LINE TRANSF. - 3/94 STORM DAMAGE	X		
595.004	MAINT. OF LINE TRANSF. - 8/03 STORM DAMAGE	X		
597.000	MAINTENANCE OF METERS	X		
598.000	MAINTENANCE OF MISC. DISTRIBUTION PLANT	X		
598.001	MAINT. OF MISC. DIST. PLANT - 2/94 STORM DAMAGE	X		
598.002	MAINT. OF MISC. DIST. PLANT - 3/94 STORM DAMAGE	X		
598.004	MAINT. OF MISC. DIST. PLANT - 8/03 STORM DAMAGE	X		
901.000	SUPERVISION - CUSTOMER ACCOUNTS	X		
902.000	METER READING EXPENSES	X		
902.100	CONTRACT METER READING EXPENSES	X		
903.000	CONSUMER RECORDS & COLLECTION EXPENSES	X		
903.100	CASH DRAWER OUTAGES	X		
904.000	UNCOLLECTIBLE ACCOUNTS	X		
908.000	CUSTOMER ASSISTANCE EXPENSE	X		
908.100	CUSTOMER ASSISTANCE EXPENSE - MARKETING	X		
908.200	CUSTOMER ASSISTANCE EXP. - MARKETING LOAN EXP.	X		
908.300	CUSTOMER ASSISTANCE EXP. ETS UNITS	X		
909.000	INFORMATION & INSTITUTIONAL ADVERTISING	X		
912.000	DEMONSTRATING & SELLING EXPENSES	X		
920.000	ADMINISTRATION & GENERAL SALARIES	X		
921.000	OFFICE SUPPLIES & EXPENSES	X		
923.000	OUTSIDE SERVICES EMPLOYED	X		



\*\*\* INTER-COUNTY ENERGY \*\*\*  
CHART OF ACCOUNTS

ALL ACCOUNTS

ACCOUNT TYPE	DESCRIPTION	G/L NUMBER	START DATE	END DATE
X	PROPERTY INSURANCE	924.000		
X	INJURIES & DAMAGES	925.000		
X	EMPLOYEE PENSIONS & BENEFITS	926.000		
X	R&S & 401K PLAN	926.100		
X	MAJOR MEDICAL INSURANCE	926.200		
X	LONG TERM DISABILITY	926.300		
X	BASIC LIFE INSURANCE	926.400		
X	RETIRED EMP. INSURANCE PREMIUMS	926.500		
X	EMPLOYEE PENSIONS & BENEFITS (FAS 106)	928.000		
X	REGULATORY COMMISSION EXPENSES	929.000		
X	DUPLICATE CHARGES	930.000		
X	MISCELLANEOUS GENERAL EXPENSES	930.200		
X	MISCELLANEOUS EXP. - DIRECTORS EXPENSES	930.300		
X	DIRECTOR EXP. - PAUL BALLARD	930.310		
X	DIRECTOR EXP. - DANNY DIVINE	930.320		
X	DIRECTOR EXP. - THOMAS GOOCH	930.330		
X	DIRECTOR EXP. - ROBERT MARTIN	930.340		
X	DIRECTOR EXP. - WILLIAM PEYTON	930.350		
X	DIRECTOR EXP. - JAMES PRESTON	930.360		
X	DIRECTOR EXP. - JOSEPH SPALDING	930.370		
X	DIRECTOR'S EXP. - KEVIN PRESTON	930.380		
X	DIRECTOR'S EXP. - JASON TODD	930.390		
X	MISCELLANEOUS EXP. - ASSOC. MEMBERSHIP DUES	930.400		
X	MISCELLANEOUS EXP. - CAPITAL CREDIT EXPENSES	930.500		
X	MISCELLANEOUS EXP. - ANNUAL MEETING EXPENSES	930.600		
X	MAINTENANCE OF GENERAL PLANT	935.000		

426 RECORDS PRINTED



**Kentucky 27**  
**Inter County Energy**  
**Cooperative Corporation**  
**Danville, Kentucky**  
**Report on Audits of Financial Statements**  
**for the years ended December 31, 2005 and 2004**

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**ALAN M. ZUMSTEIN**  
**CERTIFIED PUBLIC ACCOUNTANT**

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(859) 264-7147

MEMBER:  
AMERICAN INSTITUTE OF CPA'S  
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Board of Directors  
Inter County Energy Cooperative  
Danville, Kentucky 40423

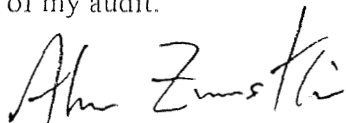
Independent Auditor's Report

I have audited the balance sheets of Inter County Energy Cooperative, as of December 31, 2005 and 2004, and the related statements income and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of Inter County Energy Cooperative's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter County Energy Cooperative as of December 31, 2005 and 2004, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated March 23, 2006, on my consideration of Inter County Energy Cooperative's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.



Alan M. Zumstein  
March 23, 2006

**ALAN M. ZUMSTEIN**  
**CERTIFIED PUBLIC ACCOUNTANT**

1032 CHETFORD DRIVE  
LEXINGTON, KENTUCKY 40509  
(859) 264-7147

MEMBER:  
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AICPA DIVISION FOR FIRMS

Board of Directors  
Inter County Energy Cooperative  
Danville, Kentucky 40423

I have audited the financial statements of Inter County Energy Cooperative as of and for the years ended December 31, 2005 and 2004, and have issued my report thereon dated March 23, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

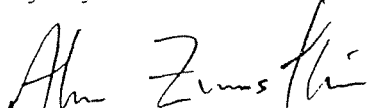
Compliance

As part of obtaining reasonable assurance about whether Inter County Energy Cooperative's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Inter County Energy Cooperative Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than those specified parties.

  
Alan M. Zumstein  
March 23, 2006

Inter County Energy Cooperative Corporation  
Balance Sheets, December 31, 2005 and 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Electric Plant, at original cost:		
In service	\$79,439,871	\$69,773,216
Under construction	393,421	3,743,219
	<u>79,833,292</u>	<u>73,516,435</u>
Less accumulated depreciation	14,920,643	14,242,099
	<u>64,912,649</u>	<u>59,274,336</u>
Investments in associated organizations	<u>8,952,284</u>	<u>9,407,903</u>
Current Assets:		
Cash and cash equivalents	906,659	459,267
Accounts receivable, less allowance for 2005 of \$52,244 and 2004 of \$45,084	4,778,739	3,602,861
Material and supplies, at average cost	284,471	210,433
Prepayments	422,242	453,050
	<u>6,392,111</u>	<u>4,725,611</u>
Total	<u>\$80,257,044</u>	<u>\$73,407,850</u>
<u>Members' Equities and Liabilities</u>		
Members' Equities:		
Memberships	\$962,090	\$938,385
Patronage capital	23,707,840	24,744,953
Other equities	54,188	52,452
	<u>24,724,118</u>	<u>25,735,790</u>
Long Term Debt	<u>43,832,876</u>	<u>38,073,809</u>
Accumulated Postretirement Benefits	<u>1,572,521</u>	<u>1,479,904</u>
Current Liabilities:		
Accounts payable	3,347,997	2,877,641
Notes payable	4,000,000	2,650,000
Current portion of long term debt	1,500,000	1,400,000
Consumer deposits	390,595	368,408
Other current and accrued expenses	888,937	822,298
	<u>10,127,529</u>	<u>8,118,347</u>
Total	<u>\$80,257,044</u>	<u>\$73,407,850</u>

The accompanying notes are an integral part of the financial statements.



Statements of Revenue and Patronage Capital  
for the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues	<u>\$34,637,170</u>	<u>\$29,045,813</u>
Operating Expenses:		
Cost of power	24,176,063	19,229,243
Distribution - operations	1,755,645	1,635,030
Distribution - maintenance	1,258,785	1,151,228
Consumer accounts	1,516,581	1,356,185
Customer service	495,924	458,731
Administrative and general	1,650,699	1,394,619
Depreciation, excluding \$218,971 in 2005 and \$190,211 in 2004 charged to clearing accounts	2,402,650	2,201,193
Taxes	32,450	31,734
Other deductions	37,104	76,184
	<u>33,325,901</u>	<u>27,534,147</u>
Operating Margins before Interest Charges	<u>1,311,269</u>	<u>1,511,666</u>
Interest Charges:		
Interest on long term debt	1,711,137	1,183,924
Other interest charges	193,836	48,629
	<u>1,904,973</u>	<u>1,232,553</u>
Operating Margins after Interest Charges	<u>(593,704)</u>	<u>279,113</u>
Patronage Capital assigned from:		
East Kentucky Power Cooperative, Inc.	-	-
Other organizations	72,527	35,784
	<u>72,527</u>	<u>35,784</u>
Net Operating Margins	<u>(521,177)</u>	<u>314,897</u>
Nonoperating Margins:		
Interest income	66,062	97,680
Gain on sale of general plant and others	(380,511)	29,799
	<u>(314,449)</u>	<u>127,479</u>
Net Margins	(835,626)	442,376
Patronage Capital - beginning of year	24,744,953	24,521,458
Retirements to estates of deceased members	<u>(201,487)</u>	<u>(218,881)</u>
Patronage Capital - end of year	<u><u>\$23,707,840</u></u>	<u><u>\$24,744,953</u></u>

The accompanying notes are an integral part of the financial statements.

## Statements of Cash Flows

for the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities:</b>		
Net margins	(\$835,626)	\$442,376
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation		
Charged to expense	2,402,650	2,201,193
Charged to clearing accounts	218,971	190,211
Patronage capital credits	(72,527)	(35,784)
Accumulated postretirement benefits	92,617	139,373
Change in assets and liabilities:		
Receivables	(1,175,878)	(153,052)
Material and supplies	(74,038)	17,926
Prepayments	30,808	(200,488)
Payables	470,356	681,205
Consumer deposits	22,187	22,350
Accrued expenses	66,639	34,832
	<u>1,146,159</u>	<u>3,340,142</u>
<b>Cash Flows from Investing Activities:</b>		
Plant additions	(8,332,163)	(8,147,340)
Salvage recovered from plant retired	72,229	70,001
Receipts from associated organizations	528,146	(15,498)
	<u>(7,731,788)</u>	<u>(8,092,837)</u>
<b>Cash Flows from Financing Activities:</b>		
Net increase in memberships	23,705	23,685
Payments to estates of deceased members	(201,487)	(218,881)
Other equities	1,736	4,930
Notes payable	1,350,000	2,650,000
Additional long term borrowings	6,786,000	3,500,000
Payments on long term debt	(1,371,179)	(1,357,336)
Cushion of credit payment	479,618	(26,554)
Marketing loans	(35,372)	(12,079)
	<u>7,033,021</u>	<u>4,563,765</u>
Net increase in cash	447,392	(188,930)
Cash balances - beginning of period	<u>459,267</u>	<u>648,197</u>
Cash balances - end of period	<u><u>\$906,659</u></u>	<u><u>\$459,267</u></u>
<b>Supplemental cash flows information:</b>		
Interest paid on long term debt	\$1,709,840	\$1,162,735

The accompanying notes are an integral part of the financial statements.

**1. Summary of Significant Accounting Policies**

Inter County maintains its records in accordance with policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with generally accepted accounting principles. The more significant of these policies are as follows:

**Electric Plant**

Electric plant is stated at original cost, less contributions, which is the cost when first dedicated to public service. Such cost includes applicable supervisory and overhead costs. There was no interest required to be capitalized on construction for the year.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The cost of units of property replaced or retired, including cost of removal net of any salvage value, is charged to accumulated depreciation. The major classifications of electric plant in service were:

	<u>2005</u>	<u>2004</u>
Distribution plant	\$68,315,016	\$64,377,390
General plant	<u>11,124,855</u>	<u>5,395,826</u>
Total	<u>\$79,439,871</u>	<u>\$69,773,216</u>

**Depreciation**

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Distribution plant depreciation is based on a composite rate of 3.35% per annum. Depreciation rates are as follows:

Structures and improvements	2%
Transportation equipment	15% - 18%
Other general plant	6% - 13%

**Statement of Cash Flows**

For purposes of the statement of cash flows, Inter County considers temporary investments having a maturity of three months or less to be cash equivalents.

Continued

**1. Summary of Significant Accounting Policies, continued**

**Revenue**

Inter County records revenues from its consumers based on monthly meter reading cycles. Inter County's sales are concentrated in a six county area of south central Kentucky. Consumers are billed on credit, with some consumers required to pay a refundable deposit. There were no consumers whose individual account balance exceeded 10% of outstanding accounts receivable at December 31, 2005 or 2004. The allowance for uncollectible accounts is based on the aging of receivables. Accounts are written off when they are deemed to be uncollectible.

**Cost of Power**

Cost of power is recorded in the period used, based upon billings by East Kentucky Power Cooperative Corporation (East Kentucky). Under its wholesale power agreement, Inter County is committed to purchase its electrical power and energy requirements from East Kentucky until 2018. The rates are subject to approval by the PSC.

**Fair Value of Financial Instruments**

Financial instruments include cash, temporary investments and long term debt. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations.

The carrying value of cash and temporary investments approximates fair value because of the short maturity of those instruments.

**Estimates**

The financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

**Off Balance Sheet Risk**

Inter County has off-balance sheet risk in that they maintain cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Continued

**2. Investments**

The Capital Term Certificates (CTCs) of National Rural Utilities Cooperative Finance Corporation (NRUCFC) are recorded at cost. The CTCs were purchased from NRUCFC as a condition of obtaining long-term financing. The CTCs bear interest at 0%, 3% and 5%, and are scheduled to mature at varying times from 2020 to 2080.

Inter County records patronage capital assigned by associated organizations in the year in which such assignments are received.

Investments in associated organizations and other consisted of:

	<u>2005</u>	<u>2004</u>
Associated organizations:		
East Kentucky Power Cooperative, Inc.:		
Patronage capital assigned	\$7,231,058	\$7,231,058
National Rural Utilities Cooperative Finance Corporation:		
Patronage capital assigned	185,738	189,499
Capital Term Certificates, at cost	971,269	972,976
Other associated organizations	564,219	1,009,035
U.S. Treasury Notes, at cost, which approximates market	-	5,335
Total	<u>\$8,952,284</u>	<u>\$9,407,903</u>

**3. Patronage Capital**

Patronage capital consisted of:

	<u>2005</u>	<u>2004</u>
Assigned to date	\$28,180,391	\$27,738,014
Assignable	(835,626)	442,376
Unassigned	150,817	150,817
Retirements to date	<u>(3,787,742)</u>	<u>(3,586,254)</u>
Total	<u>\$23,707,840</u>	<u>\$24,744,953</u>

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25% of net margins for the next preceding year, Inter County may distribute the difference between 25% and the payments made to such estates. At December 31, 2005, the equities and margins were 31% of total assets.

Continued

**4. Long Term Debt**

All assets, except motor vehicles, are pledged as collateral on the long-term debt to RUS and NRUCFC under a joint mortgage agreement. The amounts due East Kentucky are for the ERC loans. Long term debt consisted of:

	<u>2005</u>	<u>2004</u>
First mortgage notes due RUS:		
2%	\$41,475	\$88,911
5%	10,231,631	10,783,103
2.375 & 5.125% (1.125 & 5.125% in 2004)	4,730,178	4,835,234
Cushion of credit	(46,738)	(526,554)
	<u>14,956,546</u>	<u>15,180,694</u>
First mortgage notes due FFB:		
3.566 - 4.058% (2.222 - 2.615% in 2004)	<u>23,455,622</u>	<u>17,055,769</u>
First mortgage notes due NRUCFC:		
7%	111,273	147,988
5.85% - 6.50% (4.20% in 2004)	6,734,977	6,979,528
	<u>6,846,250</u>	<u>7,127,516</u>
Due East Kentucky, 4.2% various 5 years	<u>74,458</u>	<u>109,830</u>
	45,332,876	39,473,809
Less current portion	<u>1,500,000</u>	<u>1,400,000</u>
	<u>\$43,832,876</u>	<u>\$38,073,809</u>

The variable rate loans are subject to change monthly. Fixed rate loans may be converted to variable upon paying a conversion fee.

The long term debt payable to RUS and NRUCFC is due in quarterly and monthly installments of varying amounts through 2028. Inter County had no loan funds available at December 31, 2005. Inter County has unadvanced loan funds available from FFB in the amount of \$6,805,000 and from RUS in the amount of \$20,709,000.

As of December 31, 2005, the annual current portion of long term debt outstanding for the next five years are as follows: 2006 - \$1,600,000; 2007 - \$1,700,000; 2008 - \$1,800,000; 2009 - \$1,900,000; 2010 - \$2,000,000.

**5. Note Payable**

At December 31, 2005, Inter County had a short term line of credit of \$5,000,000 available from NRUCFC. Inter County has advances against this line of credit at December 31, 2005 in the amount of \$4,000,000 at an interest rate of 6.10%.

Continued

**6. Related Party Transactions**

Several of the Directors of Inter County, its General Manager and another employee are on the board of directors of various associated organizations.

**7. Accumulated Postretirement Benefits**

Inter County sponsors a defined benefit plan that provides medical insurance coverage to retirees and their dependents. Participating retirees and dependents do not contribute to the projected cost of coverage. For purposes of the liability estimates, the substantive plan is assumed to be the same as the extant written plan. Postretirement benefits are not funded.

The following is a reconciliation of the postretirement benefit obligation:

	<u>2005</u>	<u>2004</u>
Postretirement benefit obligation:		
Balance, beginning of period	<u>\$1,479,904</u>	<u>\$1,340,531</u>
Recognition of components of net periodic postretirement benefit cost:		
Service cost	67,200	64,000
Interest cost	160,800	152,000
Amortization of gains or losses	<u>36,000</u>	<u>36,000</u>
	264,000	252,000
Benefits paid to participants	<u>(171,383)</u>	<u>(112,627)</u>
Net periodic benefit cost	<u>\$1,572,521</u>	<u>\$1,479,904</u>

The funding status of the plan is as follows:

	<u>2005</u>	<u>2004</u>
Accumulated postretirement benefit obligation:		
Active plan participants	\$1,430,000	\$1,269,000
Retirees and dependents	<u>985,000</u>	<u>1,031,000</u>
	2,415,000	2,300,000
Unrecognized net gain from changes in assumptions	<u>(842,479)</u>	<u>(820,096)</u>
Accrued postretirement benefit cost	<u>\$1,572,521</u>	<u>\$1,479,904</u>

For measurement purposes, a 7.0% annual rate of increase, decreasing by 0.5% per year until leveling at 5.5%, in the per capita cost of covered health care benefits was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 7.0% in 2005 and 2004.

Continued

**8. Pension Plan**

All eligible employees of Inter County participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code. Inter County makes annual contributions to the Program equal to the amounts accrued for pension expense. In this multiemployer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Contributions were \$349,722 for 2005 and \$327,238 for 2004.

**9. Commitments and Contingencies**

Electric power sold by Inter County is purchased from East Kentucky. The membership of East Kentucky is comprised of Inter County and 16 other distribution cooperatives.

Inter County is contingently liable as guarantor for approximately \$401,000 of long term obligations of East Kentucky to RUS, NRUCFC and institutional investors. Substantially all assets of Inter County are pledged as collateral for this guarantee, in addition to the pledge in the mortgage agreement referred to in Note 4. This contingent liability was part of an overall financing plan for the construction of generating facility near Maysville, Kentucky.

Inter County also has various agreements outstanding with local contractors. Under these agreements, the contractors will read meters and perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to three years.

**10. Advertising**

Advertising costs are expensed as incurred. Advertising costs were \$44,263 for 2005 and \$53,154 for 2004.

**11. Risk Management**

Inter County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Inter County carries commercial insurance for all risks of loss, including workers' compensation, general liability and property loss insurance. As is customary in the utility industry, Utility Plant is not insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in 2005 or 2004.

**12. Income Tax Status**

Inter County is exempt from federal and state income taxes under provisions of Section 501(c)(12). Accordingly, the financial statements include no provisions for income taxes.



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Witness: Alan Zumstein

Inter County Energy Cooperative  
Case No. 2006-00415  
July 31, 2006

**Computer Software Programs**

Inter County Energy Electric has used Microsoft Excel and Word  
in the preparation of this Applciation.