

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE)
COOPERATION FOR APPROVAL)
TO PURCHASE THE FIXED ASSESTS OF)
THE MONTICELLO ELECTRIC)
PLANT BOARD, MONICELLO, KY)

NOV 05 2007
PUBLIC SERVICE
COMMISSION
CASE NO. 2007-00374

ATTORNEY GENERAL'S
INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky ("Attorney General"), by and through his Office of Rate Intervention, and submits this Initial Request for Information to South Kentucky Rural Electric Cooperative Corporation ("SKRECC") to be answered in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(5) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(6) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(7) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(8) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

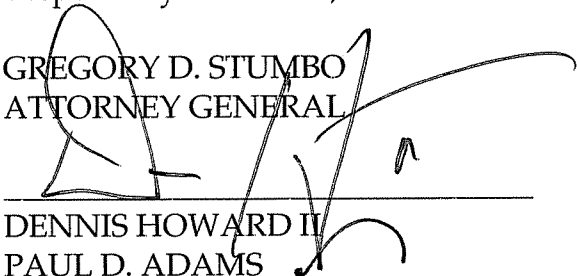
(9) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(10) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it

was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL



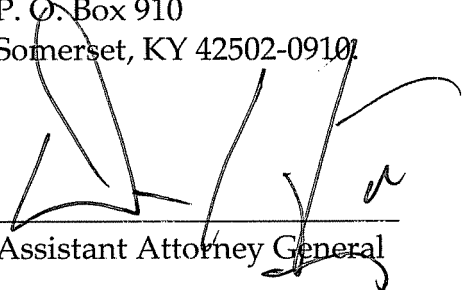
DENNIS HOWARD II
PAUL D. ADAMS
LAWRENCE W. COOK
ASSISTANT ATTORNEYS GENERAL
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
dennis.howard@ag.ky.gov

CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 5th day of November, 2007, I hand-delivered the original and ten copies of the foregoing Attorney General's Initial Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601, certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to:

Honorable Darrell Saunders
Attorney for SKRECC
700 Master Street
P.O. Box 1324
Corbin, Kentucky 40702, and

Alan Anderson
Manager
SKRECC
P. O. Box 910
Somerset, KY 42502-0910



Assistant Attorney General

ATTORNEY GENERAL'S INITIAL
REQUEST FOR INFORMATION
TO SOUTH KENTUCKY RECC
Case No. 2007-00374

DEFINITIONS

For purposes of this document, the following definitions shall apply:

The term "personnel" shall include employees, agents, directors, officers, principals, management, partners, members, agents, stockholders, sole proprietors, or contractors.

The phrase "financial or pecuniary interest" shall include (but is not limited to) any employment or the holding of any contract of any type or sort.

1. Did SKRECC perform a due diligence report, examination, review, or study of any type or sort prior to its decision to purchase the fixed assets of Monticello Electric Plant Board in Monticello, Kentucky?
2. If the response to question number one, above, is "yes," please provide copies of any and all such information, together with any and all information in any way related to such reports, examinations, reviews, or studies.
3. If the response to question number one, above, is "no," explain in detail why not.
4. Did the City of Monticello perform a due diligence report, examination, review, or study of any type or sort prior to its decision to purchase the fixed assets of Monticello Electric Plant Board in Monticello, Kentucky?
5. If the response to question number four, above, is "yes," please provide copies of any all such information, together with any and all information in any way related to such reports, examinations, reviews, or studies.
6. If the response to question number four, above, is "no," explain in detail why not.
7. Was SKRECC involved in any competitive bidding process or auction by the City of Monticello and / or the Monticello Electric Plant Board prior to SKRECC submitting its proposal to purchase Monticello?

8. Has SKRECC been involved in any competitive bidding process or auction by the City of Monticello and / or the Monticello Electric Plant Board prior to SKRECC submitting its proposal to purchase Monticello?
9. Describe in detail the potential ramifications for SKRECC ratepayers if the procedures employed by the City of Monticello and / or the Monticello Electric Plant Board for the proposed purchase of its electrical utility assets are found to be contrary to Kentucky law.
10. In the opinion of SKRECC, what is the fair market value of the fixed assets of the Monticello Electric Plant Board?
11. Please identify the names and titles of the SKRECC'S personnel and agents who participated in the due diligence examinations, reviews, or studies of any type or sort.
12. Please identify the names and titles of the City of Monticello and / or the Monticello Electric Plant Board personnel and agents who participated in the due diligence examinations, reviews, or studies of any type or sort.
13. Please identify the names and titles of the SKRECC'S personnel and agents who participated in the offer to purchase the fixed assets of the Monticello Electric Plant Board.
14. Please identify the names and titles of the Monticello personnel and agents who participated in the offer to purchase the fixed assets of the Monticello Electric Plant Board.
15. As part of the due diligence report, did SKRECC consider whether the City of Monticello and / or the Monticello Electric Plant Board had complied with any and all legal requirements that may affect the sale of the fixed assets of Monticello Electric Plant Board? Explain in detail.
16. Please state whether any current or former SKRECC employees or members of SKRECC's Board of Directors are or ever were employees, board members, partners, or members of any other business entity or organization. Identify each such individual, the name of the business entity or organization, and the title of their position.
17. Please disclose whether any SKRECC personnel presently have, or ever have had any financial or pecuniary interest of any type or sort in the City of

Monticello, and / or the Monticello Electric Plant Board. For each such interest, provide full and complete details.

18. Please disclose whether any personnel of the City of Monticello and / or the Monticello Electric Plant Board have, or ever have had any financial or pecuniary interest of any type or sort in SKRECC. For each such interest, provide full and complete details.
19. Please disclose whether any current or former personnel of the City of Monticello and / or the Monticello Electric Plant Board conduct, or ever have conducted business transactions of any type or sort with businesses owned by the personnel of SKRECC. For each such business transaction, provide full and complete details.
20. Please disclose whether any personnel of SKRECC conduct, or ever have conducted, business transactions of any type or sort with businesses owned by the personnel of the City of Monticello and / or the Monticello Electric Plant Board. For each such business transaction, provide full and complete details.
21. Please state whether any relative, by blood or marriage, of SKRECC's personnel holds, will hold or has ever held any type or sort of position, whether as employee, officer, board member, contractor or consultant, with the City of Monticello and / or the Monticello Electric Plant Board. For each such position, provide full and complete details.
22. Please state whether any relative, by blood or marriage, of the personnel of the City of Monticello and / or the Monticello Electric Plant Board holds, will hold, or has ever held any type or sort of position, whether as employee, officer, board member, contractor or consultant, with SKRECC. For each such position, provide full and complete details.
23. Does SKRECC currently maintain, or has it ever maintained, any contracts with vendors whose principals are in any manner related, by blood or marriage, to the personnel of the City of Monticello and / or the Monticello Electric Plant Board? If yes:
 - a) Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (5) calendar years; and

b) Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.

24. Does SKRECC have any anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.
25. Does SKRECC employ, or has it ever employed, any relatives (by blood or marriage) of any City of Monticello and / or the Monticello Electric Plant Board personnel? If so, provide full and complete details.
26. Describe, in detail, any and all financial inducements that SKRECC offered, or that the personnel of the City of Monticello and / or the Monticello Electric Plant Board demanded or requested during the course of negotiations leading to the proposed purchase that is the subject of the instant filing.
27. Did the contract for the proposed purchase that is the subject of the instant filing have any other consideration of any type or sort not stated in the contract?
28. Please provide unredacted copies of minutes, notes, memoranda, or any and all other documents of any type or sort, regardless of the media in which they are stored, regarding meetings between personnel of SKRECC and the City of Monticello and / or the Monticello Electric Plant Board in which the proposed was discussed.
29. Describe, in complete detail, how the City of Monticello and / or the Monticello Electric Plant Board decided that the consideration offered by SKRECC for the proposed purchase was "good and sufficient," as described on page one of the "PURCHASE AND SALES AGREEMENT."
30. Describe, in complete detail, what the City of Monticello and / or the Monticello Electric Plant Board intend to do with the proceeds of the proposed sale.
31. Describe, in full and complete detail, the ramifications of the proposed purchase upon SKRECC's existing rate payers. Also, please answer the following:
 - (a) Does SKRECC intend to ask its existing ratepayers to pay for the proposed purchase? If so, what benefit(s) will the existing rate base acquire as a result of the purchase?

- (b) Does SKRECC intend to file a rate case to recoup its costs? If so, will SKRECC seek to establish a regulatory asset to recoup the costs of the proposed transaction?
 - (c) Will SKRECC request financing from the RUS to fund the purchase? If so, state in complete detail the cost to ratepayers for that financing.
 - (d) The proposed "PURCHASE AND SALES AGREEMENT" calls for amortizing the purchase over 30 years at 4.75% interest per annum. State, in current dollars, the total amount of interest that SKRECC's ratepayers will be paying over the 30 year amortization.
 - (e) Reference SKRECC's response to PSC 2-4. SKRECC therein references the "financing option sponsored by the City of Monticello," and that SKRECC "has selected the City of Monticello financing option." SKRECC's response further states that it has provided the required information in the original application. State exactly where in the original application the financing option selected by the City of Monticello is referenced. If it is not contained therein, provide full and complete details, including copies of any and all relevant documents, communications, or studies of any type or sort.
32. Provide complete justification for retaining the current superintendent and the complete board of the Monticello Electric Plant Board in an advisory capacity, at their full salary, for a period of two years from the date the transaction is completed. Also, please answer the following:
- (a) How will SKRECC's ratepayers be impacted? Describe in complete detail how SKRECC's ratepayers will benefit from retaining both the superintendent and board at full salary for two years? If there is any real benefit, could the benefit not be achieved by retaining solely the superintendent?
 - (b) Describe in complete detail the full range of issues the existing Monticello Electric Plant Board will be advising SKRECC about for two years.
 - (c) State how and why the offer to retain the full board of Monticello Electric Plant Board was not an inducement to approve the proposed purchase.
 - (d) Justify fully paying complete salaries of both the superintendent and the advisory board when they will not have any responsibility for operating the Monticello system after SKRECC assumes control.
33. Provide complete justification for offering all employees of the Monticello Electric Plant Board continued employment at SKRECC, at their full salary or greater. Also, please answer the following:

- (a) How will SKRECC's ratepayers be impacted? Describe in complete detail how SKRECC's ratepayers will benefit from offering to retain the complete staff of the Monticello Electric Plant Board.
 - (b) Describe in complete detail the full range of responsibilities of the existing Monticello Electric Plant Board employees will be undertaking on behalf of SKRECC.
 - (c) To what extent will the offer to retain all Monticello Electric Plant Board employees result in duplication of services? Explain in detail.
 - (d) Provide the number of MEPB employees to date. Does SKRECC have current vacancies? If so, does the number of vacancies equal the number of MEPB employees SKRECC will hire?
34. State in complete detail how SKRECC first proposed to purchase the Monticello Electric Plant Board, and the circumstances in which it first suggested the contemplated transaction.
35. Reference application exhibit A, page 2, number 11 (c).
- (a) Did SKRECC have plans to build an office building in or near the City of Monticello before the transaction which is the subject of the instant filing was contemplated? If so, please provide details of the office building.
 - (b) If not, would SKRECC agree that the acquisition of the MEPB office building is only a potential benefit to ratepayers, and not an actual benefit?
 - (c) Describe in detail the necessity for the acquisition of this building.
 - (d) Would SKRECC be willing to sell the building if it is not necessary?
 - (e) If not, why not?
36. Describe in detail any and all efforts the City of Monticello and / or the Monticello Electric Plant Board took to advise its constituents and customers regarding the proposed sale and the ramifications thereof.
37. Provide any and all studies and reports of any type or sort describing the rate impact of the proposed transaction on existing customers of the Monticello Electric Plant Board.
38. Identify any and relationships (whether personal or business) between SKRECC and / or between SKRECC's personnel and the following individuals: (a) Mack Butler; (b) Gary Dishman; (c) Dan Daffron; (d) Mike Anderson; and (e) Kevin R. Mullins.

39. Describe in detail the financial interest the City of Monticello and / or the Monticello Electric Plant Board has in NetPower, LLC.
40. State whether SKRECC, or any of its personnel, maintain financial or pecuniary interest of any type or sort in: (a) NetPower, LLC; (b) MBC Internet, Inc.; and / or (c) MBC Consulting, Inc. If so, provide full and complete details.
41. Confirm that the Kentucky Secretary of State administratively dissolved NetPower, LLC on November 1, 2007.
42. With regard to numbered paragraph 16 of the "PURCHASE AND SALES AGREEMENT," describe how SKRECC intends to fulfill the covenants stated therein with an entity that no longer exists.
43. State how many customers NetPower, LLC had prior to being administratively dissolved.
44. Identify what entity or entities are providing service to former NetPower customers, and to what entity NetPower customers are sending their payments for services rendered.
45. State how and when SKRECC intends to achieve rate parity with its existing customers and the customers of the Monticello Electric Plant Board.
46. To what extent was the value of the interest of City of Monticello and / or the Monticello Electric Plant Board in NetPower taken into consideration in deriving the final proposed purchase price? Provide full details.
47. Reference SKRECC's response to PSC 2-3, p. 29 of 57. This page, which appears to be a print out of an apparent Power Point presentation, indicates that Kentucky Utilities may have submitted the lowest bid for wholesale power. Explain in detail why Monticello Electric Plant Board did not pursue this option, as opposed to accepting SKRECC's unsolicited bid to purchase the electric assets of MEPB.