

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV 13 2007
PUBLIC SERVICE
COMMISSION

In the Matter of:


APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR) CASE NO.
THE APPROVAL TO PURCHASE THE FIXED) 2007-00374
ASSETS OF THE MONTICELLO ELECTRIC)
PLANT BOARD)

RESPONSE TO ATTORNEY GENERAL'S
FIRST DATA REQUEST

Comes South Kentucky Rural Electric Cooperative Corporation ("South Kentucky" or "SKRECC") and files with the Commission an original and six (6) copies of the within response to the Attorney General's First Data Request to South Kentucky Rural Electric Cooperative Corporation dated and served on November 5, 2007. Each copy has been placed in a bound volume and each attachment separately tabbed.

CERTIFICATION

The undersigned, Allen Anderson, states that he is the President and Chief Executive Officer of South Kentucky Rural Electric Cooperative Corporation who supervised the preparation of the within response and certifies that the within response is true and accurate to the best of his knowledge, information and belief formed after reasonable inquiry.



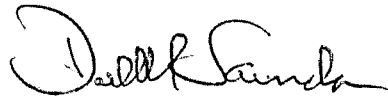
ALLEN ANDERSON
PRESIDENT & CEO
SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION
SOMERSET, KENTUCKY 42501
(606) 451-4123



DARRELL L. SAUNDERS
ATTORNEY FOR SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE
CORPORATION
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
(606) 523-1370 TELEPHONE
(606) 523-1372 FACSIMILE

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing was this 13th day of November, 2007 hand delivered to Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, KY 40602-0615 and Hon. Dennis Howard, II, Assistant Attorney General, Capitol Building, Suite 118, Capitol Avenue, Frankfort, KY 40601.



ATTORNEY FOR SOUTH KENTUCKY RURAL
ELECTRIC COOPERATIVE CORPORATION

**SOUTH KENTUCKY RECC
CASE NO. 2007-00374**

**APPLICATION FOR THE PURCHASE OF THE FIXED ASSETS OF THE MONTICELLO ELECTRIC PLANT
BOARD**

RESPONSES TO ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Item No.	<u>Response</u>
1	Witness: Allen Anderson SKRECC did have a due diligence report prepared on the Monticello Electric Plant Board ("MEPB").
2	Witness: Allen Anderson The document containing the due diligence report is contained in Exhibit O filed with the Kentucky Public Service Commission ("Commission") as a part of the application
3	Witness: Allen Anderson Please see Response No. 2 above.
4	Witness: Allen Anderson South Kentucky RECC ("SKRECC") does not have this information.
5	Witness: Allen Anderson South Kentucky RECC ("SKRECC") does not have this information.
6	Witness: Allen Anderson South Kentucky RECC ("SKRECC") does not have this information.
7	Witness: Allen Anderson SKRECC submitted its proposal to the Monticello Electric Plant Board ("MEPB") by responding to a Request for Proposal ("RFP") issued by the MEPB.
8	Witness: Allen Anderson Please see Response No. 7 above.

APPLICATION FOR THE PURCHASE OF THE FIXED ASSETS OF THE MONTICELLO ELECTRIC PLANT BOARD

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Item No.	Response
14	Witness: Allen Anderson No city of Monticello personnel or agents participated in the offer to purchase the MEPB fixed assets.
15	Witness: Allen Anderson The process that was utilized in this purchase is based on KRS 96.860 and SKRECC believes this statute was properly followed.
16	Witness: Allen Anderson SKRECC neither has nor keeps this type of information as a part of its business records or process.
17	Witness: Allen Anderson None to the best of our knowledge.
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RESPONSES TO ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Item No.	<u>Response</u>
39	Witness: Allen Anderson SKRECC does not have that information.
40	Witness: Allen Anderson None to the best of our knowledge.
41	Witness: Allen Anderson SKRECC does not have this information or a need for it.
42	Witness: Allen Anderson Net Power was excluded from being a part of the agreement between it and the MEPB and the city of Monticello.
43	Witness: Allen Anderson SKRECC does not have that information.
44	Witness: Allen Anderson SKRECC does not have that information.
45	Witness: Allen Anderson SKRECC has promised that the current customers of the MEPB will remain on their current rate schedules until the end of 2008 and will be placed on SKRECC's rate schedules on January 1, 2009.
46	Witness: Allen Anderson This entity was excluded from SKRECC's contract and purchase of the MEPB fixed assets.



AVERTISSEMENT



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
Personnel Policy # A50

SUBJECT: Nepotism

APPLICABLE TO: Employees of all status (full time, part time, temporary and summer) and Members of the Board of Directors

SCOPE: To establish guidelines regarding employment of relatives

PROVISIONS:

- 1 Relatives of South Kentucky RECC employees or Board members either by blood or marriage may not be considered for employment by the Cooperative if the relationship is equivalent to or closer than as stated in this policy.
- 2 Specifically, this policy excludes the following blood relationships from consideration of employment with SKRECC: father, mother, son, daughter, brother, sister, uncle, aunt, nephew, niece, grandmother, grandfather or grandchild. Foster and step relationships are interpreted to be the same as blood relationships for the purposes of this policy. Marriage relationships (including in-laws) are interpreted by this policy to include spouse, father, mother, son, daughter, brother, sister, aunt, uncle, niece, nephew, grandparent or grandchild. Applicants for summer or temporary employment must also adhere to these guidelines.
- 3 Existing employees that become relatives as defined in this policy may be permitted to continue working. Continued employment by persons related may involve reassignment of duties, reclassification and/or change in teams.

RESPONSIBILITY:

The Coaching Team and Team Leaders are directly responsible to see that this policy is adhered to within their respective areas. The Head Coach/CEO is responsible to the Board of Directors for overall compliance.

igned: Allen Anderson
Head Coach/CEO

Original Date Approved: 10/14/93
Revision Date: 6/23/05

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
Personnel Policy # A60

SUBJECT: CONFLICT OF INTEREST

OBJECTIVE:

To ensure that no employee of the Cooperative is engaged in activity which could provide the appearance of improprieties in being a Cooperative employee and engaging in the activity.

CONTENT:

The Cooperative, and Cooperative employees, must not place employees in a position in which employment, and other activities, are placed into a situation of conflict so that there could be an appearance of the employee not properly discharging the duties of their job and/or an appearance of impropriety to the Cooperative by virtue of the employees' job and the other activities.

PROVISIONS:

Activities relating to the work performance of South Kentucky Rural Electric employees, their relatives and/or associates involving other businesses, organizations, or individuals, must not interfere with the duties and responsibilities of the cooperative. Accordingly, an employee may not undertake any activity relating to their position with the cooperative, with or without compensation, which

- ◆ Might interfere with the proper performance of the employee's duties.
- ◆ Might cause loss to South Kentucky RECC
- ◆ Might violate any federal, state, local, or other regulatory guidelines to which the Cooperative is subject.
- ◆ Is a violation of any other standards or practices of South Kentucky RECC
- ◆ Might give and/or cause others to evaluate the activity in conjunction with the employment relationship, as providing an appearance of impropriety for the employee to be engaged in said activity.
- ◆ Transactions in which the Cooperative is involved shall not be influenced, or reasonably appear to be influenced, by an employee's personal interest or relationships

To provide a basis for the Head Coach/CEO to evaluate said potential conflict of interest transactions or activities, all employees shall summarize any potential conflict of interest in writing and initially shall report to the COO or CFO and/or Team Leader. The COO or CFO and/or Team Leader shall report to the Head Coach/CEO to determine whether said activity violates this policy.

Employees in violation of this policy are subject to disciplinary action up to and including termination

RESPONSIBILITY:

The Coaching Team and Team Leaders are directly responsible to see that this policy is adhered to within their respective areas. The Head Coach/CEO is responsible to the Board of Directors for overall compliance

Approved: Allen Anderson
Head Coach/CEO

Original Date Approved January 14, 1999
Date Approved 6/23/05



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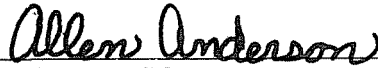
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22	Witness: Allen Anderson None to the best of our knowledge.
23	Witness: Allen Anderson None to the best of our knowledge.
24	Witness: Allen Anderson South Kentucky's nepotism policy is attached as Attachment A.
25	Witness: Allen Anderson None to the best of our knowledge.
26	Witness: Allen Anderson None to the best of our knowledge.
27	Witness: Allen Anderson The contract states the full consideration.
28	Witness: Allen Anderson No written documents, whether formal or informal, were kept as regards to the negotiations conducted between the time the offer was made by SKRECC and the time the agreement was reached with MEPB.
29	Witness: Allen Anderson SKRECC does not have that information.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
Somerset, Kentucky
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SUBJECT: Nepotism

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Revision Date: 6/23/05

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Approved: Allen Anderson
Head Coach/CEO

Original Date Approved: January 14, 1999
Date Approved: 6/23/05

**SOUTH KENTUCKY RECC
CASE NO. 2007-00374**

Attachment B
Page 1 of 1
Witness: James Adkins

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Year	<u>Balance</u>	<u>Principle</u>	<u>Interest</u>	<u>Ending Balance</u>
1	4,400,000	146,666.67	209,000.00	4,253,333
2	4,253,333	146,666.67	202,033.33	4,106,667
3	4,106,667	146,666.67	195,066.67	3,960,000
4	3,960,000	146,666.67	188,100.00	3,813,333
5	3,813,333	146,666.67	181,133.33	3,666,667
6	3,666,667	146,666.67	174,166.67	3,520,000
7	3,520,000	146,666.67	167,200.00	3,373,333
8	3,373,333	146,666.67	160,233.33	3,226,667
9	3,226,667	146,666.67	153,266.67	3,080,000
10	3,080,000	146,666.67	146,300.00	2,933,333
11	2,933,333	146,666.67	139,333.33	2,786,667
12	2,786,667	146,666.67	132,366.67	2,640,000
13	2,640,000	146,666.67	125,400.00	2,493,333
14	2,493,333	146,666.67	118,433.33	2,346,667
15	2,346,667	146,666.67	111,466.67	2,200,000
16	2,200,000	146,666.67	104,500.00	2,053,333
17	2,053,333	146,666.67	97,533.33	1,906,667
18	1,906,667	146,666.67	90,566.67	1,760,000
19	1,760,000	146,666.67	83,600.00	1,613,333
20	1,613,333	146,666.67	76,633.33	1,466,667
21	1,466,667	146,666.67	69,666.67	1,320,000
22	1,320,000	146,666.67	62,700.00	1,173,333
23	1,173,333	146,666.67	55,733.33	1,026,667
24	1,026,667	146,666.67	48,766.67	880,000
25	880,000	146,666.67	41,800.00	733,333
26	733,333	146,666.67	34,833.33	586,667
27	586,667	146,666.67	27,866.67	440,000
28	440,000	146,666.67	20,900.00	293,333
29	293,333	146,666.67	13,933.33	146,667
30	146,667	146,666.67	6,966.67	0
Total Interest Paid			3,239,500	

SOUTH KENTUCKY RECC
CASE NO. 2007-00374

Attachment C
Page 1 of 1
Witness: James Adkins

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

**SKRECC RATE COMPARISON WITH MEPB CURRENT BASE RATES
PLUS THE TVA PENALTY FOR MEPB OF ONE CENT PER KWH.**

<u>Rate Class</u>	<u>kWh Sales</u>	<u>Number of Customers</u>	<u>Average Monthly Usage</u>
Residential	39,229,355	2,767	1,181
General Power - 50 kW & Under	10,203,226	567	1,500
General Power - Over 50 kW	47,732,119	93	42,771

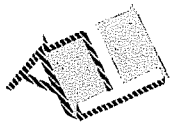
<u>Average Monthly Bill</u>	<u>MEPB Rates</u>	<u>SKRECC's Rates</u>
Residential	\$ 98.45	\$ 93.96
General Power - 50 kW & Under	\$ 138.61	\$ 140.06
General Power - Over 50 kW Assume 100 kW Demand	\$ 3,801.75	\$ 2,746.65



MONTICELLO ELECTRIC PLANT BOARD
A Public Power Utility – Established 1954

REQUEST FOR PROPOSALS WHOLESALE ENERGY PROVIDERS

Prepared By:



INTERTECH & ASSOCIATES, INC.
Consulting Engineers

160 CREEKVIEW DRIVE – P.O. BOX 195 – MONTICELLO, KY 42633
TELEPHONE: 606-348-6874 FAX: 606-348-6887 E-Mail: bcooper@net-power.net

August 2006



MONTICELLO ELECTRIC PLANT BOARD
A Public Power Utility - Established 1954

Gary Dishman, Superintendent

I. Procedural Introduction

- a. Place, Date & Time Of RFP Submittal
- b. Communication & Contact Person For RFP
- c. Identification For Correspondence Relating To RFP

II. Background

- a. Brief History Of The Monticello Electric Plant Board
- b. MEPB Status as TVA Distributor
- c. MEPB Service Area Demographics
- d. Existing Distribution Logistics For The MEPB
- e. Capacity & Historic Energy Requirements For The MEPB System

III. Proposed Schedule Of Activities Related To The RFP

- a. Notice Provided To TVA By MEPB
- b. Review Date For This RFP By The MEPB
- c. Expected Date For Board Action By The MEPB
- d. Date Expected For RFP Respondent To Furnish Energy
- e. Hold Harmless Agreement

IV. Scope of Proposed Services

- a. Anticipated Contract Duration of Submitted RFP
- b. Expected Capacity & Energy Requirements
- c. Delivery Point & Utilization Voltage For The MEPB

V. Principal Evaluation Criteria

- a. Reliability & Firmness Of The Proposed Service
- b. Total Proposed Cost of Energy Including Power Factor Penalties
- c. Respondents Ability To Minimize MEPB Risk Exposure To Fluctuations In Fuel Costs
- d. Respondent's Proposed Term Of Contract
- e. Financial stability Of The Respondent As A Wholesale Energy Provider.
- f. Regulatory Restraints Required To Be Placed On The Monticello Electric Plant Board Resulting From Respondent's Status

VI. RFP Content Guidelines

- a. Description Of Total Cost of Energy To Monticello Electric Plant Board
 - 1. Energy Charges Per MWh
 - 2. Demand Charges Per Kw
 - 3. Power Factor Penalties
 - 4. Price Stability With Respect To Fuel Cost & Other Influences
- b. Description Of Ancillary Charges Per Kw Or KWh
 - 1. Fuel Charges Or Surcharges
 - 2. Cost Of Losses
 - 3. Metering Or Telemetry Charges, If Any
 - 4. Transmission Or Interconnection Charges, If Any
- c. Transitional Costs For The Monticello Electric Plant Board
 - 1. New Facility Requirements, If Any
 - 2. Access Or Transmission System Upgrade Charges
 - 3. Any Respondent's Business Costs Required To Be Absorbed By The Monticello Electric Plant Board To Allow Implementation Of The Services
- d. Respondent's Comments

VII. Appendix

- a. Sample Pricing Matrix
- b. Chart of Historic Use & Anticipated Demand
- c. Graphic Analysis For Growth Curve



MONTICELLO ELECTRIC PLANT BOARD
A Public Power Utility – Established 1954

**REQUEST FOR PROPOSALS
WHOLESALE ENERGY PROVIDERS**

I. PROCEDURAL INTROCTION

I.a. NOTICE TO PROSPECTIVE RESPONDENTS

Notice is hereby given to prospective Respondents that sealed proposals will be received by the Monticello Electric Plant Board at their office in Monticello, Kentucky until September 28, 2006 at 4:00 p.m. local time for delivery of the Wholesale Electrical Energy required By The Monticello Electric Plant Board. The Electric Plant Board of the City Of Monticello hereinafter referred to as "MEPB", issues this Request For Proposals ("RFP") to solicit Proposals for firm power supply resources to replace existing full requirements for power purchased under a contract with the TVA that expires on November 20, 2008. The MEPB desires to obtain proposals to supply firm capacity, associated energy, transmission and ancillary services that will be needed upon the expiration of the Power Contract between the Tennessee Valley Authority ("TVA") and The Electric Plant Board of the City Of Monticello, as amended.

Proposals received after the time announced for receipt may be returned to the prospective Respondent unopened.

The Request for Proposal package (RFP) may be examined and obtained at the office of Gary Dishman, Superintendent, Monticello Electric Plant Board, 905 N. Main Street, Monticello, KY 42633


The Monticello Electric Plant Board reserves the right to reject any or all proposals, to waive any irregularities or informalities in any or all proposals, and to accept any type proposal which is deemed most favorable to the Monticello Electric Plant Board.

Information contained in this RFP is provided for initial Respondent review only. The MEPB or its consultant's make no representation that the information is complete or applicable to any Respondent's Proposal.

Three original bound copies of the proposal should be notarized, signed and submitted by the Respondent.

PREPARED BY:

Monticello Electric Plant Board
Gary Dishman, Superintendent
905 N. Main Street
Monticello, KY 42633
606-348-8102

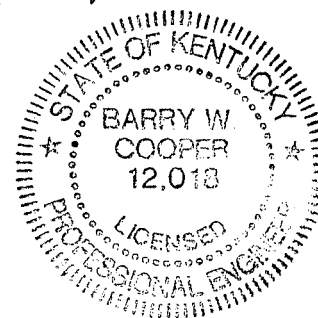


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Intertech & Associates, Inc.
Barry W. Cooper, P.E.
160 Creekview Drive
Monticello, KY 42633
606-348-6874



Barry W. Cooper, P.E.



I.b. ADDRESSES AND REPRESENTATIVES

- A) Address all correspondence to the MEPB as follows.

Monticello Electric Plant Board
Gary Dishman, Superintendent
905 N. Main Street
Monticello, KY 42633
606-348-8102 Fax: 606-348-8446
mepb@net-power.net

- B) Address all correspondence regarding distribution system technical issues to Consultant as follows.

INTERTECH & ASSOCIATES, INC.
Consulting Engineers
160 Creekview Drive – Industrial Park
Monticello, KY 42633
606-348-6874
bcooper@net-power.net

I.c. COMMUNICATION FOR CORRESPONDENCE, DATA AND SUBMITTAL

Identify all correspondence, data and submittal items associated with this RFP by the words "RFP-Wholesale Energy Supplier-Monticello Electric Plant Board".

Verbal representations shall not be provided by the MEPB or it's consultant. All issues shall be addressed in writing to any Respondent requiring clarification.

No Respondent shall rely on any verbal communication from the MEPB staff or it's consultants.

It is requested that all Respondent communication be in written form.

II. BACKGROUND

II.a. BRIEF HISTORY OF THE MONTICELLO ELECTRIC PLANT BOARD The MEPB is a municipal utility formed by the City of Monticello, Kentucky in 1954 to provide electrical services to the community.

II.b. MEPB STATUS AS A TVA DISTRIBUTOR

The MEPB currently purchases its total capacity and energy requirements from TVA under a wholesale power agreement that includes delivery to the single MEPB substation over the TVA transmission system.

II.c. MEPB SERVICE AREA DEMOGRAPHICS

The MEPB serves approximately 6,000 residential customers within the city limits of Monticello, Kentucky with approximately 3,500 total service connections. MEPB serves approximately 650 commercial customers.

II.d. EXISTING DISTRIBUTION LOGISTICS FOR THE MEPB

The MEPB electrical distribution system contains approximately 100 miles of 7,200/12,470 volt distribution lines. The system is supplied by a single 69 kV delivery point substation that receives electricity from the TVA. A drawing of MEPB's delivery point, system, and service area will be provided upon request from qualified Respondents.

II.e. CAPACITY & HISTORIC ENERGY REQUIREMENTS FOR THE MEPB SYSTEM

In 2005, MEPB's peak demand was 25.5 MW, with total energy delivery of 106,000 mWH. MEPB's all-time system peak demand was 25.5 mW, occurring in 2005. MEPB experiences an average annual load growth of approximately 1% and has an average annual load factor of approximately 60%, with monthly winter load factors or around 70% and monthly summer load factors around 50%. MEPB's projected load growth is within the service area. Projected peak demand and energy requirements are provided in the appendix. It is important to note that no warranty is made as to the accuracy of the load projections.

In calendar year 2003, MEPB had a peak demand of approximately 25.3 megawatts ("mW") and energy purchases of approximately 100,000 megawatt hours ("mWH"). MEPB's projected peak demand and energy requirements are as follows for 2008.

115,000 mWH peak month utilization (January) estimated
26.3 mW peak month demand (January) estimated

III. PROPOSED SCHEDULE OF ACTIVITIES RELATED TO THE RFP

III.a. NOTICE PROVIDED TO TVA BY MEPB

On November 20, 2003, the MEPB provided written notification to the TVA of their intent not to re-enter into an agreement to allow TVA to provide wholesale energy and capacity to the MEPB after expiration of the current contract (5 year advance notice was required as part of the current contract).

It is expected that TVA will be a Respondent to this RFP and TVA will be provided the same consideration as any other qualified Respondent.

Upon expiration of the present contract in 2008, the MEPB expects the successful Respondent to this RFP to provide firm & reliable capacity and energy sufficient to meet the needs of the MEPB.

III.b. REVIEW DATE FOR THIS RFP BY THE MEPB

The RFP due date of September 28, 2006 is expected to allow sufficient time for the MEPB superintendent and MEPB consultant to review the proposals and submit an analysis to the Board members. The superintendent and/or the consultant to the MEPB may or may not be asked to provide a recommendation to the Monticello Electric Plant Board regarding the RFP responses.

It is intended that The Monticello Electric Plant Board will provide an initial review of the proposals at their regular board meeting on October 5, 2006.

III.c. EXPECTED DATE FOR BOARD ACTION BY THE MEPB

Action on the submitted proposals is not expected to take place before the regular November 2006 Board Meeting.

III.d. DATE EXPECTED FOR RFP RESPONDENT TO FURNISH ENERGY

The expected date for the successful Respondent to this RFP to furnish firm capacity and electrical energy will be in November 2008.

All proposals must be valid through April 2007, pending review and analysis by MEPB and the resultant contract negotiations between MEPB and successful Respondent.

The MEPB reserves the right to cancel the Request For Proposals, accept any Proposal, or to reject any and all Proposals and to re-solicit Proposals. The MEPB also reserves the right to include alternative courses of action in evaluation of proposals. The MEPB reserves the right to revise this RFP, including the desired capacity specifications and the requirements for Proposals at any time. Additionally, the MEPB reserves the right to accept Proposals other than the lowest cost Proposal. Respondents should recognize that factors other than cost, as described herein, will be considered during the Proposal evaluation process, and consideration will be made to the responsible bidder whose proposal is determined to be most advantageous to the MEPB based upon any and all evaluation criteria.

All costs directly or indirectly related to the preparation of a Proposal in response to this RPF or any written or oral presentation required to supplement and/or clarify a Proposal which may be required by the MEPB shall be the sole responsibility of and shall be borne by the Respondent(s) incurring such costs. The MEPB or its staff or consultant shall not reimburse any Respondent for any costs incurred in the preparation or submission of a Proposal and/or in negotiating an agreement as a result of a Proposal.

It is recognized by the MEPB that a proposal may include confidential information that the Respondent does not want disclosed to the public or used by the MEPB for any purpose other than Proposal evaluation. Competitive confidential information should be specifically identified as such on every page where such information may be contained. In said case, reasonable care will be exercised by the MEPB so that data identified as confidential will not be disclosed or used without the Respondent's permission, except to the extent provided in any resulting contract or to the extent required by governing laws and statutes relating to public information and open meetings. This restriction does not limit the MEPB's right to use or disclose any data contained in the Proposal if it is obtainable from another source without restriction. In any event the MEPB, its employees, counsel, and consultants will not be liable for the accidental disclosure of such data, even if it is marked as "CONFIDENTIAL" by the Respondent.

III.e. HOLD HARMLESS AGREEMENT

By submitting a response to this Request for Proposal, each Respondent agrees to hold harmless the MEPB, its staff and employees, the MEPB consultants and the City of Monticello from liability resulting from the issue of this request for proposal and any subsequent analysis or recommendation relating to this RFP by the Respondent.

IV. SCOPE OF PROPOSED SERVICES

IV.a. ANTICIPATED CONTRACT DURATION OF SUBMITTED RFP

The MEPB plans to finalize negotiations for a contract for wholesale energy and firm capacity by the Spring of 2007. The contract start date is expected to begin on or about November 2008 and be extended for a period of not less than 60 months. A longer term of the contract may be desired by the MEPB especially if such arrangements result in minimizing the exposure of the MEPB to energy cost escalation due to volatile fuel costs incurred by the wholesale electrical energy provider.

IV.b. EXPECTED CAPACITY & ENERGY REQUIREMENTS

The Appendix included in the RFP provides an anticipated load growth profile which should cover the expected capacity and energy requirements of the MEPB for the foreseeable future.

Each Respondent to this RFP should be able to demonstrate the ability to meet or exceed these needs for the duration of the proposed contract.

IV.c. DELIVERY POINT & UTILIZATION VOLTAGE FOR THE MEPB

Each proposal should provide for delivery to the existing 69 kV MEPB substation, the line side of the existing 69 kV SF₄ protective device. To the extent possible in a competitive evaluation, the MEPB will consider responses that include a firm plan for obtaining delivery point access with confirmation obtained before completion of any question and answer period involved in the RFP evaluation process. The successful Respondent(s) must be able to provide a highly reliable supply of electric power and associated energy and/or other services to enable the MEPB to continue to meet its continuous and instantaneous demands, including load growth, in an economical and reliable manner. The MEPB desires contract provisions that allow reductions in the required level of purchase upon reduction of customer loads and provisions allowing increases in the supply of power with increasing customer loads.

V. PRINCIPAL EVALUATION CRITERIA

The MEPB desires that proposals be submitted to follow the general outline formulated by the following Evaluation Criteria to facilitate comparison of Respondent's proposals. The MEPB invites any competitive Proposal to provide the MEPB with a reliable and economical supply of firm capacity and energy. The MEPB reserves the right to review and act upon alternative options that may be available to the MEPB in evaluation of the responses to this RFP.

V.a. RELIABILITY & FIRMNESS OF THE PROPOSED SERVICE - The present and future electrical wholesale requirements for firm capacity and energy are to be met by the Respondent. This shall include providing or arranging for the provision of all required transmission and all ancillary services, from third parties if necessary, so that the required MEPB total capacity and energy needs are met on a firm basis.

For the section of Respondent's transmission facility involved in this proposal, historic information regarding outages, planned or unplanned, should be provided in the proposal for the previous 60 months.

V.b. TOTAL PROPOSED COST OF ENERGY INCLUDING DEMAND CHARGES & POWER FACTOR Penalties – The wholesale rates proposed to be furnished to the MEPB shall be identified in the proposal. Duration of fixed rates shall be made known and any cost modifiers such as fuel adjustment clauses shall be outlined.

V.c. RESPONDENT'S ABILITY TO MINIMIZE MEPB RISK EXPOSURE TO FLUCTUATIONS IN FUEL COSTS – Respondent shall provide a descriptive narrative to allow the MEPB to make an informed judgment regarding the Respondent's ability to control or mitigate energy costs with respect to volatile changes in fuel costs.

V.D. RESPONDENT'S PROPOSED TERM OF CONTRACT – Respondent shall positively identify the minimum expected contract duration of 60 months as well as outline the preferred method of delivering energy long term to the MEPB.

As an example, one Respondent may identify their clear choice of a longer fixed term of delivery such as 10 or 15 years. Another Respondent may indicate after the 5 year initial contract duration a new or modified energy contract would be expected to be negotiated based upon the current wholesale energy environment.

V.e. FINANCIAL STABILITY OF THE RESPONDENT AS A WHOLESALE ENERGY PROVIDER - Each Respondent should provide sufficient evidence of financial and operational capability to provide the services outlined in the proposal during the contract term. The financial and operational viability of any third parties relied upon by the Respondent for providing service to the MEPB should also be identified. As an attachment to the RFP the Respondent should provide audited financial statements from the previous five years in order to demonstrate financial viability. If the Respondent's guarantor has a credit rating, the most recent ratings reports must be provided also. Copies of the most recent Moody's/Fitch/S&P ratings reports for the performance guarantor, FERC, Form 1, SEC 10-K and/or RUS Form 12 reports for the previous five years, and annual reports for the previous five years should be provided if applicable. Information submitted to demonstrate operational capability must include identification of the proposed transmission path and identification of proposed interconnection points with any and all transmission providers required to provide delivery of power and energy from the proposed resource(s) to the MEPB load. The Respondent should provide references from present similar municipal and cooperative wholesale customers. Other information, if not clearly included elsewhere, should include:

- Revenues, 5 year minimum – Wholesale and retail if applicable
- Debt, long and short term
- Retained earnings
- List of any parent or subsidiary organizations
- A list of pertinent outstanding lawsuits and legal actions
- List of wholesale customers
- Any rates on file with KY PSC

V.f. REGULATORY RESTRAINTS REQUIRED TO BE PLACED ON THE MONTICELLO ELECTRIC PLANT BOARD RESULTING FROM RESPONDENT'S STATUS –

The MEPB currently is controlled in its rate structure for it's customers by a requirement to comply with TVA's Rules & Regulations regarding customer rates.

A more flexible rate structure would be desirable. Respondents should clearly identify any and all regulatory restraints which may be imposed on the MEPB as a result of the Respondent's status as a provider of wholesale energy.

VI. RFP CONTENT GUIDELINES

VI.a. ENERGY CHARGES PER MWh

Each Respondent should clearly indicate the total energy charges per MWh for each year of the proposed contract duration (minimum of 5 years).

Demand charges should be indicated on a monthly basis with pricing fixed on a year-to-year basis.

Power factor penalties should be described in terms of \$ per KVAR leading, \$ per KVAR lagging and the percentage at which each leading and lagging penalties are triggered.

VI.b.1. FUEL CHARGES OR SURCHARGES

Fuel related surcharges are common. The MEPB desires to limit the amount of exposure to fuel charges. Any fuel related surcharges which will be added to the monthly power invoice must be described in detail. It is recognized that the nature of such surcharge activity will not be necessarily coincident with annual calendar events.

VI.b.2. COST OF LOSSES

The present arrangement for the MEPB substation is to accept energy at the 69 kV delivery point with TVA revenue metering located on the low side of the 12,470v regulator. The calculated cost of losses for the transformation and regulator are absorbed by the MEPB. Each Respondent shall identify any losses expected to be absorbed by the MEPB.

VI.b.3. METERING OR TELEMETRY CHARGES, IF ANY

Metering costs and anticipated revenue metering scenario should be identified by each Respondent. The MEPB presently employs a Dranetz power quality monitor parallel with TVA revenue metering equipment.

The MEPB desires to maintain the same Dranetz equipment in parallel with any new power provider's revenue metering. The successful Respondent shall make available the revenue meter C.T. & P.T. metering signals for use by the MEPB.

VI.b.4. TRANSMISSION OR INTERCONNECTION CHARGES, IF ANY

Each Respondent should clearly indicate any and all transmission or delivery charges charges expected to be borne by the MEPB.

VI.c. TRANSITIONAL COSTS

VI.c.1 NEW FACILITY REQUIREMENTS IF ANY

Any and all up front costs or recurring cost required to be absorbed by the MEPB for transition from the present TVA delivery arrangement must be identified in each Respondent's proposal.

This includes any access or delivery point improvement costs or upgrades resulting from Respondent making energy available to the delivery point.

VI.c.2. ACCESS OR TRANSMISSION SYSTEM UPGRADE CHARGES

Identify any access or delivery point improvement costs or upgrades resulting from Respondent making energy available to the delivery point.

VI.c.3. ANY RESPONDENT'S BUSINESS COSTS REQUIRED TO BE ABSORBED BY THE MEPB TO ALLOW IMPLEMENTATION OF THE SERVICES.

Identify any administrative or business costs which the MEPB may be required to bear.

VI.d. RESPONDENT'S COMMENTS

Each Respondent is invited to offer supplemental comments regarding this proposal or to offer alternative supply arrangements which would be deemed to be in the best interest of the MEPB.

Submittals of each Respondent may become a part of any subsequent contractual documents for delivery of energy.

Any formal written contract which results from this RFP or subsequent negotiations may be subject to regulatory approvals, including approval of the Federal Energy Regulatory Commission and/or Kentucky Public Service Commission.

The MEPB or its consultant will not intentionally release competitive information submitted relative to this RFP during the evaluation process, except that MEPB may provide information to regulatory authorities or legal counsel during the proposal evaluation process. The MEPB may provide a press release including the names of Respondents.

The MEPB may request additional information from each Respondent or to request all Respondents to submit supplemental material to clarify the response to this RFP or to meet additional information needs of the MEPB.

VII.a. **APPENDIX - The enclosed sample pricing matrix may be used to guide a response regarding energy costs.**

SAMPLE PRICING MATRIX

Year	Demand Charge \$/kW Per Month	Energy Cost \$ / MWh	Other	Other	Other
2008					
2009					
2010					
2011					
2012					

Each RFP Respondent should clearly outline the pricing and break down of the components of capacity and energy under the Proposal so that the MEPB can evaluate the total price of power and energy under the terms of the Proposal. Preference will be given to any Proposal that includes fixed prices or price caps on demand and/or energy price components. Any escalation formulas or fuel surcharge must be fully documented.

Each RFP Respondent should separately identify and specify any costs included for transmission and/or interconnection facilities necessary to delivery power and energy to MEPB's point of delivery. Such additional costs will be included in the MEPB's overall evaluation of each proposal.

END OF DOCUMENT

APPENDIX
Chart Of Historic Use & Anticipated Demand

Respondents may obtain MEBP's historical load information, in Actuate5[®] eReporting format, for January 2003 – August 2006, from Nadine Keeton at the MEPB.

MONTICELLO ELECTRIC PLANT BOARD			
Capacity & Energy			
Historical/Projected Requirements			
	WINTER PEAK DEMAND (kW)	SUMMER PEAK DEMAND (Kw)	ANNUAL ENERGY REQUIREMENTS (MWh)
2003	25,300	17,800	100,000
2004	25,148	18,200	104,000
2005	25,500	18,000	106,000
2006	25,500	18,800	108,000
2007	25,800	18,900	108,000
2008	25,800	19,000	108,000
2009	26.0	19,000	110,000
2010	26.5	19,100	112,000