

2008-00371

925-929 North Main Street Post Office Box 910 Somerset , KY 42502-0910 Telephone 606-678-4121 Toll Free 800-264-5112 Fax 606-679-8279 www.skreece.com

August 29, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615

RECEIVED

SEP 0 5 2008

PUBLIC SERVICE

COMMISSION

Dear Ms. Stumbo:

Attached you will find an original and ten (10) copies of South Kentucky RECC's ("SKRECC") application for Certificate of Convenience and Necessity ("CCN") to construct new headquarter facilities in Somerset, Kentucky.

SKRECC is requesting expedited processing of this application. SKRECC is making such a request because this time of year is a very beneficial time to do earth work by a contractor and SKRECC would like to let our contractor begin excavating for the new facilities on our property. This excavation would have significant value even under a worst case scenario where SKRECC would abandon this project. Furthermore, postponing the commencement of the excavation will be cause for an increase in the eventual cost of the new facilities.

If the Commission is unable to expedite the approval process for the complete application, SKRECC requests an expedited approval for the excavation phase. It is important to get the process moving. Any money spent on excavation will only add to the value of this property. A letter from our contractor is attached that attests to the increased value.

Attached to this letter you will find the following information from our contractor:

- A letter from D. W. Wilburn, Inc. that identifies the cost of the excavation work for the new headquarter facilities.
- 2. A letter from D. W. Wilburn, Inc. that explains the increased value of SKRECC's property due to the excavation.
- 3 A letter from D. W. Wilburn that discusses the increase in costs that can result from postponing it's start as well as the need to start as soon as possible.

If you have any questions in regards to our application or in regards to the excavation, please contact at your convenience.

Sincerely,

Allen Anderson President and CEO July 30th, 2008

153 Blue Sky Parkway Lexington, Kentucky 40509 (859) 263-2720 FAX (859) 263-5692

South Kentucky RECC 925-929 N. Main Street Somerset, Kentucky 42503

ATTN: Allen Anderson

RE: SKRECC Earthwork

The earthwork for this project is expected to take approximately 4 months. A breakdown of these amounts is as follows:

Weddle Original Bid	\$1,498,750.00
Weddle Value Engineering	<u>- 60,000.00</u>
Weddle Revised Quote	\$1,438,750.00

August Work Estimate	\$171,118.75
September Work Estimate	\$513,356.25
October Work Estimate	\$342,237.50
November Work Estimate	\$342,237.50
Fine Grade/Topsoil (at later time to be determined)	\$ 69,800.00

These figures do not include any General Contractor's costs or markup. If approval to begin the earthwork is given within the next week, the above "August Work Estimate" amount will be the billing for August, to be paid in September (and the same for the remaining months).

Should you have any questions, feel free to contact me.

Sincerely,

D. W. Wilburn, Inc.

Doug Wilburn

President

153 Blue Sky Parkway Lexington, Kentucky 40509 (859) 263-2720 FAX (859) 263-5692

July 30th, 2008

South Kentucky RECC 925-929 N. Main Street Somerset, Kentucky 42503

ATTN: Allen Anderson

RE: SKRECC

Per our discussion, the acreage you have purchased is merely farm land with rolling hills and is totally undeveloped. Any development of this property will only increase its value. Grade work and storm drainage will improve the value of the land for any future owner or tenant should SKRECC decide to not build on it.

Should you have any questions, feel free to contact me.

Sincerely,

D. W. Wilburn, Inc.

Doug Wilburn President August 14th, 2008

153 Blue Sky Parkway Lexington, Kentucky 40509 (859) 263-2720 FAX (859) 263-5692

South Kentucky RECC 925-929 N. Main Street Somerset, Kentucky 42503

ATTN: Allen Anderson

RE: SKRECC Bids vs. Cost Escalations

The South Kentucky RECC project bid in April 2008. As everyone knows, prices are rising daily due to the inflation of petroleum, steel, etc. DWWI did expect some lead time for owner approval on this project, however with the world market being as it is, cost escalations can only be held for a limited time.

You can expect the overall cost of the project to increase approximately 1% per month. These price escalations will be an average for the entire project. They will be expected more in phases involving petroleum and metal products and less for other areas. The sooner a decision is made, the quicker firm construction costs can be determined, prices locked and materials secured to avoid further price increases that cannot be offset.

As discussed, the excavation work needs to be performed at this time as it is the optimum season for this work. If this work is pushed back much farther it will be done in a different season greatly affecting cost, timing, etc. for the work. Any direction that you can give on this matter is needed to secure pricing and would be greatly appreciated.

Should you have any questions, feel free to contact me.

Sincerely,

D. W. Wilburn, Inc.

Doug Wilburn

President

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

	RECEIVED SEP 0 5 2008
IN THE MATTER OF;	PUBLIC SERVICE COMMISSION
APPLICATION OF SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT A NEW HEADQUARTERS FACILITY IN SOMERSET, KENTUCKY) OF) CASE NO. <u>2008</u> 06371))

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION SOMERSET, KENTUCKY

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 0 5 2008

PUBLIC SERVICE
COMMISSION

Case No. 2008-0037/

In the Matter of the Application)
Of South Kentucky Rural Electric)
Cooperative Corporation for an)
Order issuing a Certificate of Public)
Convenience and Necessity)

APPLICATION

The petition of South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), P. O. Box 910, Somerset, Kentucky 42502, designated as Kentucky 54 – Wayne states that it is a corporation with all rights, characteristics, powers, privileges and duties shown by the records now on file in the office of the Public Service Commission ("Commission ") of Kentucky, and that it is engaged in the distribution of electric energy in the Counties of Pulaski, Wayne, McCreary, Cumberland, Rockcastle, Casey, Russell, Laurel, Clinton and Adair, all in Kentucky and Pickett and Scott Counties in the State of Tennessee, by and under the Rural Electrification Act and under authority contained in Kentucky Revised Statutes, Chapter 279. South Kentucky is proposing to construct a new headquarter facilities in Somerset, KY. This new headquarters will include the following facilities:

- Administrative Offices
- Warehouse and Shop
- Storage Facilities
- Employee Training and Community Meeting Rooms
- Annual Meeting Location

In support of its application, South Kentucky is providing the below listed information.

- 1. South Kentucky's Articles of Incorporation with all Amendments have been previously filed with the Commission in Case No. 96-109 (870 KAR .5:001, Section I(3)).
- 2. South Kentucky has based its decision to build these new facilities on a Facilities Analysis for Head Quarters dated August 2008 conducted by Mr. Roy Cowan of Cowan and Associates. This study supplements the previous facilities analysis conducted in 2002. A copy of that study is being filed as a part of this application and is contained in **Exhibit 1**. These specific documents provide the necessary support as to the need for these facilities (807 KAR 5:001, Section 9(2)a.
- 3. All franchise or permits needed to construct the proposed facility will be acquired by the successful contract bidder (807 KAR 5:001, Section 9(2)b.
- 4. The rationale for the new headquarter facilities and its justification for their construction are contained in **Exhibit 2** (807 KAR 5:001, Section 9(2)c.
- 5. Three (3) maps showing the location of the new construction is contained in **Exhibit 3** (807 KAR 5:001, Section 9(2)a.
- 6. South Kentucky will construct the proposed headquarter facilities from general funds until loan funds are available from the United States Department of Agriculture ("USDA") Rural Development Electric Programs ("RDEP"). Loan funds from RDEP will then be used to reimburse general funds and to provide funding to complete the construction of the proposed facilities. Funding from RUS will be through the

guaranteed Federal Finance Bank with a term of 35 years. A discussion of the planned financing is contained in **Exhibit 4** of this filing (807 KAR 5:001, Section 9(2)e.

- 7. An estimate of the cost of operating these facilities after completion is contained in **Exhibit 5** (807 KAR 5:001, Section 9(2)f.
- 8. Additional information proffered to afford the Commission a complete understanding of the situation includes the following (807 KAR 5:001, Section 9(2)g.
- a. A description of proposed facilities and the current facilities is contained in **Exhibit 6**.
- b. The impact of these facilities on the financial condition of South Kentucky is contained in **Exhibit 7**.
- c. The impact of these facilities upon the electric rates of South Kentucky is contained in **Exhibit 8**.
- d. The plan for the disposal of the current facilities is contained in **Exhibit 9** of this application.
- e. Copies of an external view of the completed facilities along with a copy of the floor diagram are contained in **Exhibit 10** of this application.
- 9. The land on which the new headquarter facilities are to be built has been purchased by SKRECC at a cost of approximately \$1.2 million.

Wherefore, South Kentucky Rural Electric Cooperative Corporation in Somerset, KY respectfully petitions this Commission to grant South Kentucky a Certificate of Convenience and Necessity to construct new headquarter facilities at Somerset, KY location and all proper orders and relief.

Respectfully submitted,

South Kentucky Rural Electric Cooperative Corporation

Allen Anderson General Manager & CEO South Kentucky Rural Electric Cooperative Corporation Somerset, Kentucky 42501

STATE OF KENTUCKY COUNTY OF PULASKI

Subscribed and sworn to before me by Alan Anderson, General Manager and C.E.O. of South Kentucky Rural Electric Cooperative Corporation, at Somerset, Kentucky this ______ day of September, 2006.

NOTARY PUBLIC State of Kentucky at Large

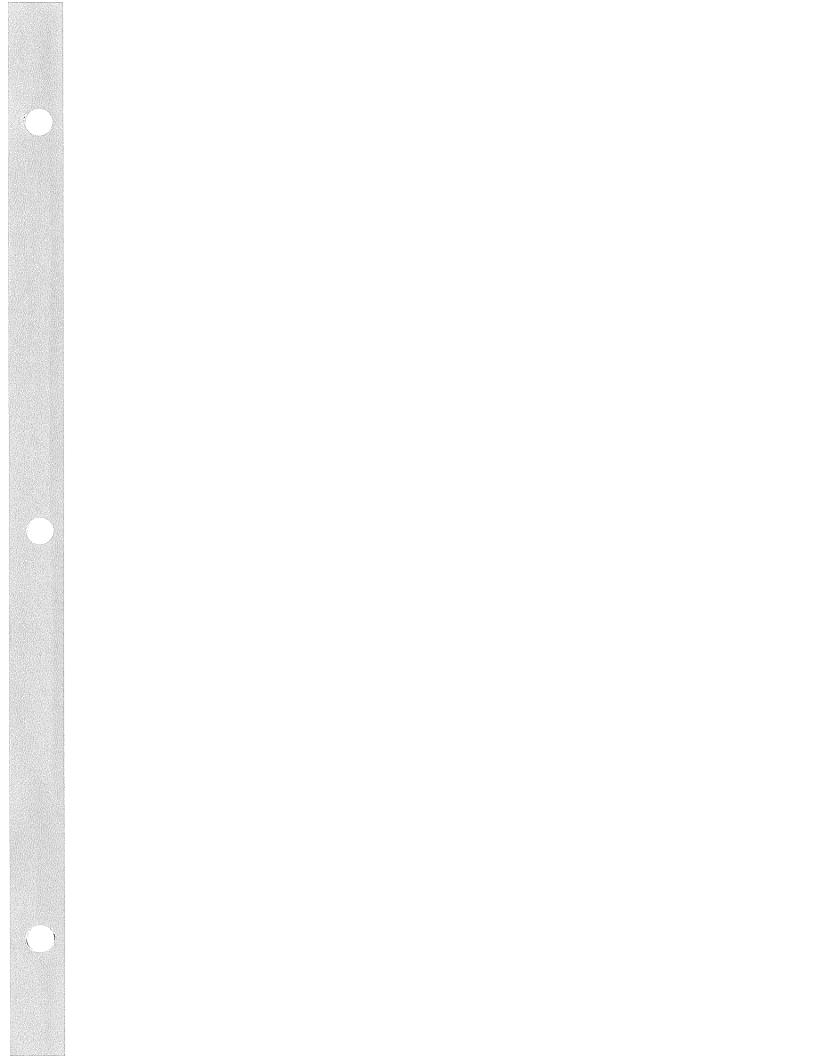
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My Commission Expires: (1000 23,2010)

COUNSEL:

Darrelll Saunders 700 Masters St. P.O. Box 1324

Corbin, Kentucky 40702



South Kentucky RECC

Facilities Analysis for Head Quarters in Somerset Ky.

August 2008

Criteria for Electric Utility Head Quarters Facility (general plant)

- Member Concentration and Load Centers
- Growth in Load and Members
- Key Account Locations
- Transportation Corridors
- Accessibility for Employees
- Availability of Human Resources

Facilities Required

- Somerset Head Quarters
 - Administrative Offices
 - Warehouse & Shop
 - Storage Facilities
 - Employee Training & Community Meeting Rooms
 - Annual Meeting Location
 - Note: Land was purchased to meet these criteria as well as growth needs

Observations: Current Somerset HQ Facility Condition

- The offices, warehouse, shops and storage areas have clearly exceeded their effective life with no land available for expansion or improvements.
- Access and Egress is an issue for employee and member safety.
- Fire regulation would preclude any renovation or expansion.
- Facilities are located in a Flood Plane.

Observations: Current Somerset HQ Facility Condition (continued)

- There is lack of customer parking.
- Restrooms will not accommodate customer and employee and require customer to entry private part of the building.
- Hallways and stairs are very narrow making it difficult to move record and or office equipment, but most important is the safety hazard if an emergency occurs.

Employee Impact (Comments from employee interviews)

- Always looking for space for business meetings.
 (fellow employees and members)
- We're out of storage space, have to go up and down stairs several times a day to find or file documents.
- At times there are traffic jams for getting in and out. (driveway) and accessing drive up window
- The drive-thru is hazardous, for members, public and employees.

Observations: Current Somerset HQ Facility Condition

- Space is fragmented which reduces efficiencies and loss of productivity.
- Impractical to retrofit most technological applications.
- Narrow hallways creating hazards in emergencies.
- Land poses Environmental Issues.
- It is difficult to share knowledge and information with colleagues.

Moving the Head Quarters

To:

- Take Advantage of Technology Applications
- Design Efficient Building Layout
- Lower Operating Cost through Modern Utility Systems
- Improve Work Environment to Attract Highest Quality Resources
- Meet Growth Requirements
- Meet Regulatory Requirements
- Improve customer service, convenience and safety
- Reduce exposure to safety violation and litigation

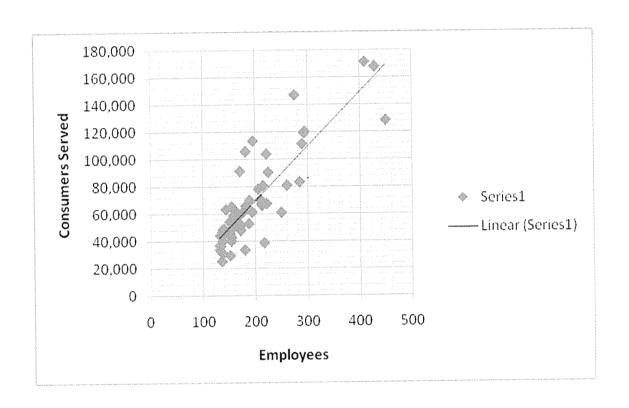
Summary of Analysis

- South Kentucky RECC at Year End 2007 had Approximately 44,000 Consumers in the Somerset Service Area being Served by 110 Fulltime Employees & about 12 contract employees, housing a total of 122 people
 - This represents approximately a consumer to employee ratio of 361. (Cons./FTE)
- Allowing for economies of scale the consumer to employee ratio should grow to approximately 370-375 consumers per employee.

Summary of Analysis

 Base on the Cooperative's Load Forecast by 2022 SKRECC will grow to about 80,700 consumers with approximately 56,500 being served out of the Somerset HQ Facility. If the current ratio of consumers/employees continues this would translate into 152 regular and 12 contract employees requiring space for 164 people stationed at the HQ facility.

Projection for Staffing Based on RUS Data



Staffing Conclusions

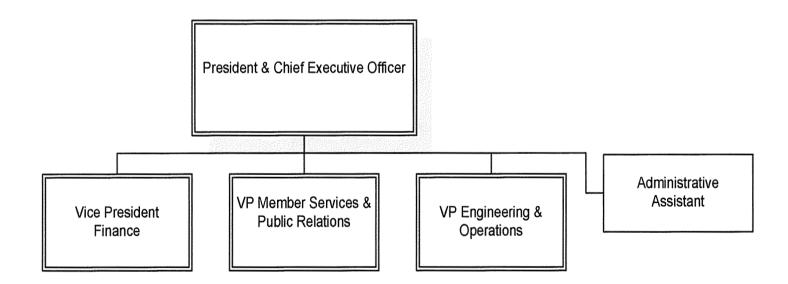
- Trended historical data and RUS data analysis agree staffing level at the headquarters facility will reach approximately 164 people by 2022.
- Based on these estimates gives us the approximate requirements for Office, Warehouse, Shop, Storage and Training space.

Staffing Conclusions

 Another important verification for staffing requirements were based on the following projections by South Kentucky RECC staff. This was established by interviewing members of the management team who identified future or vacant positions. Although this process fell short of the 15 year projection by about 9 positions, it is hard to estimate beyond 5 year without the assistants of statistics. The following Organization Charts reflect those interviews:

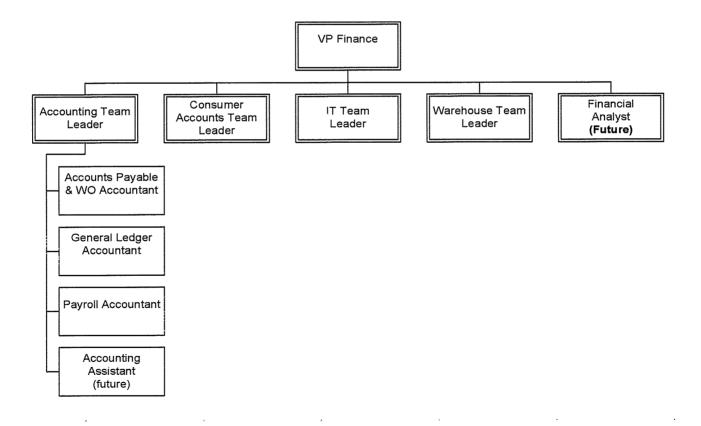
CEO & Management Team

Somerset Facilities



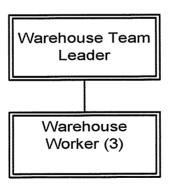
Finance Team

Somerset Office



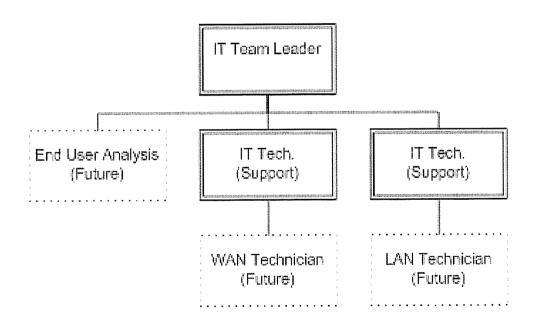
Warehouse Team

Somerset Warehouse



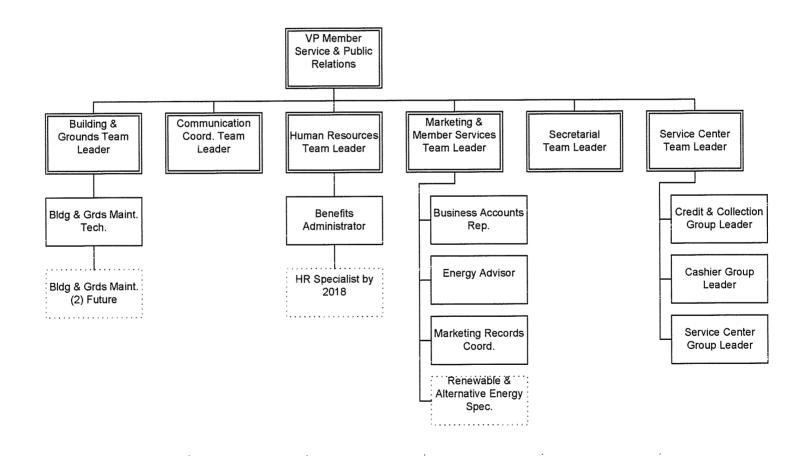
Information Technology Team

Somerset office



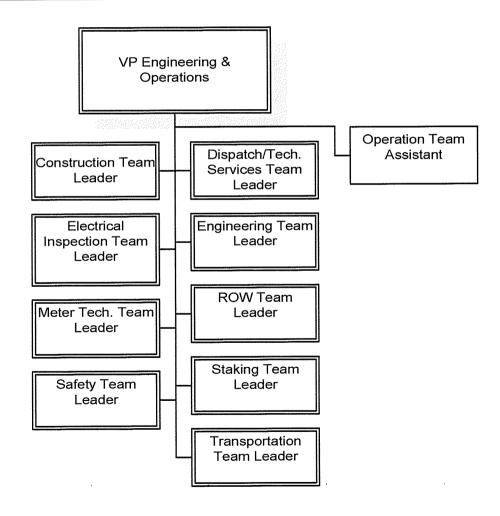
Member Service & Public Relations Team

Somerset Office



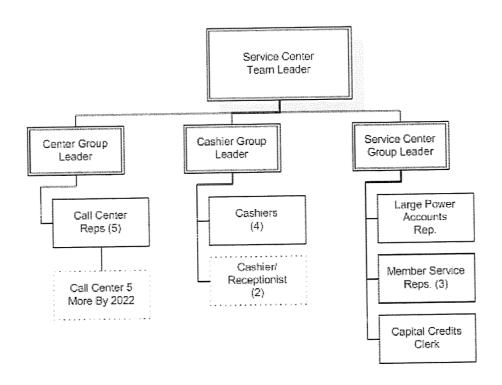
Engineering & Operations Team

Somerset Facility



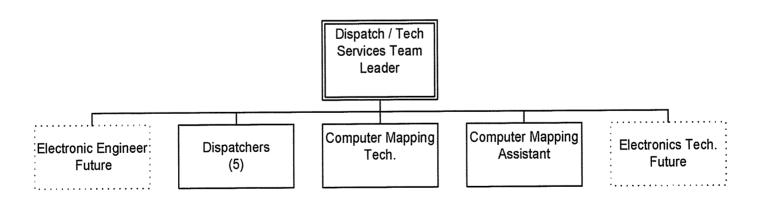
Member Services & Public Relations Cashier Team

Somerset Office



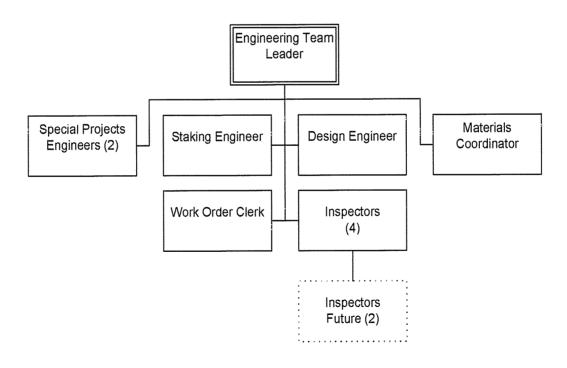
Engineering & Operation Dispatch Team

Somerset



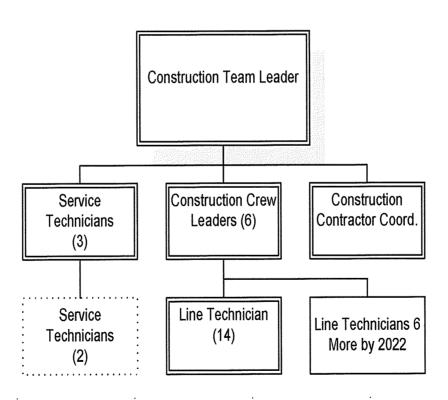
Engineering & Operations Engineering Team

Somerset



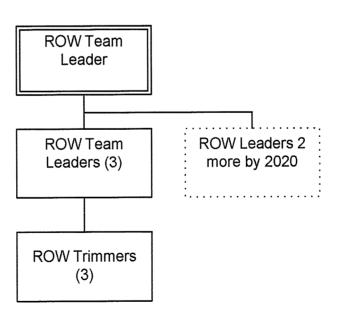
Engineering & Operations Construction Team

Somerset Facility



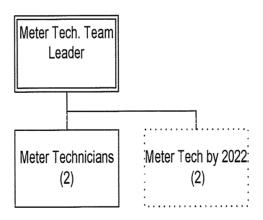
E&O Right-of Way Team

Somerset Facility

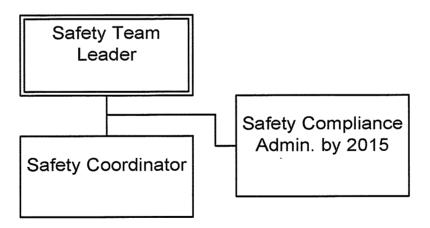


Engineering & Operations Meter Technician Team

Somerset Office

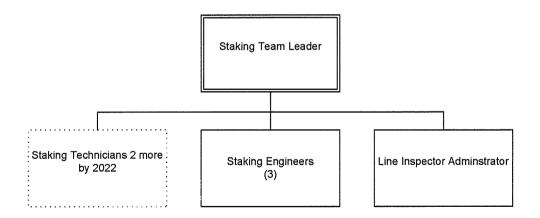


Safety Team Somerset Office



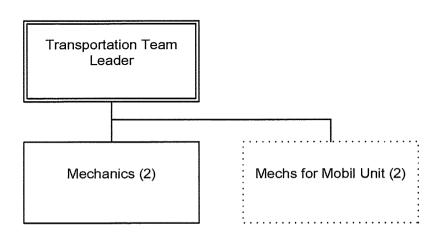
Engineering Staking Team

Somerset Office



Transportation Team

Somerset Shop



Observations: Change in Estimates

- For our assessment in 2002 much of the data should be dated back as early as 1999-2000.
 Due to this time involved our estimates must be brought to 2008 levels requiring considerations for:
 - Growth in Members and Load
 - Increased cost in Labor, Materials and A&E

Sized of the work force

Changing Environment

- Over the last 5 years Construction Cost have escalated at a significantly higher rate than inflation results. In many cases cost have doubled for commodity related materials. (Fuel and copper as example)
- Labor for the technical and skilled resources have continued to move higher due to demand and inflation.

Effects of Change from 2002--2008

- Period of projections 2008—2022
- Addition of the Kitchen in Meeting/Training
 Area
- Additional Earth work for expanded land uses (annual meeting site) and topography of the land purchased.

Somerset Facility Estimates

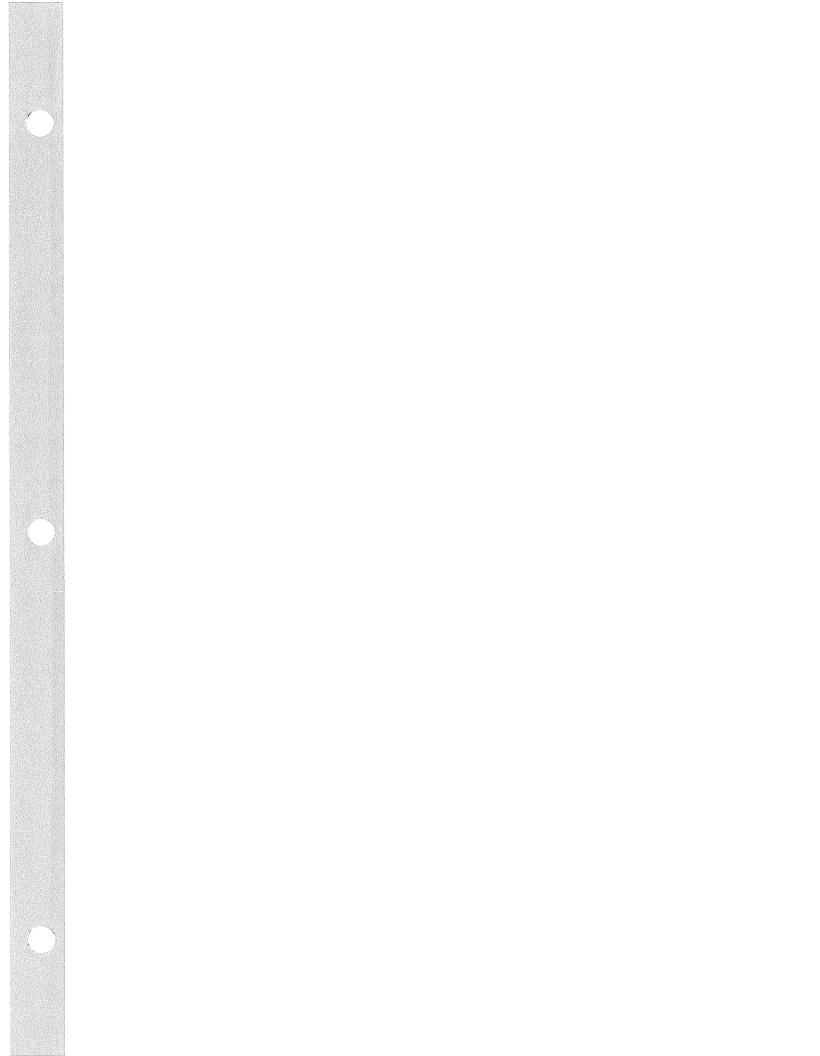
Description	Square Feet & est. cost/SF	Cost
Office Admin. & Office Warehouse	49,200 @ \$175	\$8,610,000
Warehouse, Shops ,Vehicle Maint. Offices & Covered Areas	67,800@ \$100	\$6,780,000
Community/Training Room	4,900@ \$150	\$750,000
Site Preparation	48 acres @ \$25,000/AC	\$1,200,000
A&E	Approx. 9% of Const. cost	\$2,700,000
	Total	\$20,040,000

Qualifier

• Our methods involved in a Needs Assessment should be consider a prelude to a Design process and not be interpreted as a substitute for number that an Architect firm will establish. Although our projection are approximate they are proven to be accurate and simple use different formats in the approach versus an architect.

Summary

- In the time frame from 2002 there have been changes that effect the previous estimates.
 - Period of forecast 2008—2022
 - Land acreage, configuration and topography
 - Number of employee
 - Type and amount of equipment
 - Overall cost of Materials and Labor



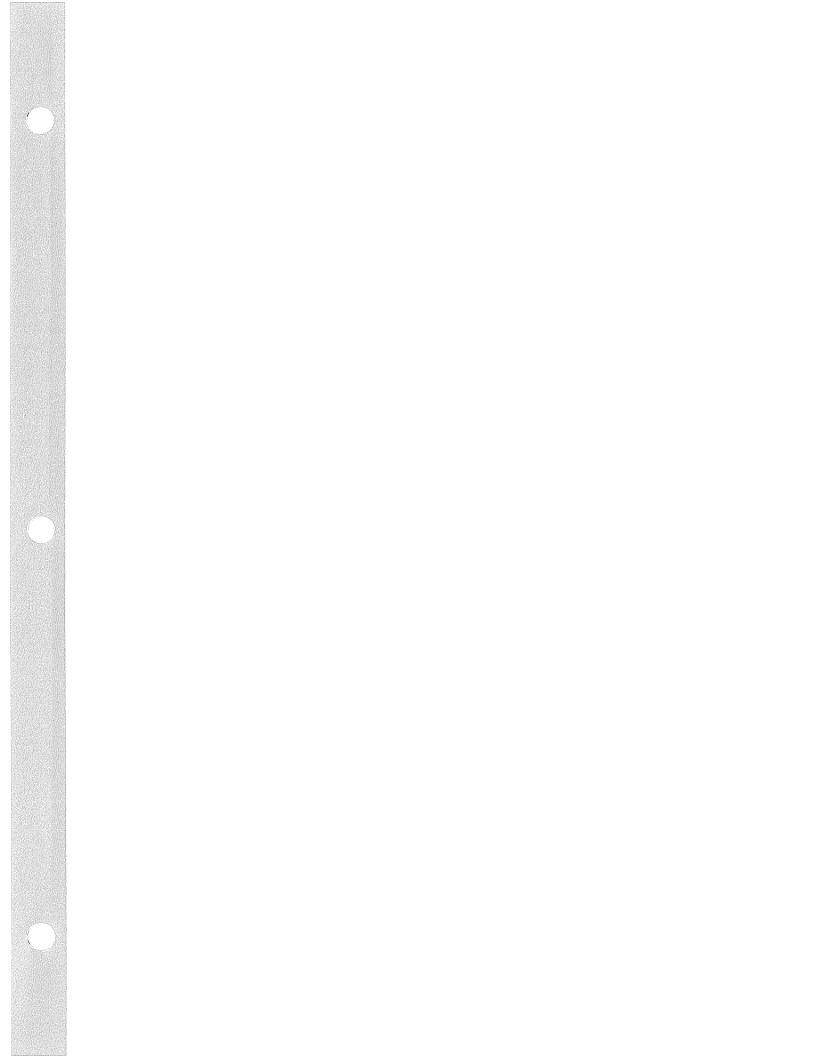
APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

RATIONALE AND JUSTIFICATION FOR THE NEW HEADQUARTER FACILITIES

The current headquarter facilities in Somerset have been found to be inadequate for the needs of South Kentucky. These facilities were constructed many years ago and were never intended for the demands made upon them today. Some of the specific problems associated with each of the current facilities is presented below:

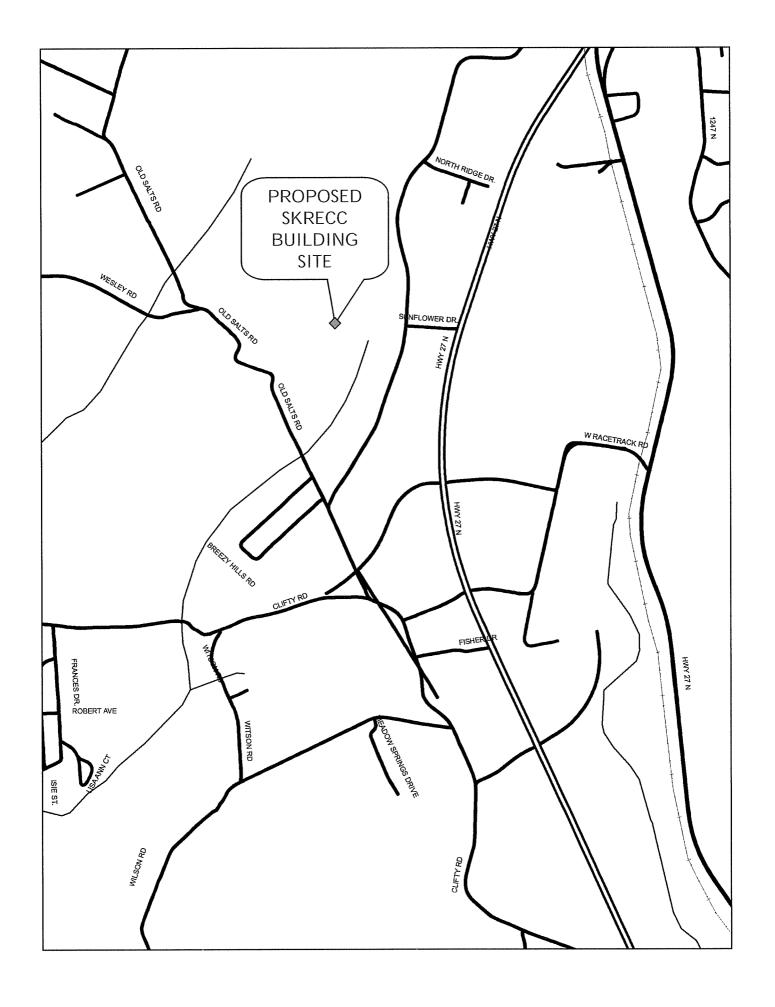
- 1 Offices, warehousing, shops and storage areas have far exceeded their useful life with no room for expansion
- 2 Access and egress is a safety issue for members and employees
- 3 Fire regulation would not allow for renovation or expansion
- 4 Current facilities are located in a flood plane.
- 5 Current Facilities do not meet Americans with Disabilities Act ("ADA")
- 6 Customer parking is very restrictive
- 7 Restroom facilities are not adequate
- 8 Hallways are too narrow and facilities contain may stairways because of building additions at various times which creates hazards in emergencies and with reduced efficiencies at all times.
- 9 Space needed for private matters pertaining to members or employees where confidentiality is an important consideration is minimal.

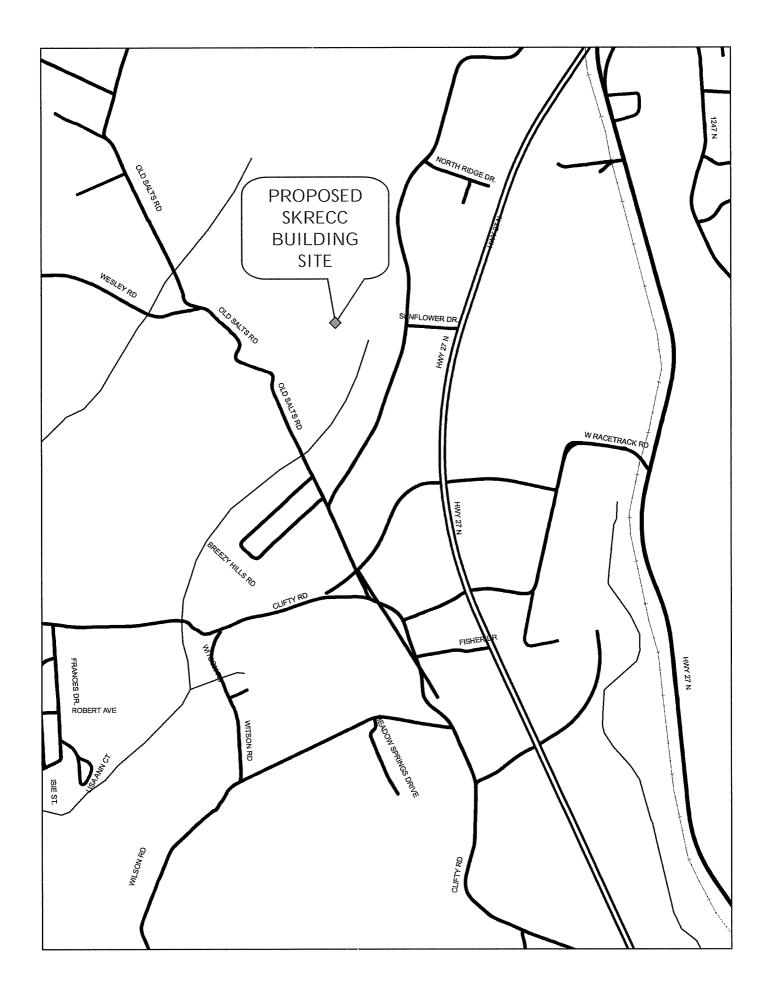
The increase in technology applications and uses by South Kentucky's outside personnel has created the need for additional work space for the outside personnel to maintain their computers and similar equipment.

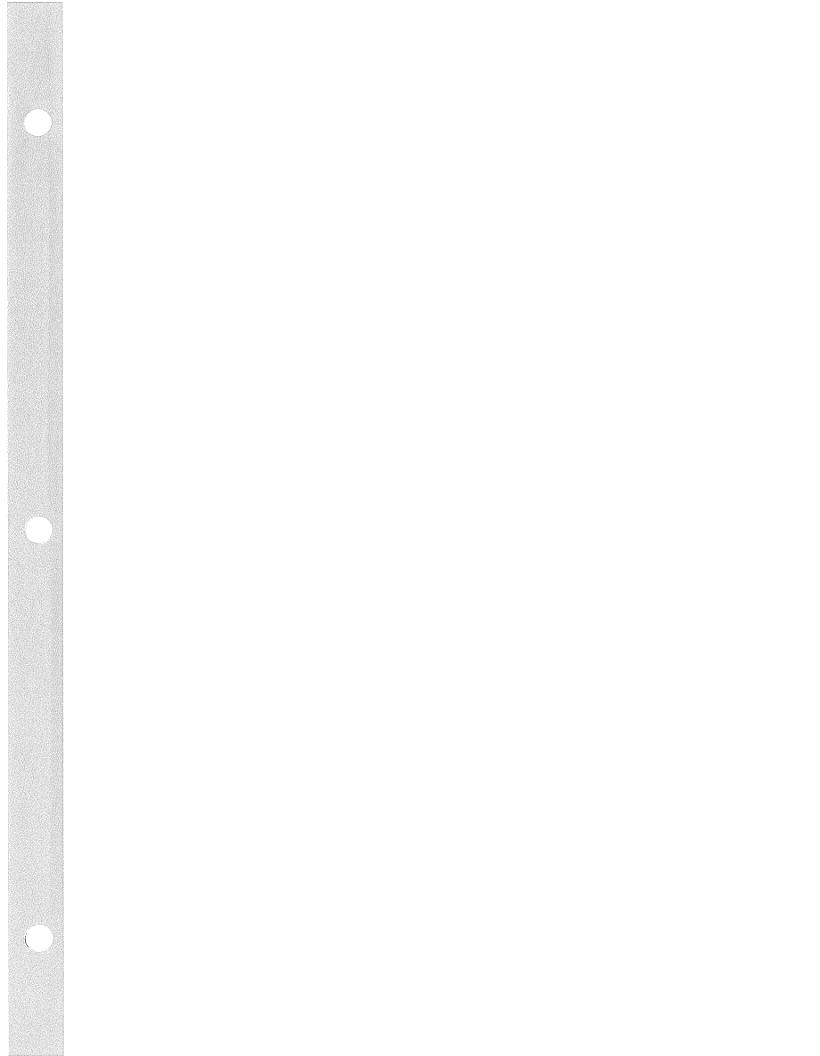










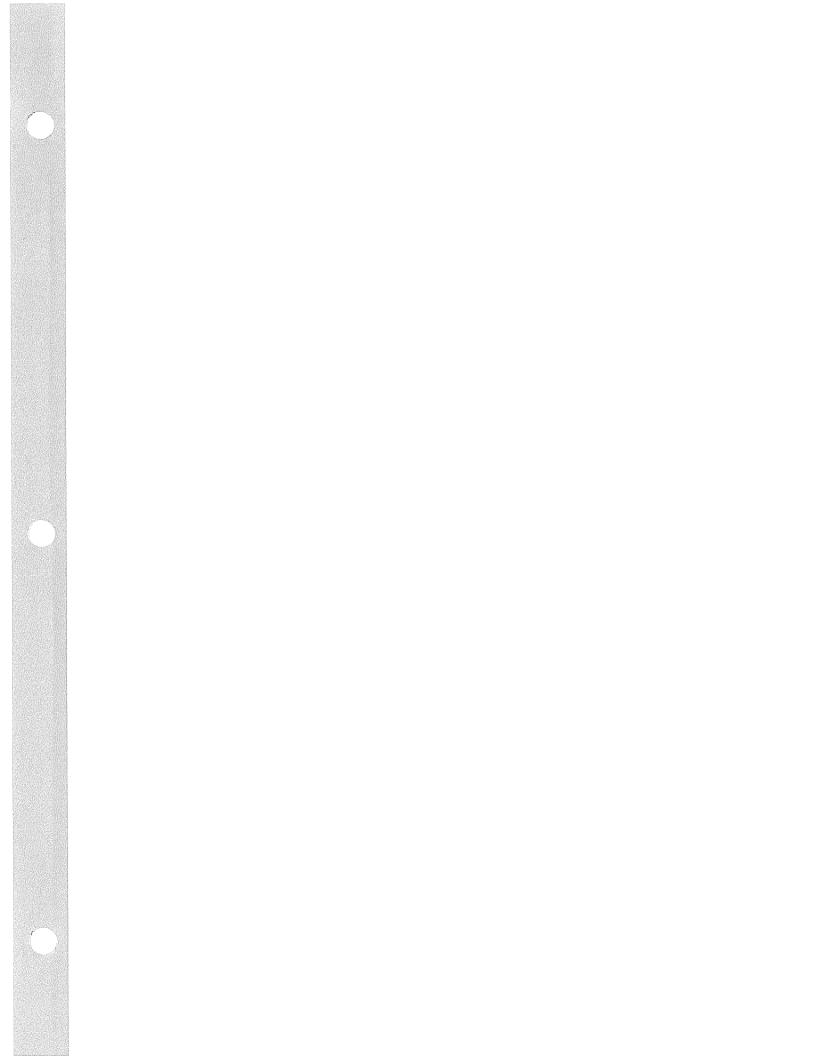


APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

FINANCING PLAN FOR NEW HEADQUARTER FACILITIES

South Kentucky RECC plans to finance the construction of the new headquarters facilities in Somerset, Kentucky through the United States Department of Agriculture's Rural Development Electric Programs ("RDEP"). The cost of these new headquarter facilities will be included as a part of the Cooperative work plan. The funding of this work plan will be through RD-US Guaranteed Loan Program which is financed by Federal Finance Bank ("FFB"). RD-US is full aware of the Cooperative's plan to finance these new facilities through the Guaranteed Loan Program.

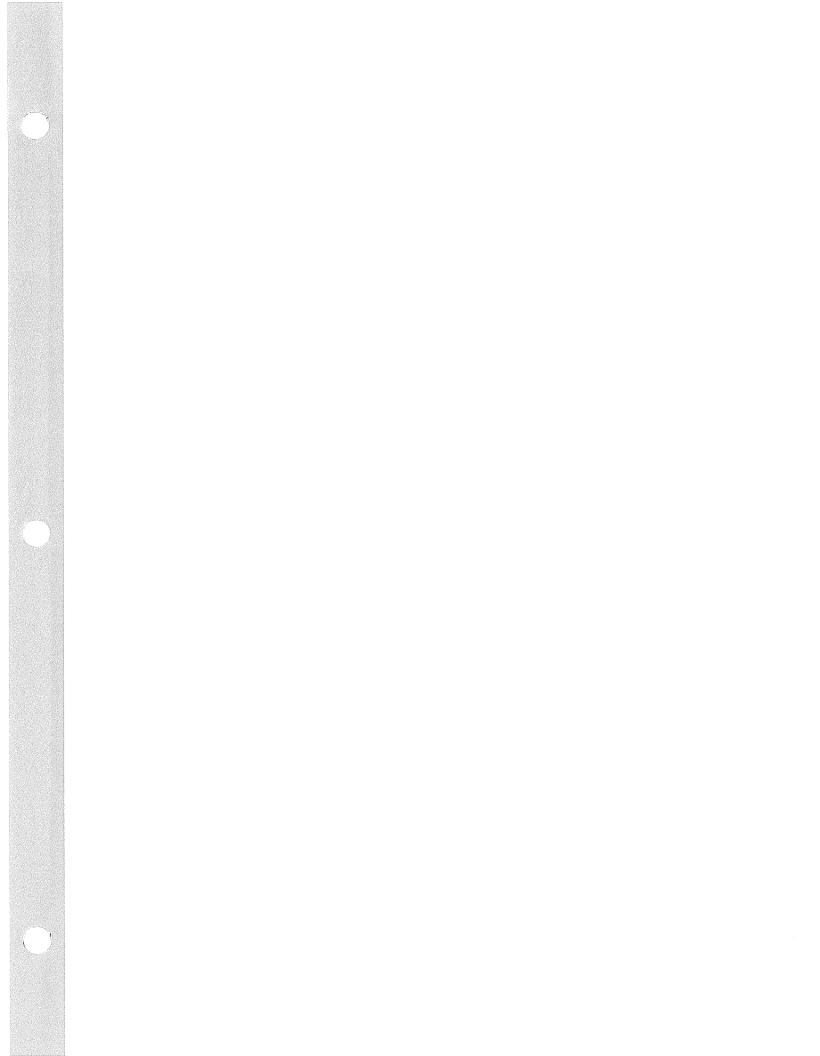
South Kentucky has not fully determined whether to use short term or long term funds from FFB due to the recent volatility in interest rates. The FFB financing will give South Kentucky the option to lock in a long term rate at the most opportune time.



APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

ESTIMATED ANNUAL COST TO OPERATE THE HEADQUARTERS FACILITIES

		Annual <u>Cost</u>
Depreciation	\$	503,727
Insurance		145,918
Property Taxes		89,656
Electric Utilities		192,000
Water Utilities		7,800
General Maintenance		162,500
Interest	••••••	985,000
Estimated Total Annual Cost	\$	2,086,601



APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

DESCRIPTION OF PROPOSED FACILITIES

The new cooperative headquarter facilities include two primary buildings: a new office building and a new warehouse. The new office building proposed for SKRECC is a two story, concrete slab on grade, load bearing insulated concrete form and brick veneer exterior wall assembly with steel interior and roof framing systems. Additional features include these:

- 1. Exterior prefinished insulated aluminum casement windows.
- 2. R-21 insulated sloped metal roof with continuous gutters and downspouts.
- 3. A single hydraulic elevator is included.
- 4. Primary interior construction assemblies and finishes are painted gypsum wallboard on metal stud partition walls.
- 5. The ceilings are a combination of suspended acoustic tile and wallboard.
- 6. Floor finishes include terrazzo entry lobby, cork corridors, carpeted offices and ceramic tile restrooms.
- 7. the building design includes a NFPA compliant sprinkler system in all portions of the building,
- 8. The primary HVAC system is geothermal multi-zone water source heat pumps with VAV units.
- 9. Lighting system utilize T-5 fluorescent lamps for energy efficiency.

The new warehouse building proposed is a single story, two level, concrete slab on grade pre-engineered metal building structure insulated with 5.5" spray polyurethane form (R-20) insulation with metal wall and roof panels and continuous gutters and downspouts. Additional features include these:

- 1. Primary interior construction assemblies and finishes are metal wall panels in warehouse and vehicular maintenance.
- 2. The offices are painted gypsum wallboard on metal stud partition walls.
- 3. The ceilings a combination of suspended acoustic tile, wallboard and exposed structure.
- 4. Floor finishes are primarily vinyl composition tile and sealed concrete.
- 5. The building design includes a NFPA compliant sprinkler system in all portions of the building.
- 6. HVAC systems in office areas is the same as the office building.
- 7. Warehouse and Vehicular Maintenance areas are not equipped with air conditioning and the hearting systems are reclaimed fuel fired unit heaters.
- 8. Lighting systems utilize T-5 fluorescent lamps for energy efficiency.

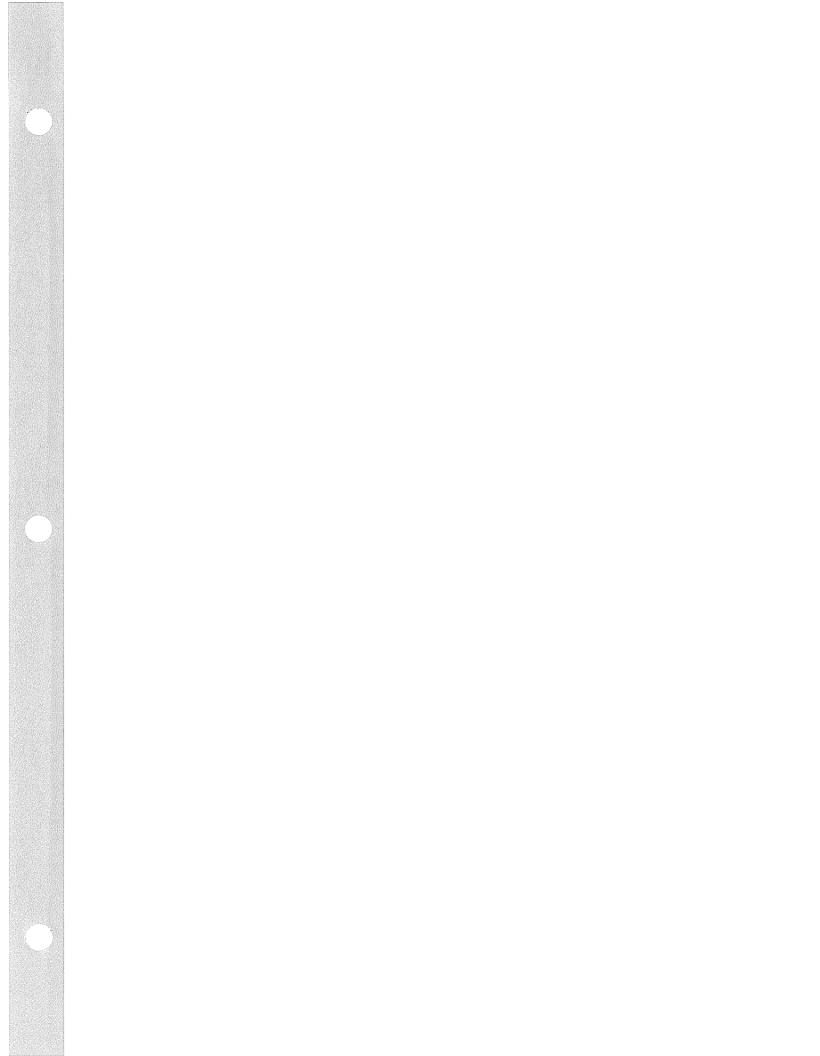
APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY DESCRIPTION OF PROPOSED FACILITIES

The estimated cost for each of the proposed new headquarter facilities are provided below:

Division One General Requirement		\$ 443,338
Division Two Earthwork/Storm Asphalt and curb	1,498,750 1,149,604	
Earthwork for Concrete, pavement, sidewalk, land- scaping, and fence	1,164,439	3,812,793
Division Three Biding/concrete		1,707,712
Division Four Masonry		556,636
Division Five Metal Railings Steel trusses	545,372 117,240 269,821	
Metal column cover	1,985	934,418.0
Division Six Custom cabinets Heavy timber decking Rough carpentry	80,695 10,143 77,700	168,538
Division Seven Roofing Calking Spray insulation Air barrier Water repellent	608,300 57,350 344,900 827 22,000	1,033,377
Division Eight Doors, frames, hardware Overhead coiling doors Glazing	164,420 136,470 207,000	507,890

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY DESCRIPTION OF PROPOSED FACILITIES

Division Nine Gypsum, ceiling and flooring Ceramic tile and terrazzo Painting	768,000 75,728 148,100	991,828
Division Ten Specialties		115,248
Division Eleven Banking equipment Dock leveler Dock bumper	25,440 14,098 301	39,839
Division Twelve Floor mats and roller shades		47,165
Division Thirteen Office, maintenance building		1,234,903
Division Fourteen Conveying systems		44,590
Division Fifteen Mechanical Fire protection	2,429,570 500,000	2,929,570
Division Sixteen Electrical		1,874,132
Bond/Insurance Design fee Contractor's fee (5%) Contingency (5%)		288,577 883,240 909,577 866,264
Total		\$ 19,389,635



APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY

IMPACT OF THE PROPOSED FACILITIES ON THE FINANCIAL CONDITION OF SOUTH KENTUCKY RECC

To analyze the potential financial impact of these facilities upon South Kentucky RECC, a financial forecast was developed for South Kentucky utilizing two (2) different scenarios. The first scenario was the development of a financial forecast which excluded the construction of the new facilities proposed in this application. The second scenario was the development of a financial forecast that included these facilities.

Both of the financial forecasts cover a ten year period. In both cases SKRECC will need an increase in base electric rates. For the base case, the rate increase takes effect in 2012. In the case with the new headquarter facilities, the rate increase takes effect in 2011. Provided below is the date and amounts of the estimated increases for both cases:

	<u>Year</u>	<u>Amount</u>
Base Case	2012	\$ 7,228,554
New Building Case	2011	\$ 9,569,586

With the new buildings, the increase comes approximately one year sooner and with a request for an additional increase of \$2.34 million.

Balance Sheet, the Source and Application of Funds, and Key Financial Indicators for both financial forecasts. Pages 10 and 11 of this filing includes a direct comparison of the results for key information from both forecasts. Page 12 of this exhibit provides the key assumptions used in this forecast.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

TEN YEAR FINANCIAL FORECAST 2008 - 2017

CASE A WITHOUT NEW BUILDING

Prepared March 2008

ADKINS-CONSULTING

SOUTH KENTUCKY RECC SOMERSET, KY TEN YEAR FINANCIAL FORECAST

Schedule A CASE A

		-		Statement of	Operations					
Revenue	<u>2008</u> \$\$	<u>2009</u> \$\$	<u>2010</u> \$\$	<u>2011</u> \$\$	<u>2012</u> \$\$	<u>2013</u> \$\$	<u>2014</u> \$\$	<u>2015</u> \$\$	<u>2016</u> \$\$	<u>2017</u> \$\$
Revenue from Current Rates Increases for Distribution Costs	113,435,992 0	111,890,417 0	113,206,412	114,537,583	115,887,908 7,228,554	123,360,829	124,809,902	126,275,278	127,757,950	129,256,061 0 (2,935,304)
Increases for Purchased Power	(2,642,607)	(2,673,660)	(2,705,078)	(2,736,860)	(2,769,008)	(2,801,520)	(2,834,404)	(2,867,658)	(2,901,302)	(2,930,304)
Total Revenue	110,793,384	109,216,758	110,501,334	111,800,723	120,347,455	120,559,309	121,975,499	123,407,620	124,856,647	126,320,758
Expenses										
Cost of Purchased Power	80.780.609	78,694,350	79.618.882	80,554,080	81.500.065	82,456,780	83,424,408	84,402,954	85,392,971	86,393,494
Gross Margin	30,012,776	30,522,407	30,882,452	31,246,644	38,847,390	38,102,529	38,551,091	39,004,666	39,463,676	39,927,264
Distribution O&M	9,920,718	10,146,671	10,601,361	11,081,040	11,587,026	12,120,702	12,683,526	13,277,028	13,902,819	14,562,592
Consumer Accounts Expenses	4,418,184	4,456,856	4,545,528	4,632,432	4,722,260	4,810,864	4,899,808	4,989,024	5,078,444	5,169,088
Administrative & General	4,048,517	4,175,877	4,363,005	4,560,418	4,768,657	4,988,292	5,219,923	5,464,179	5,721,725 7,293,714	5,993,255 7,639,845
Depreciation	5,197,072	5,323,159	5,561,699	5,813,349	6,078,799	6,358,777	6,654,047 128,402	6,965,411 134,410	140,745	147,424
Tax Expense	98,357	102,720	107,323	112,179	117,301	122,704	120,402	134,410	CF1,0F1	171,727
Operating Margins before Interest	6,329,928	6,317,125	5,703,536	5,047,226	11,573,347	9,701,190	8,965,386	8,174,614	7,326,229	6,415,059
Interest Expense	5,189,900	5,389,701	5,576,479	5,761,622	5,959,242	6,185,976	6,385,185	6,625,800	6,875,027	7,140,114
Operating Margins after Interest	1,140,029	927,424	127,057	(714,396)	5,614,105	3,515,214	2,580,201	1,548,813	451,202	(725,055)
Non-operating Margins	159,860	228,670	292,206	327,020	265,713	357,567	392,901	411,585	407,541	369,640
Other Capital Credits	97,024	92,982	89,000	83,999	79,424	76,981	70,986	65,196	59,091	53,542
G&T Capital Credits	0	0	0	0	0	0	0	0	00	0
San Sapinar System										
Net Margins	1,396,913	1,249,076	508,263	(303,376)	5,959,242	3,949,762	3,044,088	2,025,594	917,834	(301,873)
Op-TIER	1.22	1.17	1.02	0.88	1.94	1.57	1.40	1.23	1.07	0.90
TIER	1.27	1.17	1.09	0.95	2.00	1.64		1.31	1.13	0.96
I IIml X	1.21	1.20		3.00						

SOUTH KENTUCKY RECC SOMERSET, KENTUCKY

Schedule B CASE A

TEN YEAR FINANCIAL FORECAST

					Balance Sheet					
Assets	<u>2008</u> \$\$	<u>2009</u> \$\$	<u>2010</u> \$\$	<u>2011</u> \$\$	<u>2012</u> \$\$	<u>2013</u> \$\$	<u>2014</u> \$\$	<u>2015</u> \$\$	<u>2016</u> \$\$	2017 \$\$
Total Utility Plant in Service Accumulated Depreciation	184,009,802 36,708,827	192,171,800 39,652,726	200,783,355 42,763,787	209,868,187 46,052,978	219,451,241 49,531,895	229,558,748 53,212,794	240,218,289 57,108,626	251,458,867 61,233,076	263,310,974 65,600,600	275,806,673 70,226,469
Net Plant	147,300,975	152,519,075	158,019,568	163,815,208	169,919,345	176,345,953	183,109,663	190,225,791	197,710,375	205,580,204
Current Assets Other Property & Investments Other Assets and Deferred Debits	15,244,663 24,505,588 617,015	14,610,323 24,598,570 617,015	13,080,817 24,687,570 617,015	10,628,523 24,771,569 617,015	14,302,671 24,850,993 617,015	15,716,052 24,927,974 617,015	16,463,387 24,998,960 617,015	16,301,652 25,064,156 617,015	14,785,605 25,123,247 617,015	11,939,504 25,176,789 617,015
Total Assets	187,668,241	192,344,982	196,404,970	199,832,316	209,690,024	217,606,995	225,189,025	232,208,614	238,236,242	243,313,512
Liabilities and Equity										
Distribution Equity G&T Capital Credits Total Equity and Margins	31,659,477 18,006,351 49,665,828	32,163,565 18,006,351 50,169,916	31,919,280 18,006,351 49,925,631	30,867,019 18,006,351 48,873,370	36,093,161 18,006,351 54,099,512	39,231,430 18,006,351 57,237,781	41,416,951 18,006,351 59,423,302	42,551,196 18,006,351 60,557,547	42,560,667 18,006,351 60,567,018	41,350,289 18,006,351 59,356,640
Long Term Debt - RUS Long Term Debt - Other	100,144,148 14,789,238	105,065,137 14,040,902	110,133,884 13,276,427	115,414,679 12,475,239	120,865,885 11,655,600	126,491,783 10,808,403	132,920,057 9,776,639	139,599,395 8,982,646	146,500,914 8,099,284	153,630,653 7,257,193
Total Long Term Debt	114,933,387	119,106,039	123,410,312	127,889,918	132,521,485	137,300,187	142,696,696	148,582,041	154,600,197	160,887,846
Current Liabilities & Other	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027
Total Liabilities and Equity	187,668,241	192,344,982	196,404,970	199,832,316	209,690,024	217,606,995	225,189,025	232,208,614	238,236,242	243,313,512

Schedule C CASE A

TEN YEAR FINANCIAL FORECAST

			<u>,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</u>	Source an	d Application					
Source of Funds	<u>2008</u> \$\$	2009 \$\$	2010 \$\$	2011 \$\$	2012 \$\$	2013 \$\$	<u>2014</u> \$\$	<u>2015</u> \$\$	2016 \$\$	2017 \$\$
Current Assets BOY	14,532,763	15,244,663	14,610,323	13,080,817	10,628,523	14,302,671	15,716,052	16,463,387	16,301,652	14,785,605
Cash From Operations Margins Interest Depreciation Less: Capital Credits Allocated	1,396,913 5,189,900 5,197,072 97,024	1,249,076 5,389,701 5,323,159 92,982	508,263 5,576,479 5,561,699 89,000	(303,376) 5,761,622 5,813,349 83,999	5,959,242 5,959,242 6,078,799 79,424	3,949,762 6,185,976 6,358,777 76,981	3,044,088 6,385,185 6,654,047 70,986	2,025,594 6,625,800 6,965,411 65,196	917,834 6,875,027 7,293,714 59,091	(301,873) 7,140,114 7,639,845 53,542
G&T Capital Credits Paid Plus Loan Funds	8,035,969	7,378,881	- 7,743,535	8,126,292	8,528,055	8,949,770	9,392,429	9,857,077	10,344,808	10,856,772
Total Source of Funds	34,255,592	34,492,498	33,911,299	32,394,704	37,074,438	39,669,975	41,120,816	41,872,073	41,673,944	40,066,922
Application of Funds										
Capital Credits Retired Internal Funds Investments in Plant Loan Funds Invested in Plant Debt Service	735,060 2,008,992 8,035,969 8,230,908	744,987 3,162,378 7,378,881 8,595,930	752,549 3,318,658 7,743,535 9,015,741	748,884 3,482,697 8,126,292 9,408,308	733,101 3,654,881 8,528,055 9,855,731	811,493 3,835,616 8,949,770 10,357,044	858,567 4,025,327 9,392,429 10,381,106	891,350 4,224,462 9,857,077 10,597,533	908,363 4,433,489 10,344,808 11,201,678	908,505 4,652,902 10,856,772 11,709,238
Total Application of Funds	19,010,929	19,882,176	20,830,482	21,766,181	22,771,767	23,953,923	24,657,429	25,570,421	26,888,339	28,127,417
Current Assets EOY	15,244,663	14,610,323	13,080,817	10,628,523	14,302,671	15,716,052	16,463,387	16,301,652	14,785,605	11,939,504

Schedule D

TEN YEAR FINANCIAL FORECAST

Key Financial Indicators

CASE A

CAF	PITAL STRUCTURE	2008 \$\$	2009 \$\$	2010 \$\$	2011 \$\$	2012 \$\$	2013 \$\$	2014 \$\$	2015 \$\$	2016 \$\$	2017 \$\$
A.	Capital Structure										
	Equity Debt Total	49,665,828 114,933,387 164,599,214	50,169,916 119,106,039 169,275,955	49,925,631 123,410,312 173,335,943	48,873,370 127,889,918 176,763,289	54,099,512 132,521,485 186,620,997	57,237,781 137,300,187 194,537,968	59,423,302 142,696,696 202,119,998	60,557,547 148,582,041 209,139,587	60,567,018 154,600,197 215,167,215	59,356,640 160,887,846 220,244,485
	Equity Capitalization Ratio Debt Capitalization Ratio	30.17% 69.83%	29.64% 70.36%	28.80% 71.20%	27.65% 72.35%	28.99% 71.01%	29.42% 70.58%	29.40% 70.60%	28.96% 71.04%	28.15% 71.85%	26.95% 73.05%
B.	Return on Capital Margins Interest Total	1,396,913 5,189,900 6,586,813	1,249,076 5,389,701 6,638,777	508,263 5,576,479 6,084,742	(303,376) 5,761,622 5,458,246	5,959,242 5,959,242 11,918,484	3,949,762 6,185,976 10,135,738	3,044,088 6,385,185 9,429,273	2,025,594 6,625,800 8,651,394	917,834 6,875,027 7,792,861	(301,873) 7,140,114 6,838,242
	Return on Capital Return on Equity Return on Debt	4.00% 2.81% 4.52%	3.92% 2.49% 4.53%	3.51% 1.02% 4.52%	3.09% -0.62% 4.51%	6.39% 11.02% 4.50%	5.21% 6.90% 4.51%	4.67% 5.12% 4.47%	4.14% 3.34% 4.46%	3.62% 1.52% 4.45%	3.10% -0.51% 4.44%
C.	Equity to Asset Ratio	26.46%	26.08%	25.42%	24.46%	25.80%	26.30%	26.39%	26.08%	25.42%	24.40%
CA	PITAL STRUCTURE	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$	\$\$
D.	Key Financial Ratios TIER DSC TIER without GTCC's Op TIER Current Ratio	1.27 1.43 1.27 1.22 0.66	1.23 1.39 1.23 1.17 0.63	1.09 1.29 1.09 1.02 0.57	0.95 1.20 0.95 0.88 0.46	2.00 1.83 2.00 1.94 0.62	1.64 1.59 1.64 1.57 0.68	1.48 1.55 1.48 1.40 0.71	1.31 1.47 1.31 1.23 0.71	1.13 1.35 1.13 1.07 0.64	0.96 1.24 0.96 0.90 0.52

Schedule E CASE A

TEN YEAR FINANCIAL FORECAST

Debt and Capital Credits

Debt	2008 \$\$	<u>2009</u> \$\$	2010 \$\$	2011 \$\$	<u>2012</u> \$\$	2013 \$\$	<u>2014</u> \$\$	<u>2015</u> \$\$	<u>2016</u> \$\$	<u>2017</u> \$\$
Debt at First of Year Loan Funds Interest Expense Debt Payments	109,938,426 8,035,969 5,189,900 8,230,908	114,933,387 7,378,881 5,389,701 8,595,930	119,106,039 7,743,535 5,576,479 9,015,741	123,410,312 8,126,292 5,761,622 9,408,308	127,889,918 8,528,055 5,959,242 9,855,731	132,521,485 8,949,770 6,185,976 10,357,044	137,300,187 9,392,429 6,385,185 10,381,106	142,696,696 9,857,077 6,625,800 10,597,533	148,582,041 10,344,808 6,875,027 11,201,678	154,600,197 10,856,772 7,140,114 11,709,238
Debt at End of Year	114,933,387	119,106,039	123,410,312	127,889,918	132,521,485	137,300,187	142,696,696	148,582,041	154,600,197	160,887,846
•										
Equity										
GT Equity BOY Plus: Allocations during Year	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0 -	18,006,351 0
Less: Payments during Year GT Equity EOY	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351
Distribution Equity BOY Plus: Margins during Year	30,997,623 1,396,913	31,659,477 1,249,076	32,163,565 508,263	31,919,280 (303,376)	30,867,019 5,959,242	36,093,161 3,949,762	39,231,430 3,044,088	41,416,951 2,025,594	42,551,196 917,834 0	42,560,667 (301,873) 0
Plus: G&T Equity to Distribution Less: Payments during Year	0 735,060	0 744,987	0 752,549	748,884	733,101	811,493	858,567	891,350	908,363 42,560,667	908,505 41,350,289
Distribution Equity EOY	31,659,477	32,163,565	31,919,280	30,867,019	36,093,161	39,231,430	41,416,951	42,551,196		AND THE PROPERTY OF THE PROPER
Total Equity	49,665,828	50,169,916	49,925,631	48,873,370	54,099,512	57,237,781	59,423,302	60,557,547	60,567,018	59,356,640

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

TEN YEAR FINANCIAL FORECAST 2008 - 2017

CASE B WITH NEW BUILDING

Prepared March 2008

ADKINS-CONSULTING

SOUTH KENTUCKY RECC SOMERSET, KY TEN YEAR FINANCIAL FORECAST

Schedule A CASE B

				Statement of	Operations					
Revenue	<u>2008</u> \$\$	<u>2009</u> \$\$	<u>2010</u> \$\$	<u>2011</u> \$\$	2012 \$\$	<u>2013</u> \$\$	<u>2014</u> \$\$	2015 \$\$	2016 \$\$	<u>2017</u> \$\$
Revenue from Current Rates Increases for Distribution Costs	113,435,992	111,890,417	113,206,412 0 (2,705,078)	114,543,691 9,569,586 (2,736,860)	125,774,282 0 (2,769,008)	127,252,173 0 (2,801,520)	128,746,920 0 (2,834,404)	130,258,487 0 (2,867,658)	131,787,892 0 (2,901,302)	133,333,232 0 (2,935,304)
Increases for Purchased Power Total Revenue	(2,642,607) 110,793,384	(2,673,660) 109,216,758	110,501,334	121,376,417	123,005,274	124,450,653	125,912,516	127,390,829	128,886,590	130,397,928
Expenses										
Cost of Purchased Power Gross Margin	80,780,609 30,012,776	78,694,350 30,522,407	79,618,882 30,882,452	80,554,080 40,822,337	81,500,065 41,505,209	82,456,780 41,993,873	83,424,408 42,488,108	84,402,954 42,987,875	85,392,971 43,493,618	86,393,494 44,004,435
Distribution O&M Consumer Accounts Expenses	9,920,718 4,418,184	10,146,671 4,456,856	11,657,361 4,545,528	12,137,040 4,632,432	12,643,026 4,722,260 5,203,255	13,176,702 4,810,864 5,422,890	13,739,526 4,899,808 5,654,521	14,333,028 4,989,024 5,898,778	14,958,819 5,078,444 6,156,323	15,618,592 5,169,088 6,427,853
Administrative & General Depreciation Tax Expense	4,048,517 5,197,072 98,357	4,175,877 5,323,159 102,720	4,797,603 6,115,699 118,013	4,995,016 6,367,349 122,869	6,632,799 127,992	6,912,777 133,394	7,208,047 139,092	7,519,411 145,100	7,847,714 151,435	8,193,845 158,115
Operating Margins before Interest	6,329,928	6,317,125	3,648,247	12,567,631	12,175,878	11,537,245	10,847,115	10,102,534	9,300,882	8,436,941
Interest Expense	5,189,900	5,389,701	5,891,479	6,391,622	6,588,370	6,807,817	6,998,145	7,229,472	7,468,983	7,723,909
Operating Margins after Interest	1,140,029	927,424	(2,243,232)	6,176,010	5,587,508	4,729,429	3,848,970	2,873,062	1,831,899	713,032
Non-operating Margins Other Capital Credits G&T Capital Credits	159,860 97,024 0	228,670 92,982 0	292,206 89,000 0	131,613 83,999 0	252,420 79,424 0	353,155 76,981 0	426,156 70,986 0	484,160 65,196 0	521,117 59,091 0	525,923 53,542 0
Net Margins	1,396,913	1,249,076	(1,862,025)	6,391,622	5,919,351	5,159,565	4,346,112	3,422,418	2,412,107	1,292,497
Op-TIER TIER	1.22 1.27	1.17 1.23	0.62 0.68	1.97 2.00	1.85 1.90	1.69 1.76	1.55 1.62	1.40 1.47	1.25 1.32	1.09 1.17

SOUTH KENTUCKY RECC SOMERSET, KENTUCKY

Schedule B CASE B

TEN YEAR FINANCIAL FORECAST

					Balance Sheet					
Assets	2008 \$\$	<u>2009</u> \$\$	<u>2010</u> \$\$	<u>2011</u> \$\$	<u>2012</u> \$\$	<u>2013</u> \$\$	2014 \$\$	<u>2015</u> \$\$	<u>2016</u> \$\$	2017 \$\$
Total Utility Plant in Service Accumulated Depreciation	184,009,802 36,708,827	192,171,800 39,652,726	220,783,355 43,317,787	229,868,187 47,160,978	239,451,241 51,193,895	249,558,748 55,428,794	260,218,289 59,878,626	271,458,867 64,557,076	283,310,974 69,478,600	295,806,673 74,658,469
Net Plant	147,300,975	152,519,075	177,465,568	182,707,208	188,257,345	194,129,953	200,339,663	206,901,791	213,832,375	221,148,204
Current Assets Other Property & Investments	15,244,663 24,505,588	14,610,323 24,598,570	5,264,528 24,687,570 617,015	10,096,787 24,771,569 617,015	14,126,194 24,850,993 617,015	17,046,249 24,927,974 617,015	19,366,407 24,998,960 617,015	20,844,692 25,064,156 617,015	21,036,938 25,123,247 617,015	19,968,432 25,176,789 617,015
Other Assets and Deferred Debits Total Assets	617,015	617,015 192,344,982	208,034,681	218,192,579	227,851,548	236,721,191	245,322,045	253,427,655	260,609,574	266,910,440
Lìabilities and Equity										
Distribution Equity G&T Capital Credits	31,659,477 18,006,351	32,163,565 18,006,351	29,548,991 18,006,351	35,227,283 18,006,351	40,348,130 18,006,351	44,632,377 18,006,351	48,038,908 18,006,351	50,470,647 18,006,351	51,855,600 18,006,351	52,100,168 18,006,351
Total Equity and Margins	49,665,828	50,169,916	47,555,342	53,233,634	58,354,481	62,638,728	66,045,259	68,476,998	69,861,951	70,106,519
Long Term Debt - RUS Long Term Debt - Other	100,144,148 14,789,238	105,065,137 14,040,902	124,133,884 13,276,427	129,414,679 12,475,239	134,772,440 11,655,600	140,205,032 10,808,403	146,431,120 9,776,639	152,898,983 8,982,646	159,579,313 8,099,284	166,477,701 7,257,193
Total Long Term Debt	114,933,387	119,106,039	137,410,312	141,889,918	146,428,040	151,013,436	156,207,759	161,881,629	167,678,596	173,734,894
Current Liabilities & Other	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027	23,069,027
Total Liabilities and Equity	187,668,241	192,344,982	208,034,681	218,192,579	227,851,548	236,721,191	245,322,045	253,427,655	260,609,574	266,910,440

Schedule C CASE B

TEN YEAR FINANCIAL FORECAST

		-	Source and Application of Funds							
Source of Funds	2008 \$\$	2009 \$\$	2010 \$\$	2011 \$\$	<u>2012</u> \$\$	2013 \$\$	<u>2014</u> \$\$	<u>2015</u> \$\$	<u>2016</u> \$\$	2017 \$\$
Current Assets BOY	14,532,763	15,244,663	14,610,323	5,264,528	10,096,787	14,126,194	17,046,249	19,366,407	20,844,692	21,036,938
Cash From Operations Margins Interest Depreciation Less: Capital Credits Allocated	1,396,913 5,189,900 5,197,072 97,024	1,249,076 5,389,701 5,323,159 92,982	(1,862,025) 5,891,479 6,115,699 89,000	6,391,622 6,391,622 6,367,349 83,999	5,919,351 6,588,370 6,632,799 79,424	5,159,565 6,807,817 6,912,777 76,981	4,346,112 6,998,145 7,208,047 70,986	3,422,418 7,229,472 7,519,411 65,196	2,412,107 7,468,983 7,847,714 59,091	1,292,497 7,723,909 8,193,845 53,542
G&T Capital Credits Paid Plus Loan Funds	8,035,969	7,378,881	21,743,535	8,126,292	8,528,055	8,949,770	9,392,429	9,857,077	10,344,808	10,856,772
Total Source of Funds	34,255,592	34,492,498	46,410,010	32,457,414	37,685,939	41,879,142	44,919,996	47,329,589	48,859,214	49,050,419
Application of Funds										
Capital Credits Retired Internal Funds Investments in Plant Loan Funds Invested in Plant Debt Service	735,060 2,008,992 8,035,969 8,230,908	744,987 3,162,378 7,378,881 8,595,930	752,549 9,318,658 21,743,535 9,330,741	713,330 3,482,697 8,126,292 10,038,308	798,505 3,654,881 8,528,055 10,578,304	875,317 3,835,616 8,949,770 11,172,190	939,581 4,025,327 9,392,429 11,196,252	990,679 4,224,462 9,857,077 11,412,679	1,027,155 4,433,489 10,344,808 12,016,824	1,047,929 4,652,902 10,856,772 12,524,384
	19,010,929	19,882,176	41,145,482	22,360,627	23,559,744	24,832,893	25,553,589	26,484,896	27,822,276	29,081,987
Total Application of Funds Current Assets EOY	15,244,663	14,610,323	5,264,528	10,096,787	14,126,194	17,046,249	19,366,407	20,844,692	21,036,938	19,968,432

Schedule D Page 1 of 1

TEN YEAR FINANCIAL FORECAST

CASE B

Key Financial Indicators

	PITAL STRUCTURE	2008 \$\$	<u>2009</u> \$\$	2010 \$\$	<u>2011</u> \$\$	2012 \$\$	2013 \$\$	2014 \$\$	2015 \$\$	<u>2016</u> \$\$	2017 \$\$
А.	Capital Structure Equity Debt Total	49,665,828 114,933,387 164,599,214	50,169,916 119,106,039 169,275,955	47,555,342 137,410,312 184,965,654	53,233,634 141,889,918 195,123,552	58,354,481 146,428,040 204,782,521	62,638,728 151,013,436 213,652,164	66,045,259 156,207,759 222,253,018	68,476,998 161,881,629 230,358,628	69,861,951 167,678,596 237,540,547	70,106,519 173,734,894 243,841,413
	Equity Capitalization Ratio Debt Capitalization Ratio	30.17% 69.83%	29.64% 70.36%	25.71% 74.29%	27.28% 72.72%	28.50% 71.50%	29.32% 70.68%	29.72% 70.28%	29.73% 70.27%	29.41% 70.59%	28.75% 71.25%
B.	Return on Capital Margins Interest Total	1,396,913 5,189,900 6,586,813	1,249,076 5,389,701 6,638,777	(1,862,025) 5,891,479 4,029,454	6,391,622 6,391,622 12,783,243	5,919,351 6,588,370 12,507,721	5,159,565 6,807,817 11,967,381	4,346,112 6,998,145 11,344,257	3,422,418 7,229,472 10,651,890	2,412,107 7,468,983 9,881,091	1,292,497 7,723,909 9,016,407
	Return on Capital Return on Equity Return on Debt	4.00% 2.81% 4.52%	3.92% 2.49% 4.53%	2.18% -3.92% 4.29%	6.55% 12.01% 4.50%	6.11% 10.14% 4.50%	5.60% 8.24% 4.51%	5.10% 6.58% 4.48%	4.62% 5.00% 4.47%	4.16% 3.45% 4.45%	3.70% 1.84% 4.45%
C.	Equity to Asset Ratio	26.46%	26.08%	22.86%	24.40%	25.61%	26.46%	26.92%	27.02%	26.81%	26.27%
D.	Key Financial Ratios TIER DSC TIER without GTCC's Op TIER Current Ratio	1.27 1.43 1.27 1.22 0.66	1.23 1.39 1.23 1.17 0.63	0.68 1.09 0.68 0.62 0.23	2.00 1.91 2.00 1.97 0.44	1.90 1.81 1.90 1.85 0.61	1.76 1.69 1.76 1.69 0.74	1.62 1.66 1.62 1.55 0.84	1.47 1.59 1.47 1.40 0.90	1.32 1.48 1.32 1.25 0.91	1.17 1.37 1.17 1.09 0.87

Schedule E CASE B

TEN YEAR FINANCIAL FORECAST

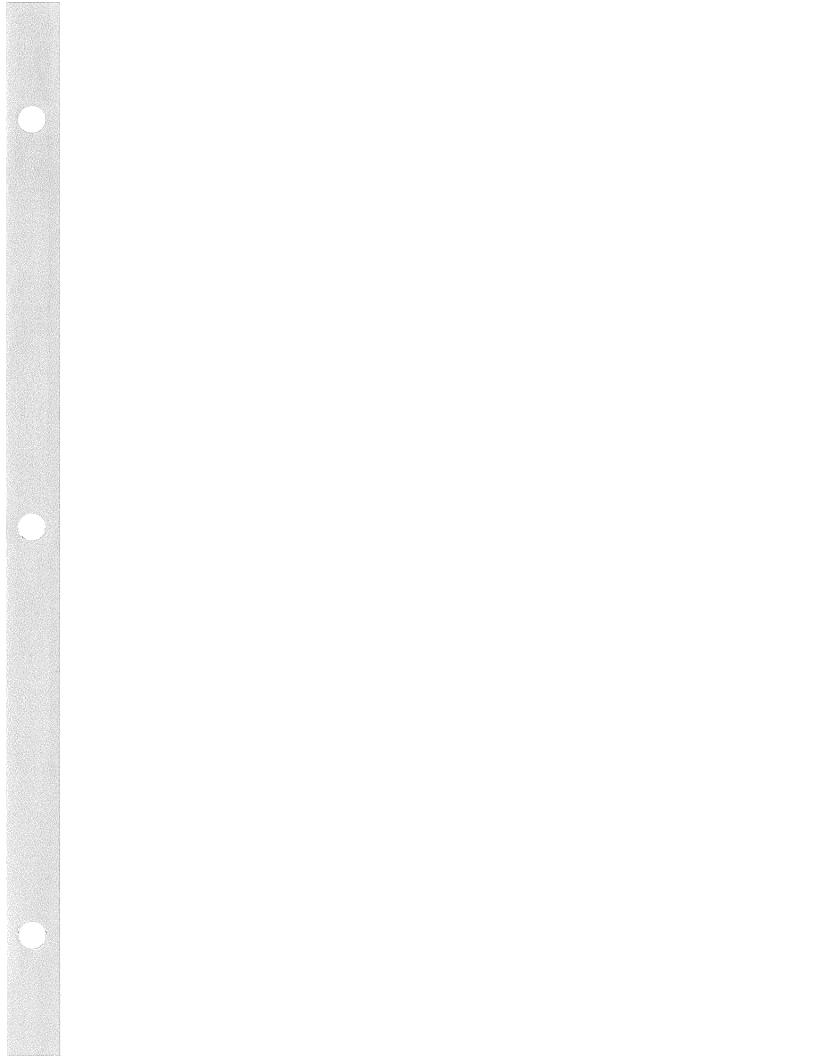
Debt and Capital Credits

Debt	2008 \$\$	<u>2009</u> \$\$	2010 \$\$	<u>2011</u> \$\$	<u>2012</u> \$\$	<u>2013</u> \$\$	<u>2014</u> \$\$	<u>2015</u> \$\$	<u>2016</u> \$\$	<u>2017</u> \$\$
Debt at First of Year Loan Funds Interest Expense Debt Payments	109,938,426 8,035,969 5,189,900 8,230,908	114,933,387 7,378,881 5,389,701 8,595,930	119,106,039 21,743,535 5,891,479 9,330,741	137,410,312 8,126,292 6,391,622 10,038,308	141,889,918 8,528,055 6,588,370 10,578,304	146,428,040 8,949,770 6,807,817 11,172,190	151,013,436 9,392,429 6,998,145 11,196,252	156,207,759 9,857,077 7,229,472 11,412,679	161,881,629 10,344,808 7,468,983 12,016,824	167,678,596 10,856,772 7,723,909 12,524,384
Debt at End of Year	114,933,387	119,106,039	137,410,312	141,889,918	146,428,040	151,013,436	156,207,759	161,881,629	167,678,596	173,734,894
,										
Equity										
GT Equity BOY Plus: Allocations during Year	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0	18,006,351 0 -
Less: Payments during Year GT Equity EOY	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351	18,006,351
Distribution Equity BOY Plus: Margins during Year Plus: G&T Equity to Distribution Less: Payments during Year Distribution Equity EOY	30,997,623 1,396,913 0 735,060 31,659,477	31,659,477 1,249,076 0 744,987 32,163,565	32,163,565 (1,862,025) 0 752,549 29,548,991	29,548,991 6,391,622 0 713,330 35,227,283	35,227,283 5,919,351 0 798,505 40,348,130	40,348,130 5,159,565 0 875,317 44,632,377	44,632,377 4,346,112 0 939,581 48,038,908	48,038,908 3,422,418 0 990,679 50,470,647	50,470,647 2,412,107 0 1,027,155 51,855,600	51,855,600 1,292,497 0 1,047,929 52,100,168
Total Equity	49,665,828	50,169,916	47,555,342	53,233,634	58,354,481	62,638,728	66,045,259	68,476,998	69,861,951	70,106,519

SOUTH KENTUCKY RECC SOMERSET KENTUCKY

KEY ASSUMPTIONS FINANCIAL ANALYSIS OF NEW BUILDINGS

- 1 Increase in retail rates are estimated for 2012 for the base case and 2012 for the the new facility case. Increases could be anticipated near the end of the forecasted period for both cases.
- 2 Average revenue per kWh as of 2007 is the basis for future revenue estimates for all rate cases.
- 3 No G&T capital credits have been allocated to South Kentucky.
- 4 Interest rates on loan funds is estimated to be 5%.
- 5 All expansion in utility plant is funded through general funds (30%) and debt (70%).
- 6 Capital credits are refunded on the basis of 1.5% of the previous year's equity level.
- 7 Operating expenses are based on the historical information for 2005 through 2007.
- 8 Plant expansion is based on the current work plan and current experience.
- 9 Load growth is anticipated to be approximately 1.2% per year.
- 10 Purchased power costs are based on EKPC's Financial Forecast approved in early 2008.
- 11 All non-operating margins are based on general fund levels only.
- 12 The cost for the new headquarters facilities is estimated to be \$20,000,000 with offset by the sale of current facilities.

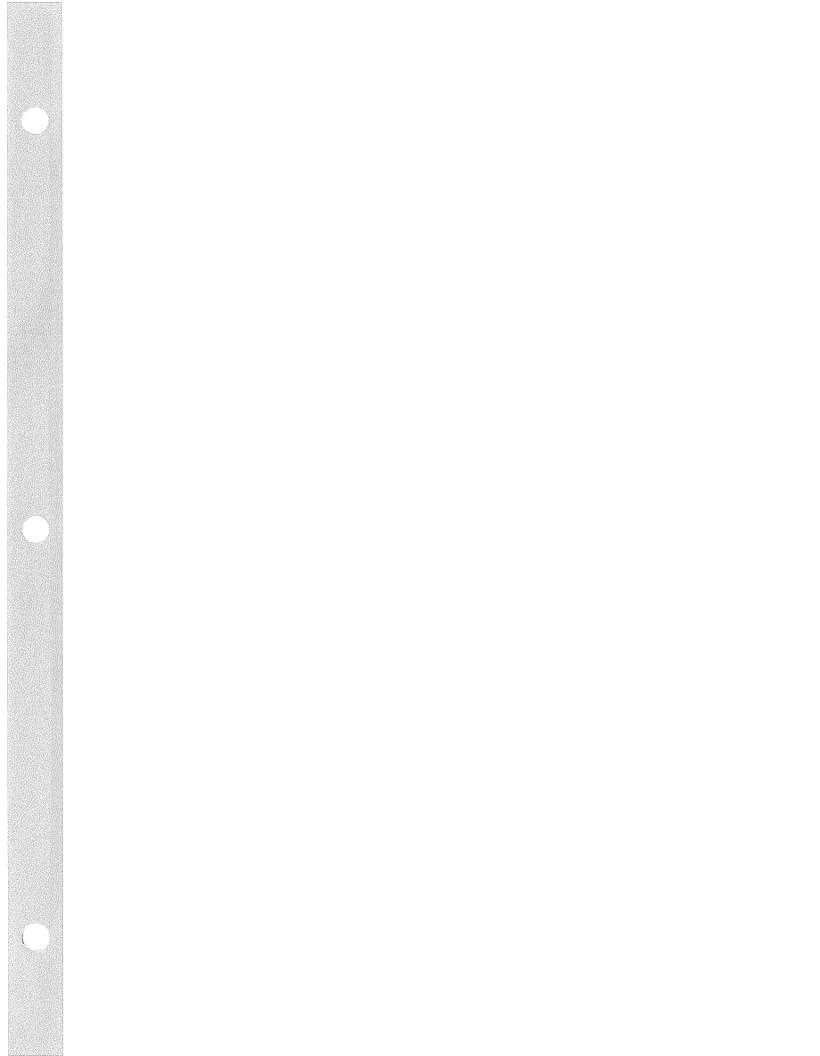


APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

IMPACT OF THE PROPOSED BUILDINGS UPON THE RATES TO MEMBERS

South Kentucky has developed a ten year financial forecast that contains two scenarios. The first scenario provides an estimate of the financial conditions for the period of 2008 through 2017 without these new district offices. The second scenario provides an estimate of the financial condition of South Kentucky for the same period and includes the new facilities. No estimate of cost savings resulting from these new facilities has been modeled in the forecast which includes the new buildings

In both financial forecast scenarios, a rate application is needed by South Kentucky. In the base forecast, an increase in rates is needed in 2012 and in the forecast with the new facilities, an increase is needed in 2012. Additionally, these forecasts predict that it is likely that another rate increase will be needed in 2017 for the base case and 2018 for the new facilities case.



APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

DISPOSAL OF EXISTING PROPERTIES

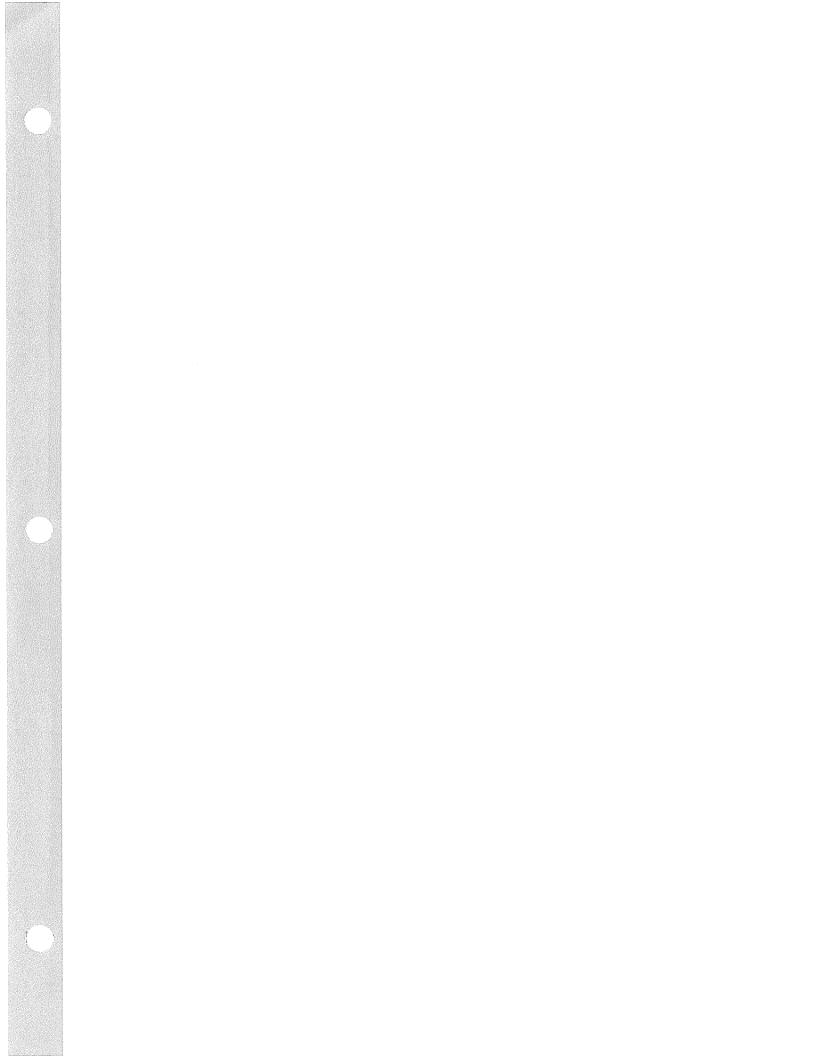
The current headquarters facilities will not be needed when the proposed facilities are completed and occupied. Additionally, the SKRECC farm will no longer be needed as well. It is SKRECC's intent to place these properties up for sale once the new facilities are completed.

The appraised value of these buildings are listed below:

Somerset Office and Buildings \$ 1,400,000 to \$ 1,650,000

West Highway 80 - Nancy Farm \$ 450,000

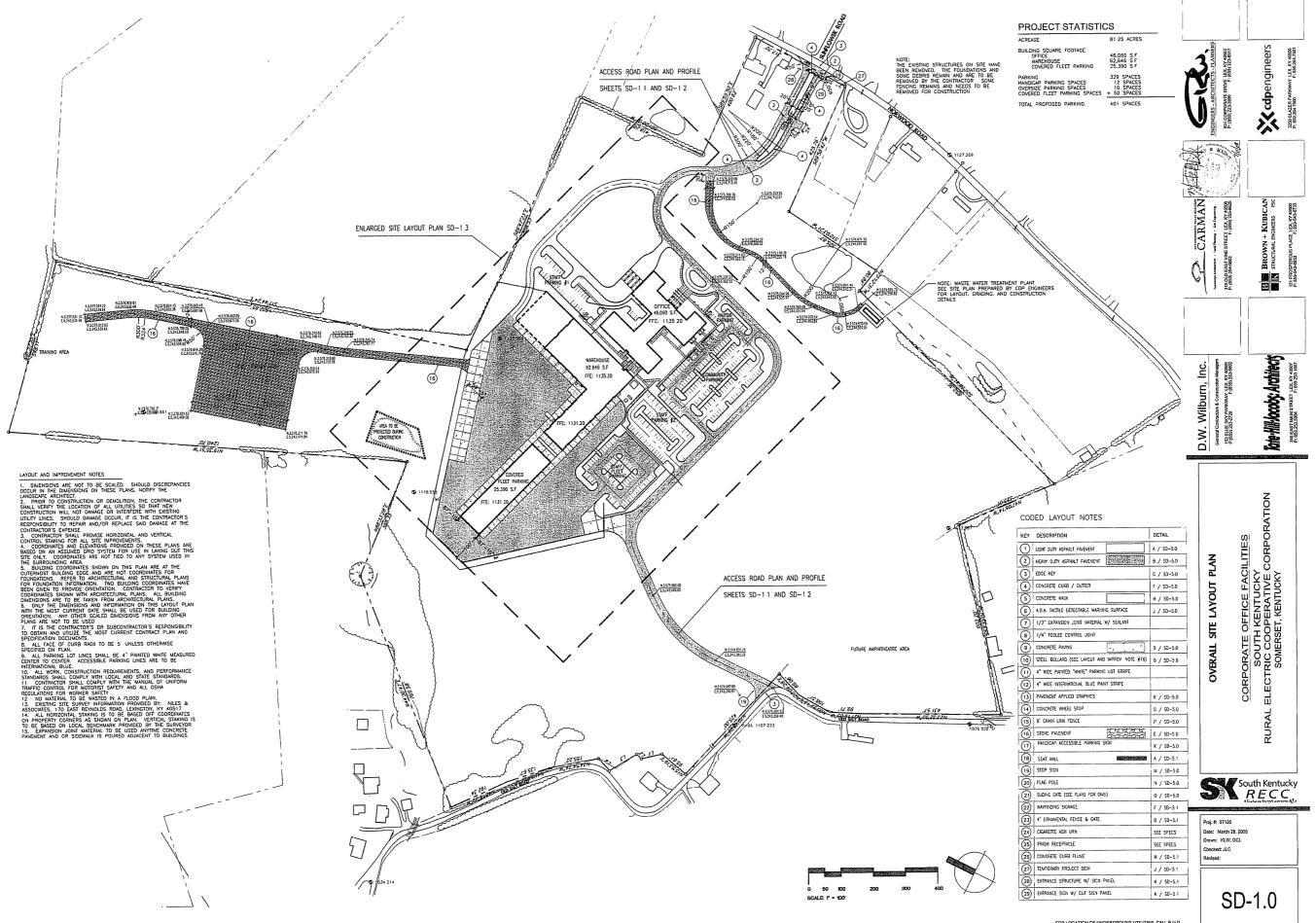
When these properties are sold, the sale proceeds will be used to reduce the borrowings on plant additions as required by RDEP. The proceeds will be deposited in South Kentucky's Construction Fund Account and Reported on RUS Form 595, Financial Requirement and Expenditure Statement.



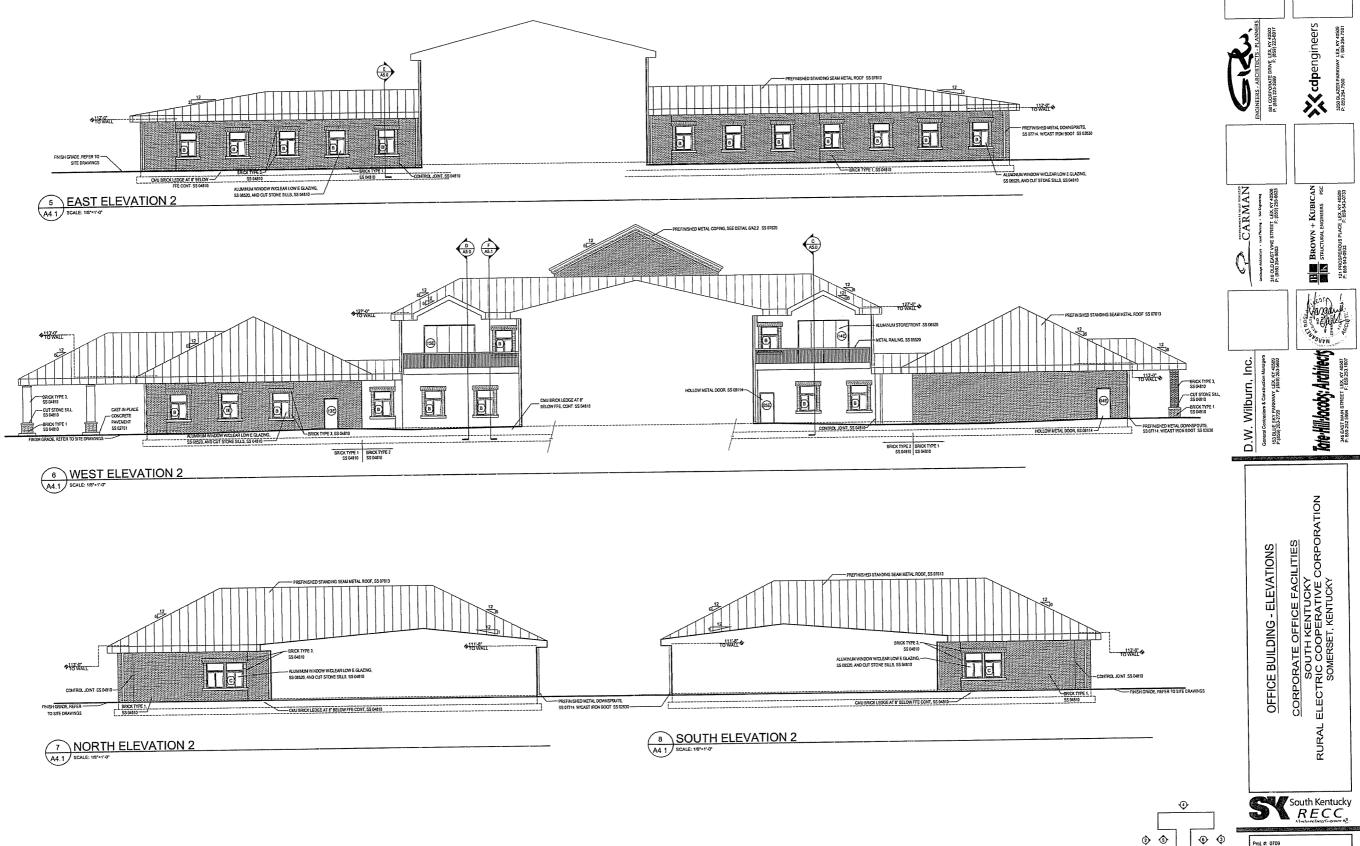
APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

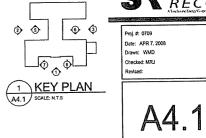
PROPOSED BUILDING AND FLOOR DIAGRAM

On pages two and twelve of this exhibit is an external view of the building when completed along with a copy of the floor diagram for the buildings

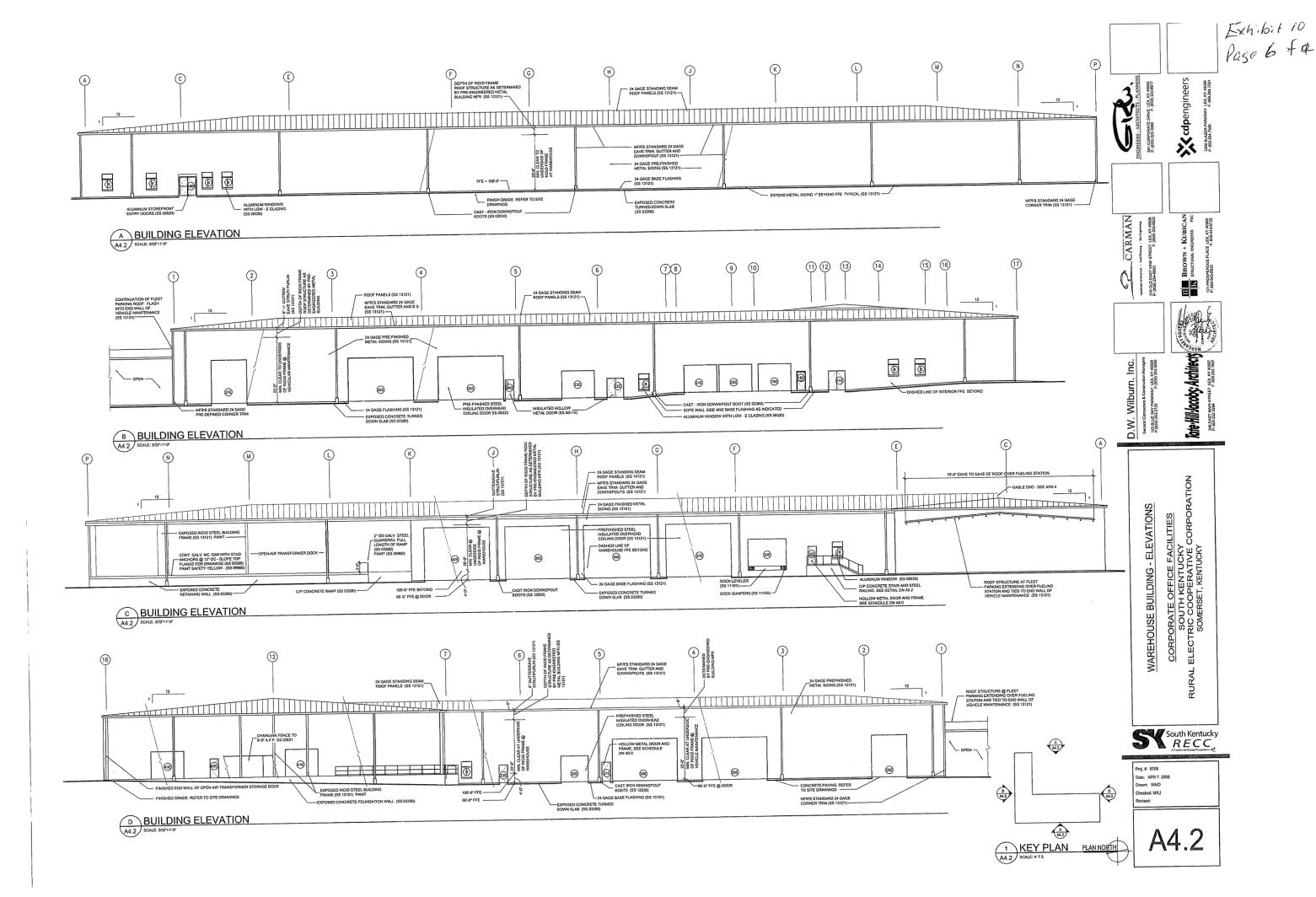


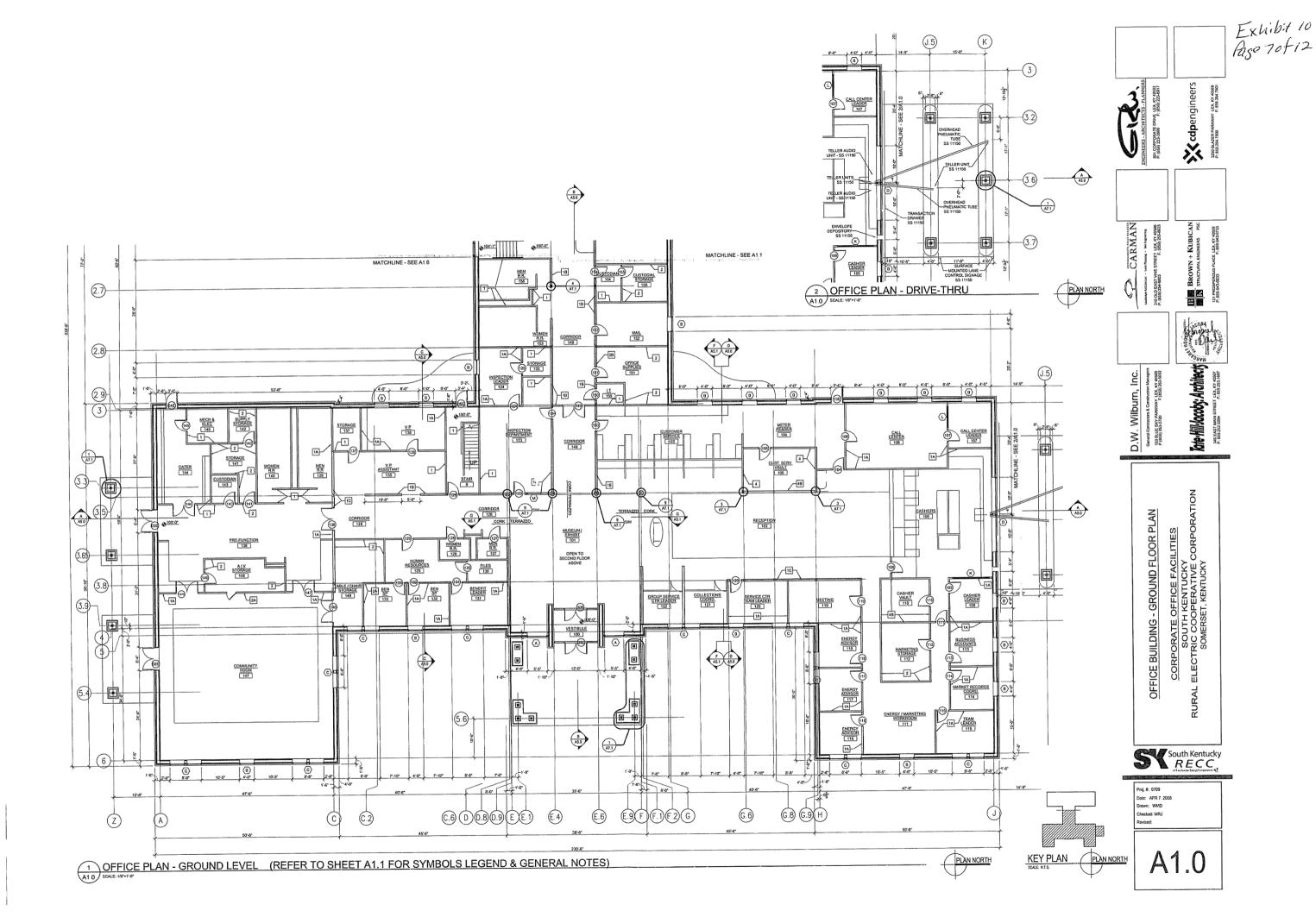


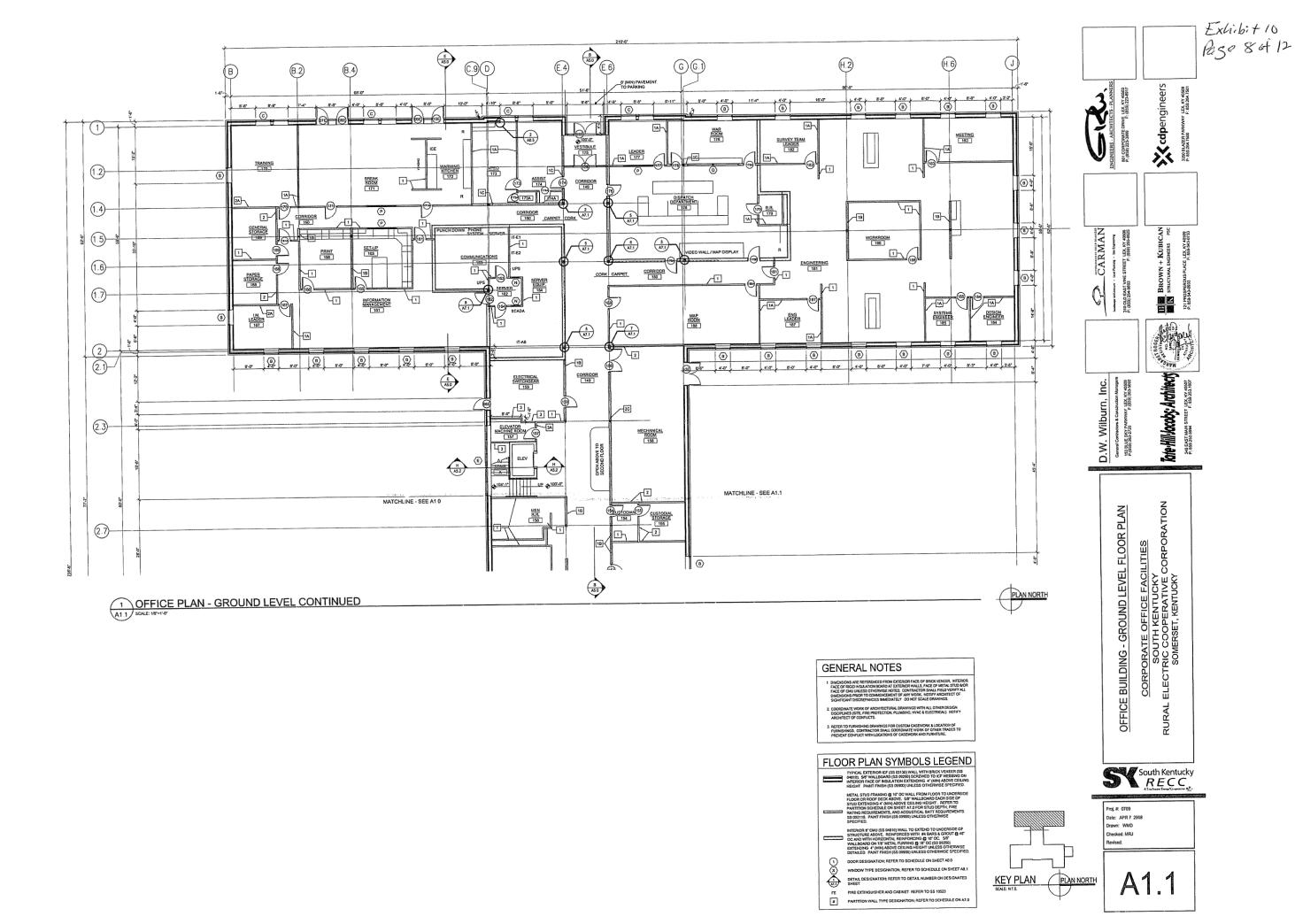


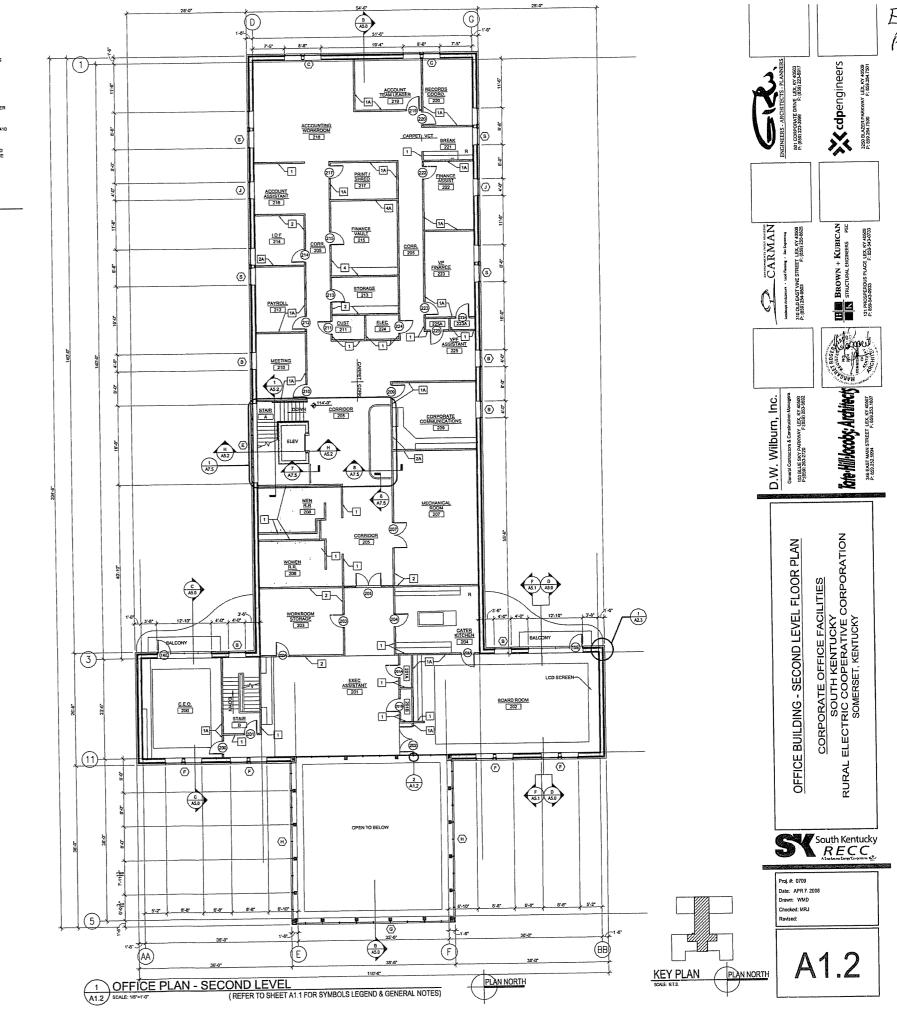












2 MULLION AT BOARD ROOM WALL
A1.2 SOALE: 17-91-07

Exhibit 10 Pase gofiz

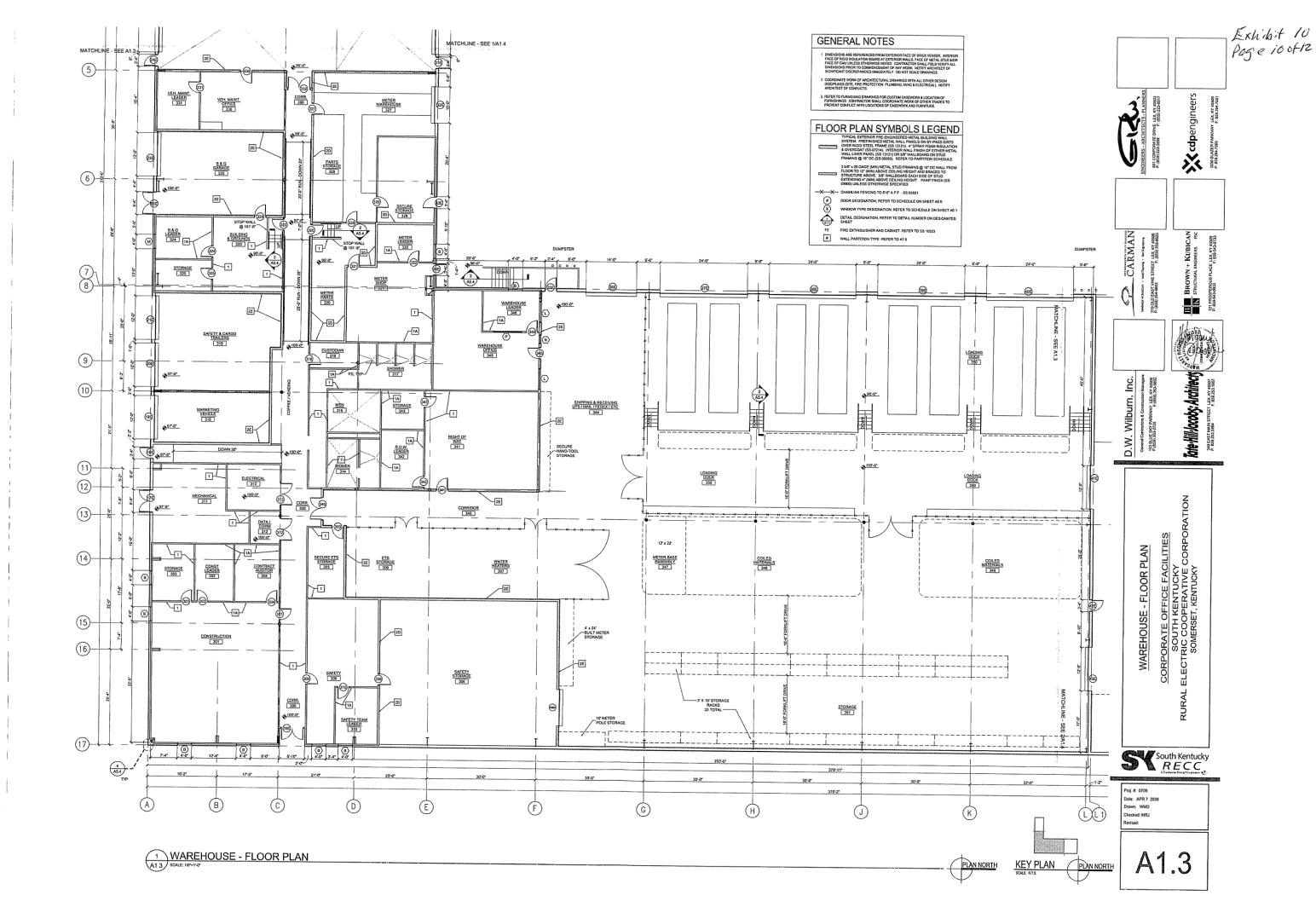
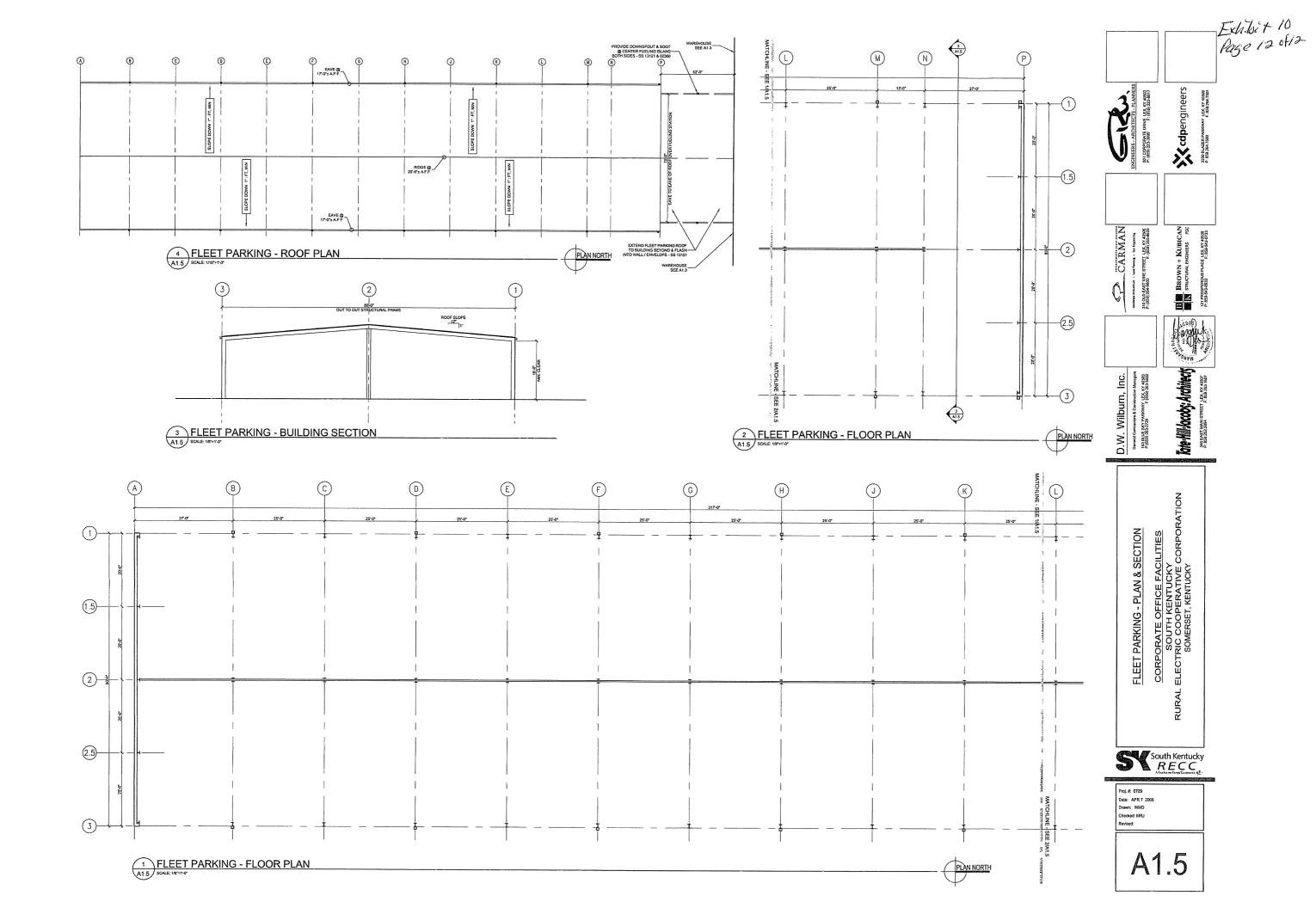
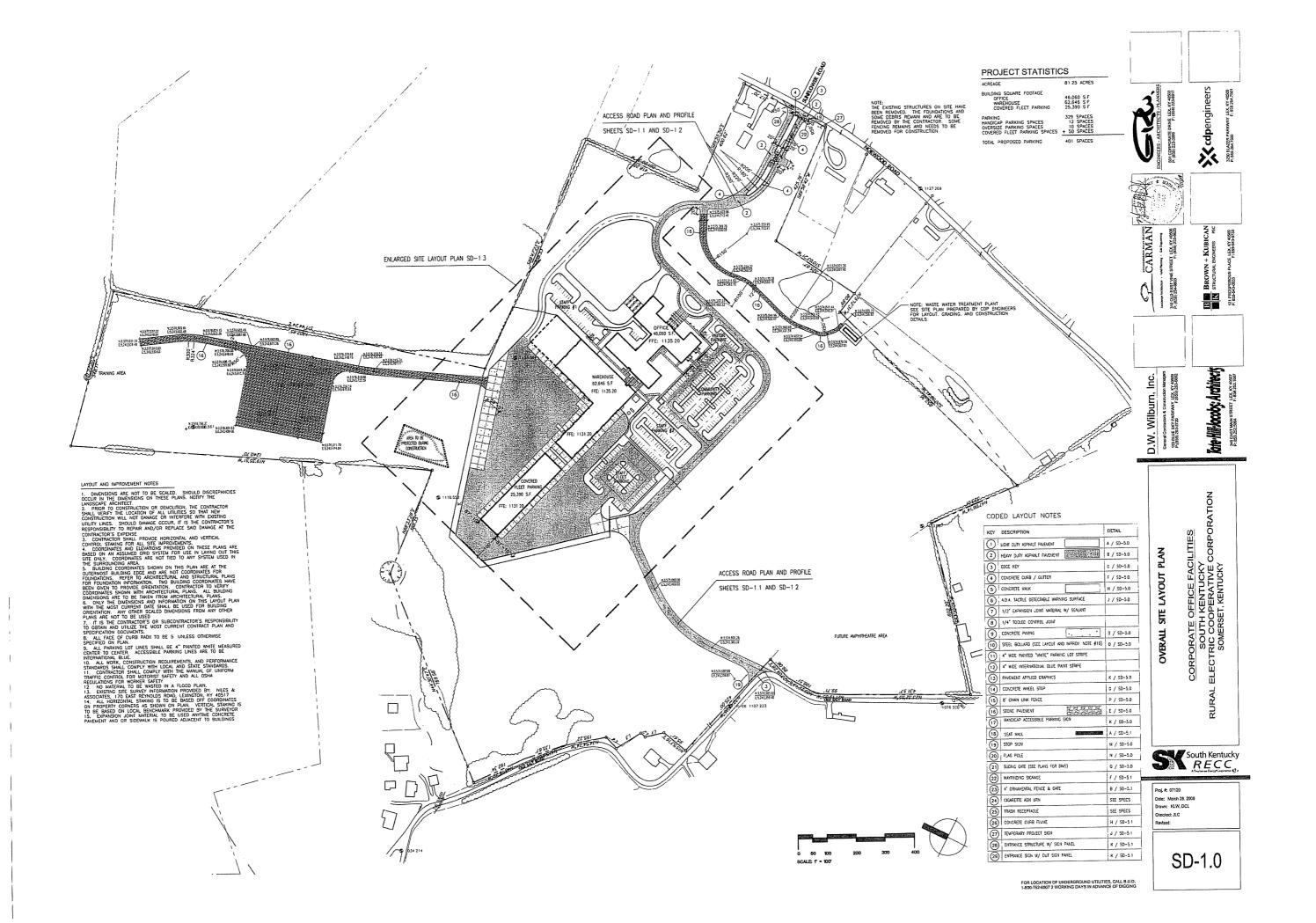
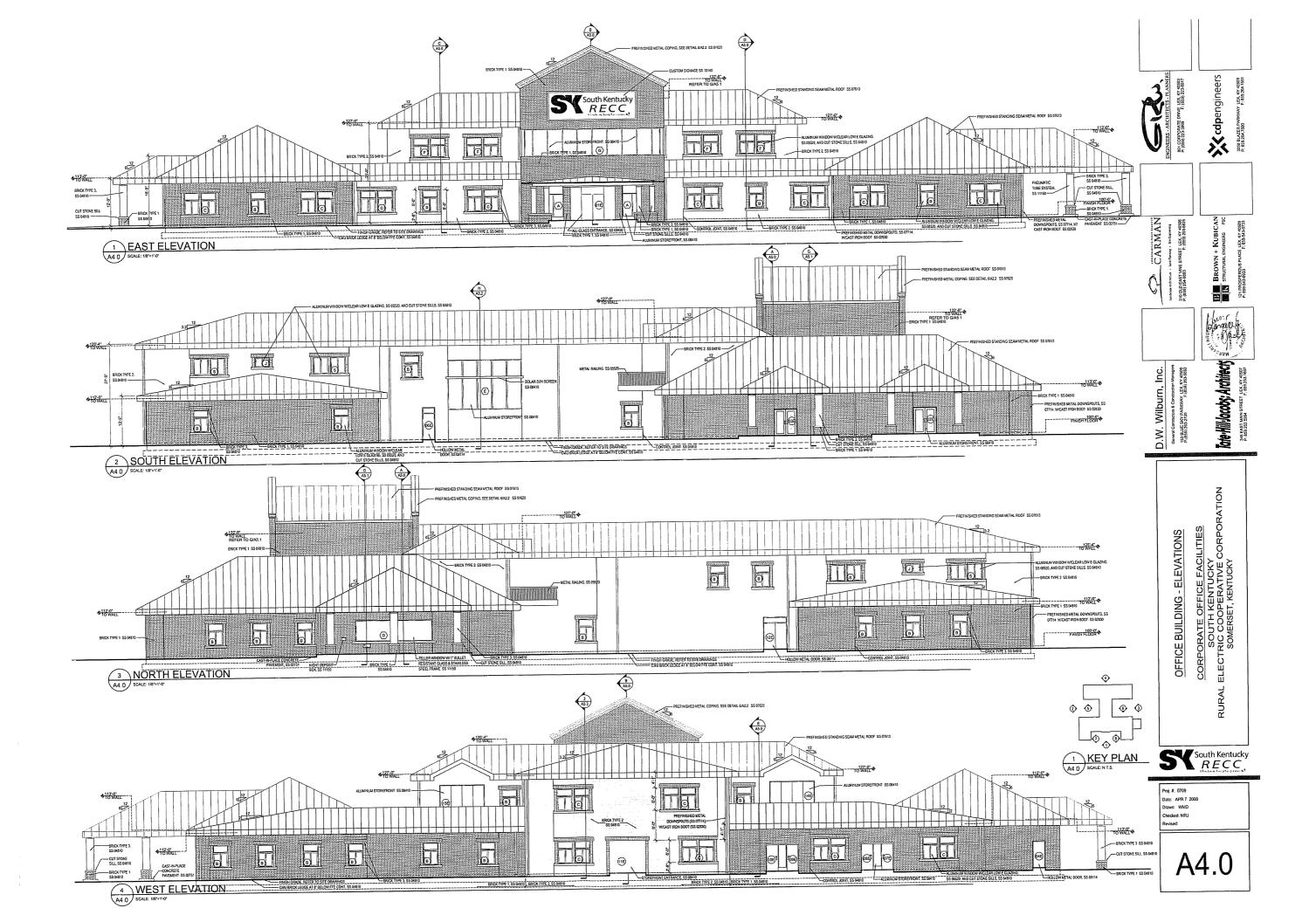


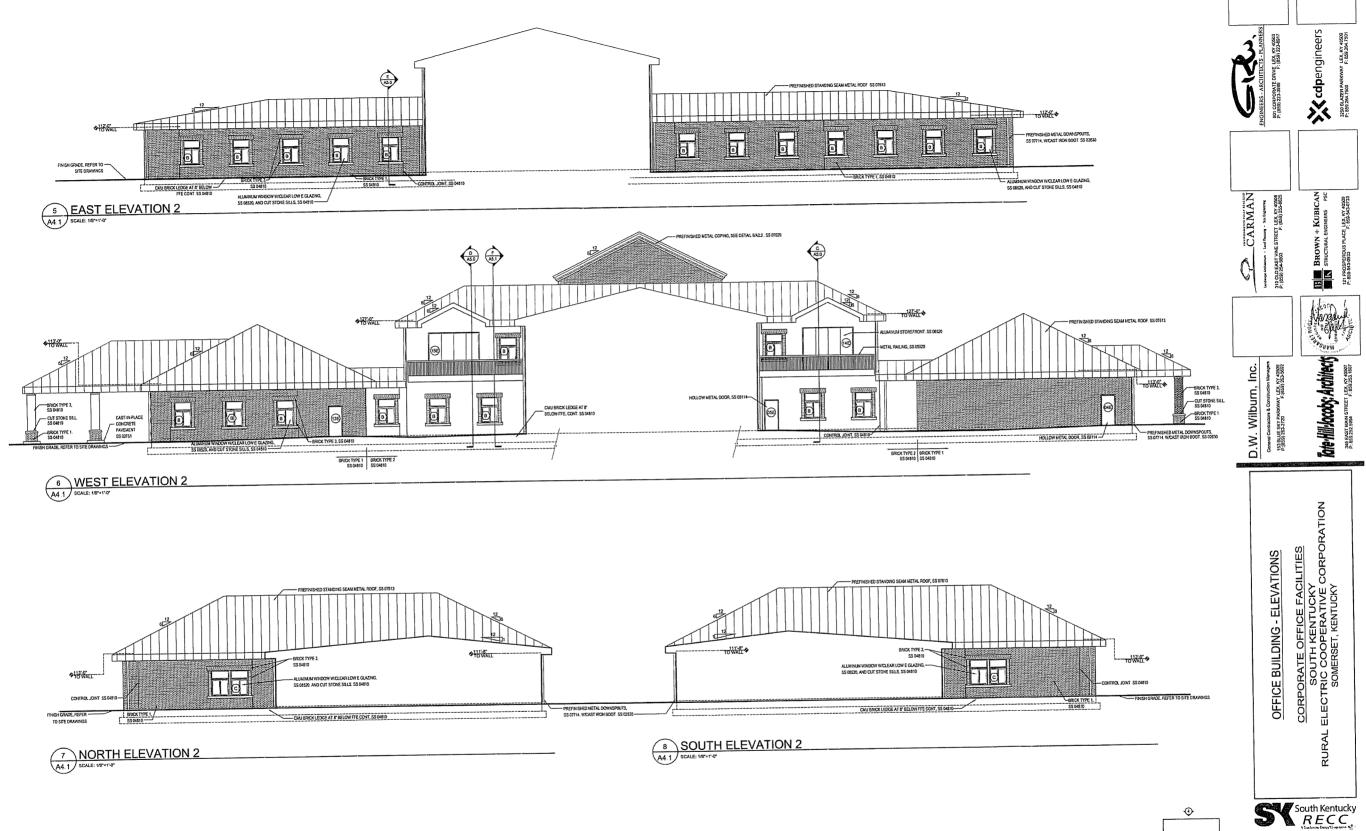
Exhibit 10 Pase 11 of 12

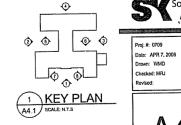




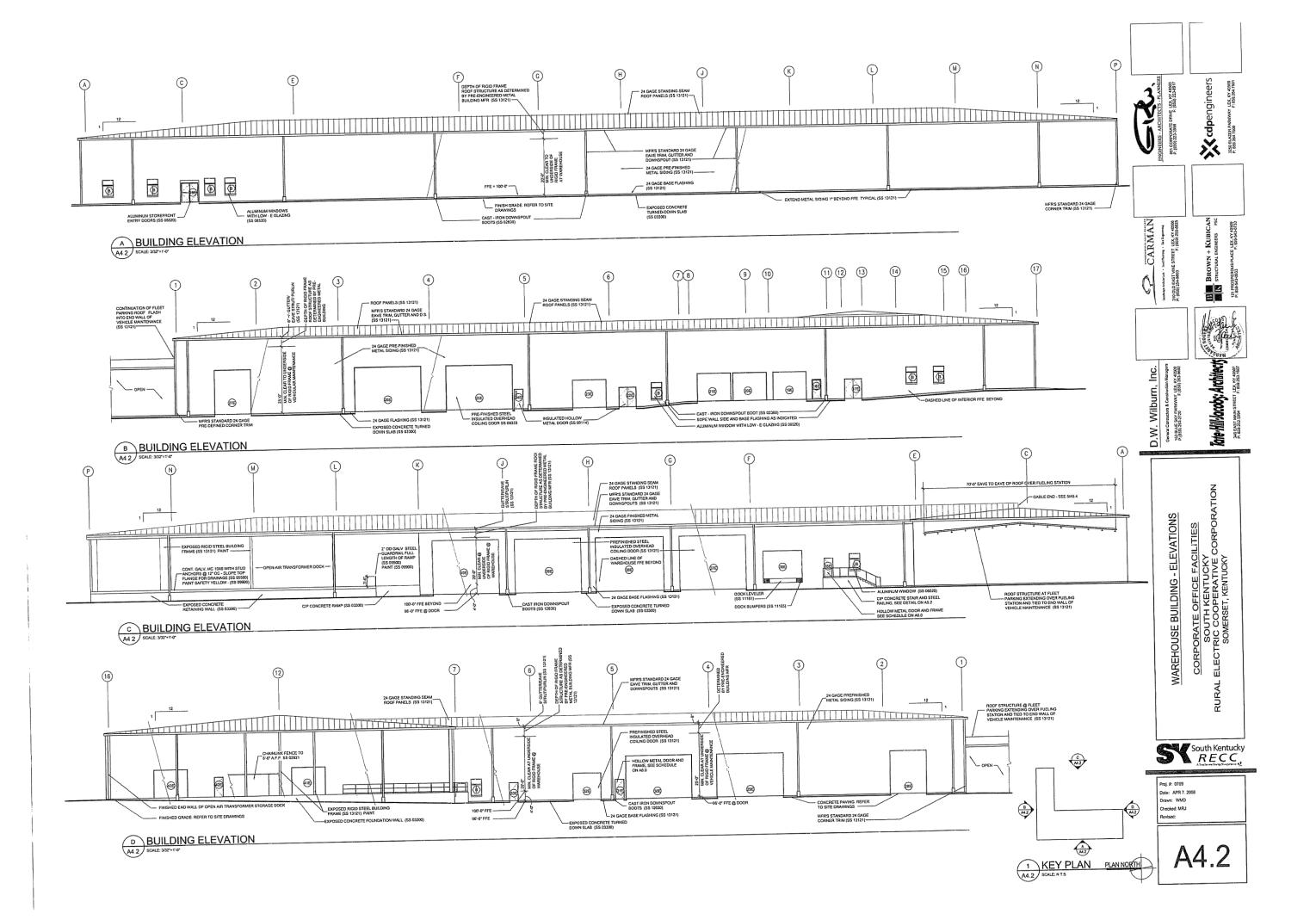


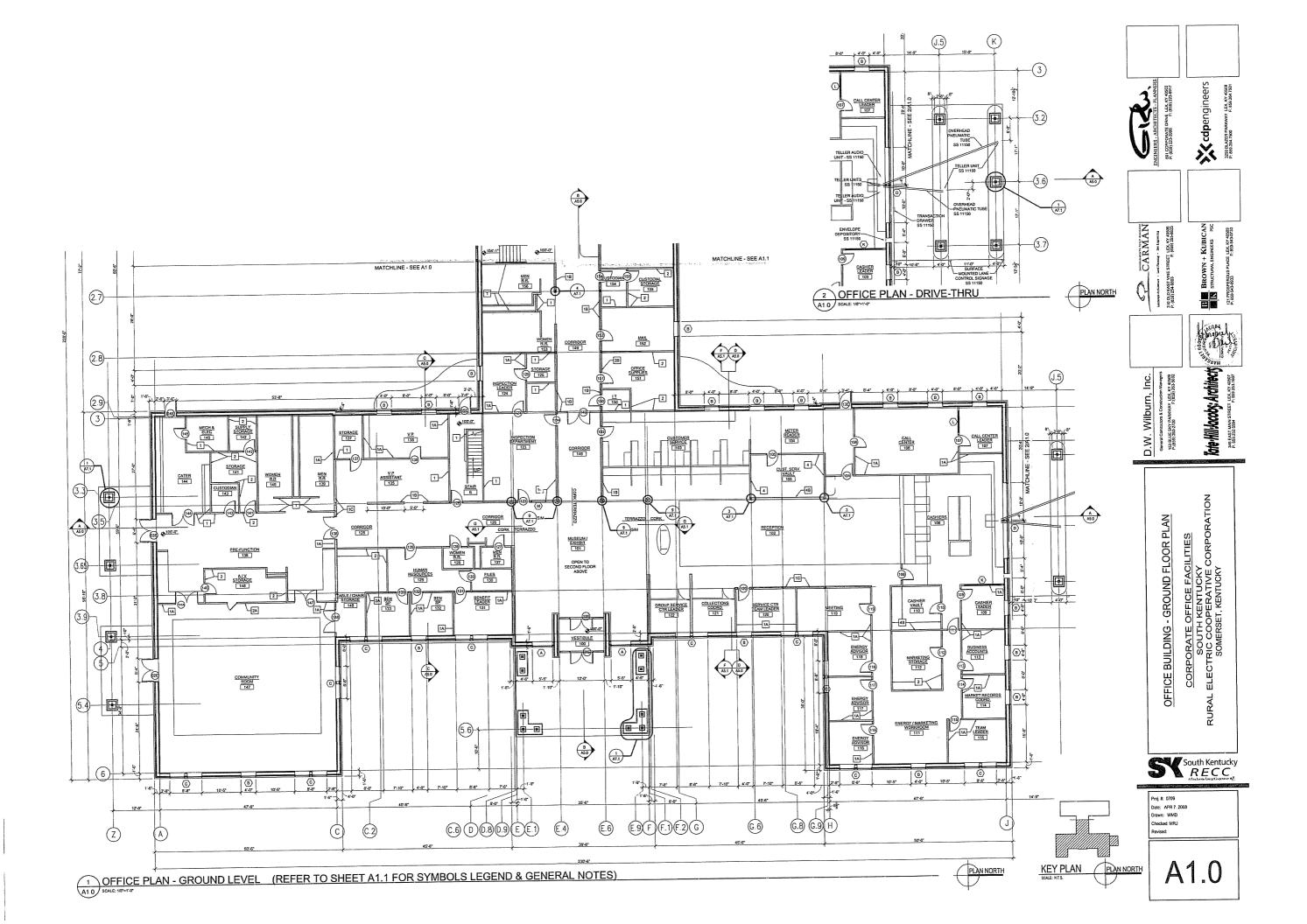


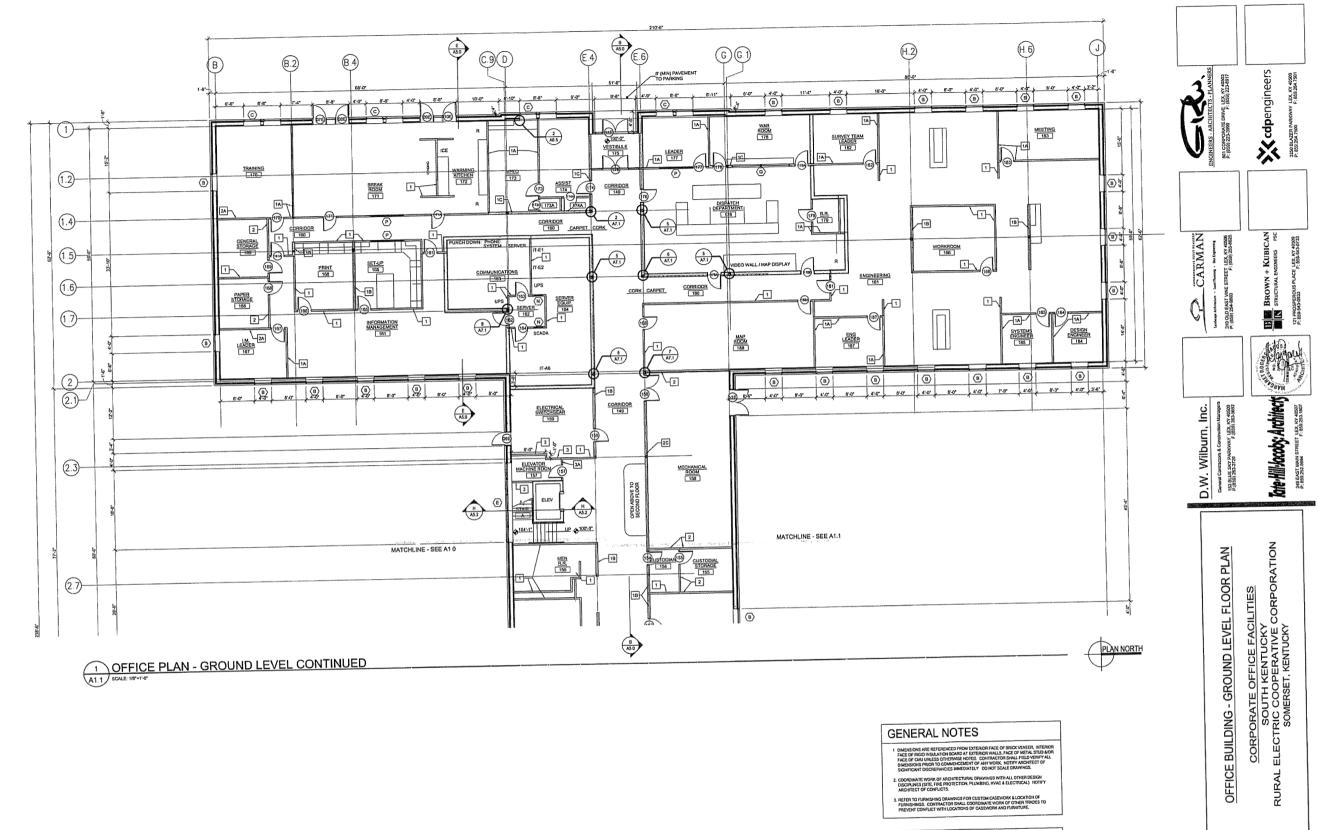




A4.1







FLOOR PLAN SYMBOLS LEGEND

METAL STUD FRAMING 6 16" OC WALL FROM FLOOR TO UNDE FLOOR OR ROOF BECK ABOVE. 56" WALLBOARD EACH SIDE (STUD EXTENDING F WIND ABOVE CERN ON BEIGHT. REFT PARTITION SCHEDULE ON SHEET AT 0 FOR STUD DEPTH. FIRST RATING REQUIREMENTS, AND ACOUSTICAL BATT REQUIREMENTS.

SPECIFED.

**RITERIOR S' CAU (SS 04810) WALL TO EXTEND TO UNDERSIDE OF STRUCTURE ABOVE, REINFORCED WITH \$4 BARS & GROUT & 4" OC AND WITH HORIZOTHAL REINFORCING & 10" OC. SO WALL DOADO ON THE METAL FURRING & 10" OC (SS 00"50) EXTENDRO ON THE METAL FURRING & 10" OC (SS 00"50) EXTENDRO A "(BIN) ABOVE CELLING HEIGHT UNLESS OTHERWISE SPECIFIES STRUCTURE AND DIANT FIRSH ISS GROUD UNLESS SO THERMISE SPECIFIES.

DOTALED. PLANT INSTITUTE OWNER OF THE THREE OF T

FE FIRE EXTINGUISHER AND CABINET. REFER TO SS 10523

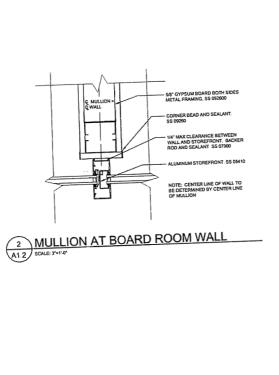
PARTITION WALL TYPE DESIGNATION; REFER TO SCHEDULE ON A7.

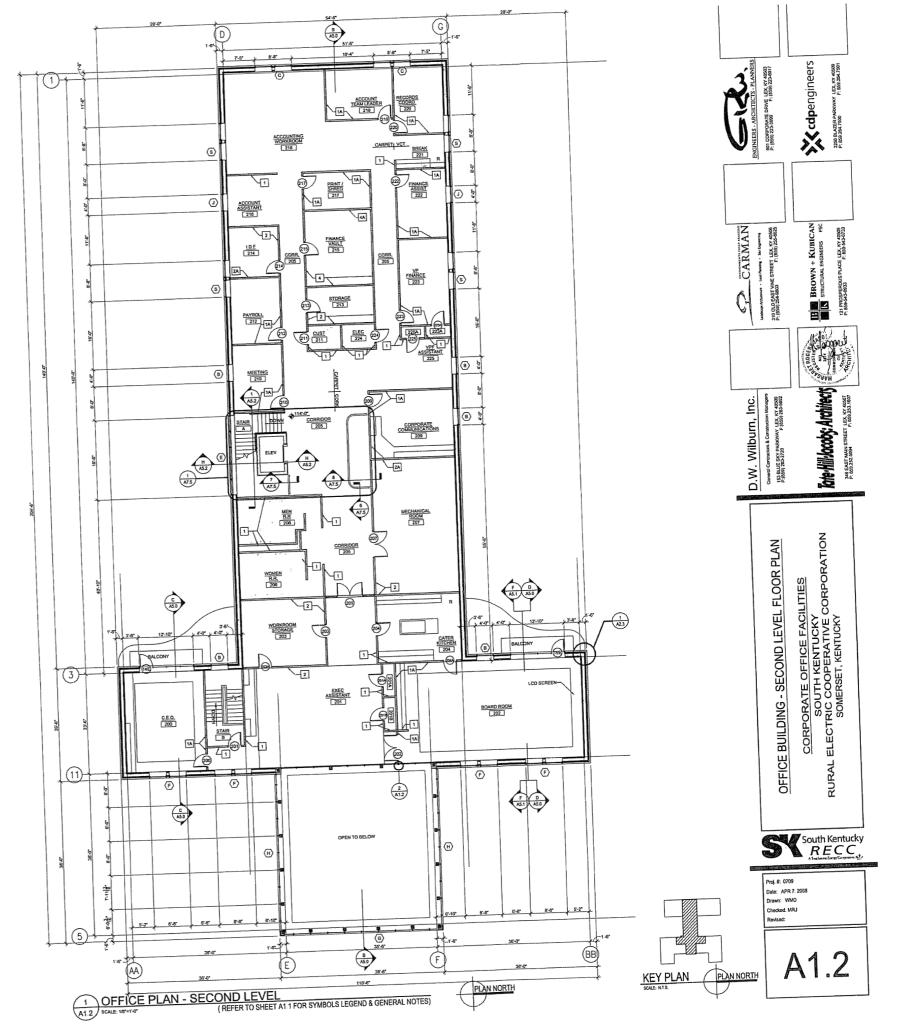
KEY PLAN PLAN NORTH
SOALE NT.3.

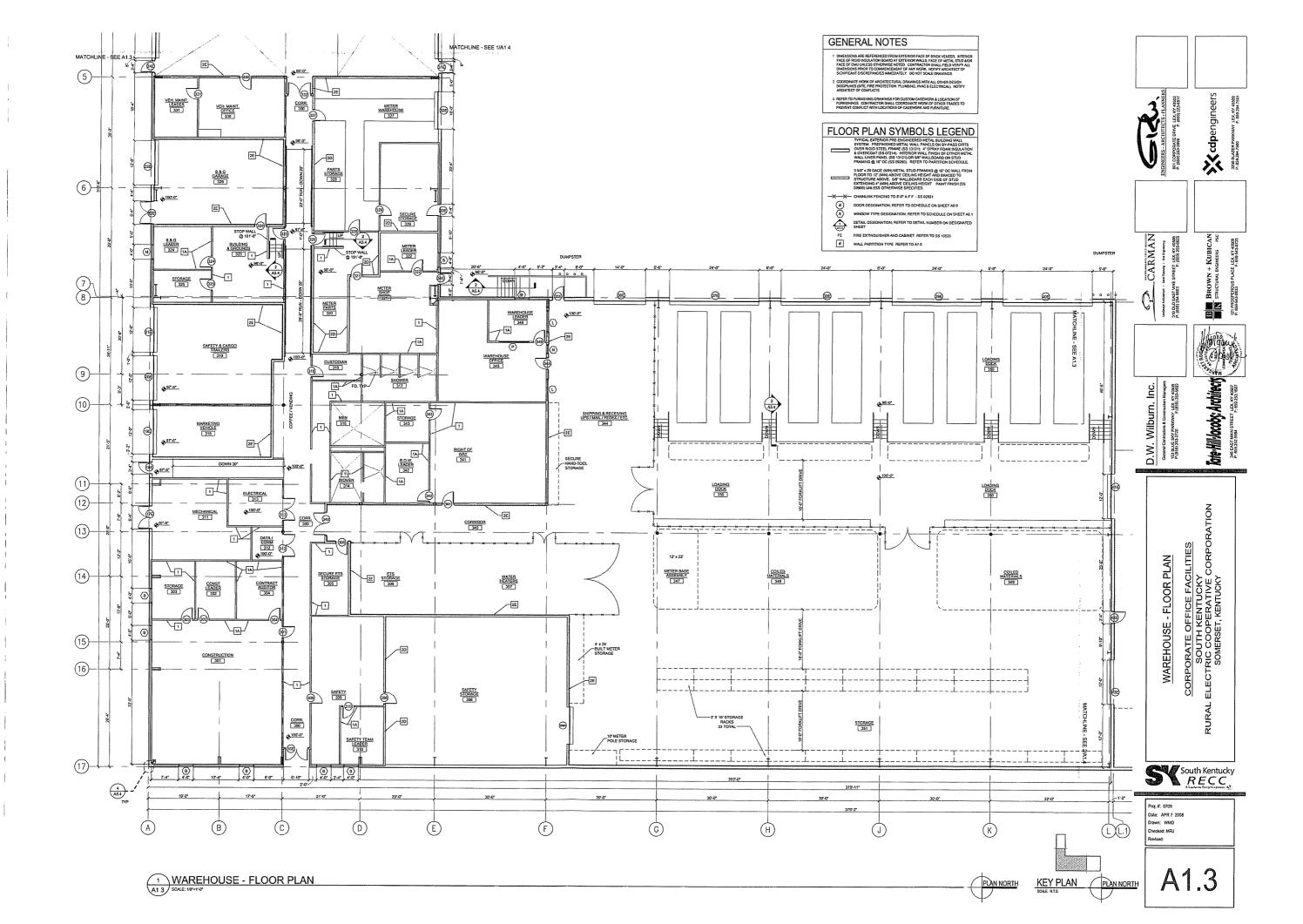
South Kentucky
RECC
AT Labour Down Unrosses AL

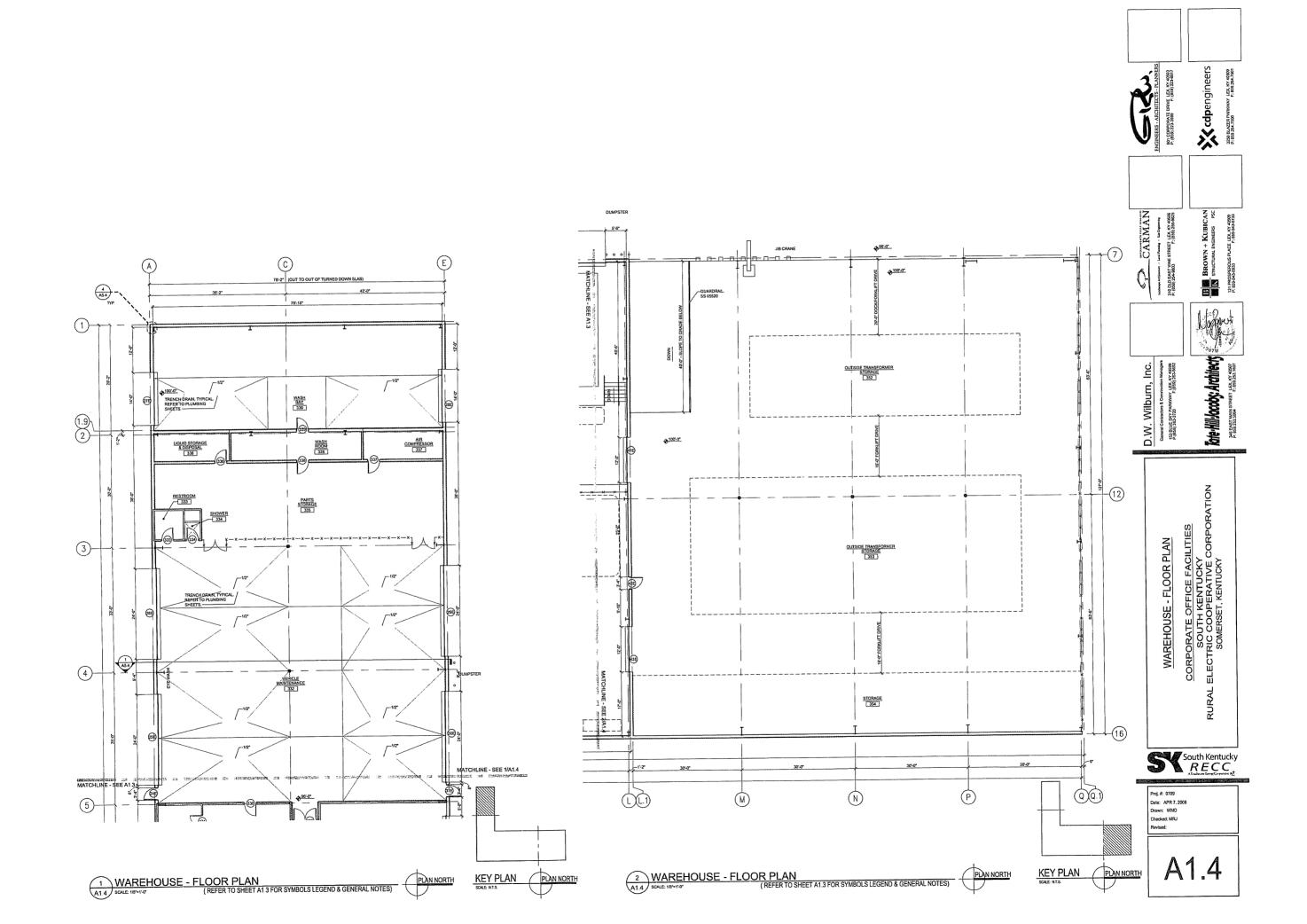
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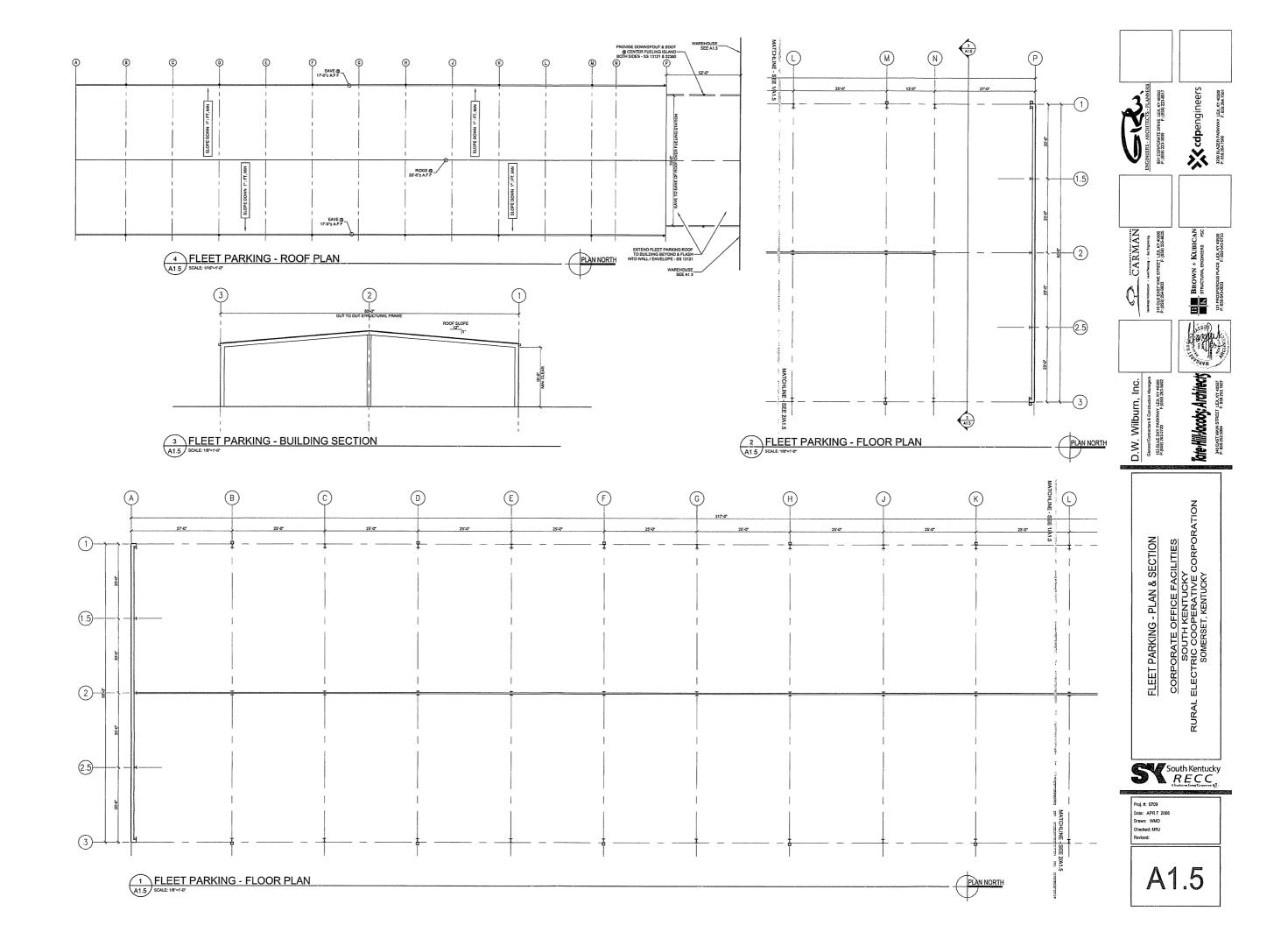
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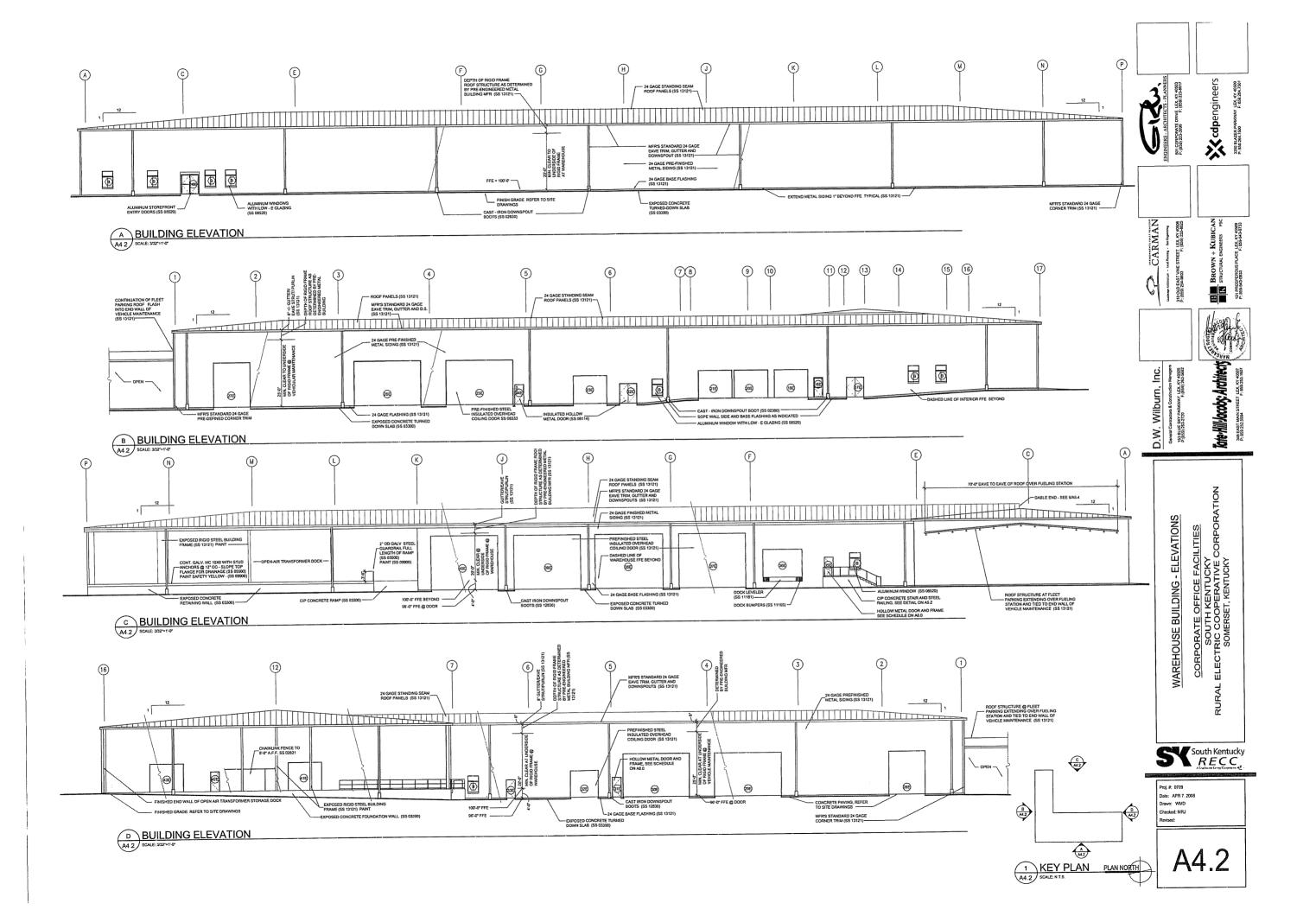


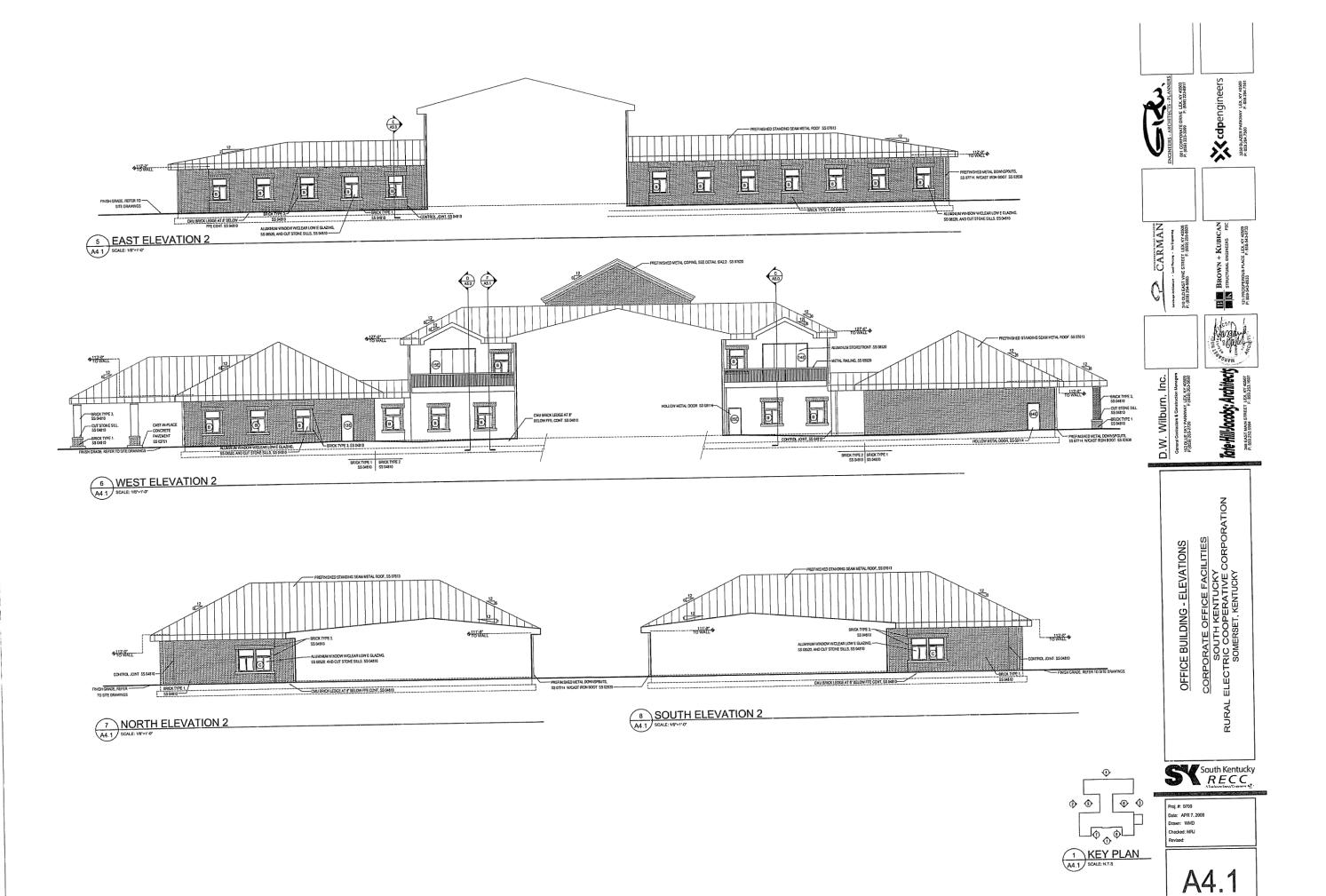




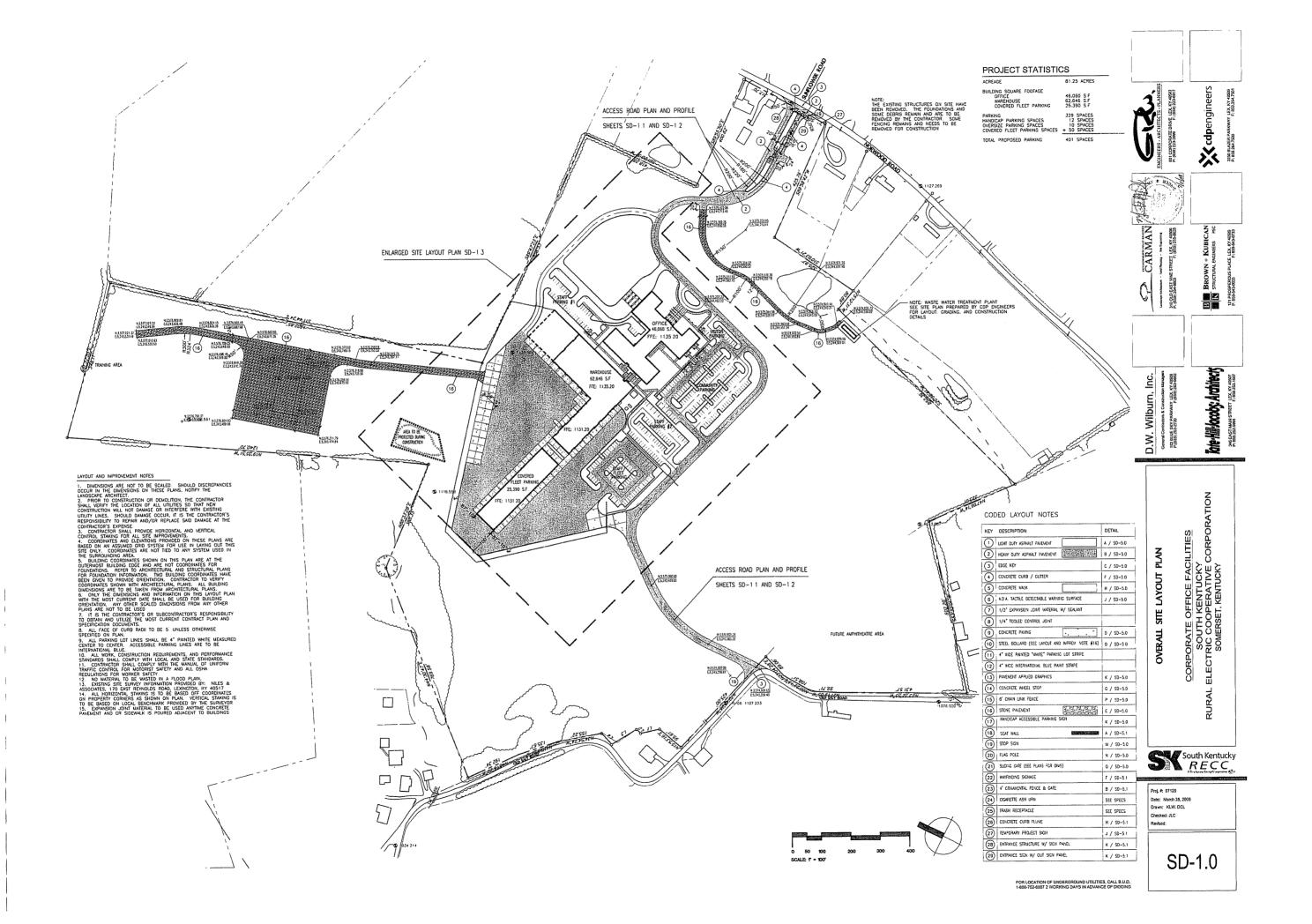


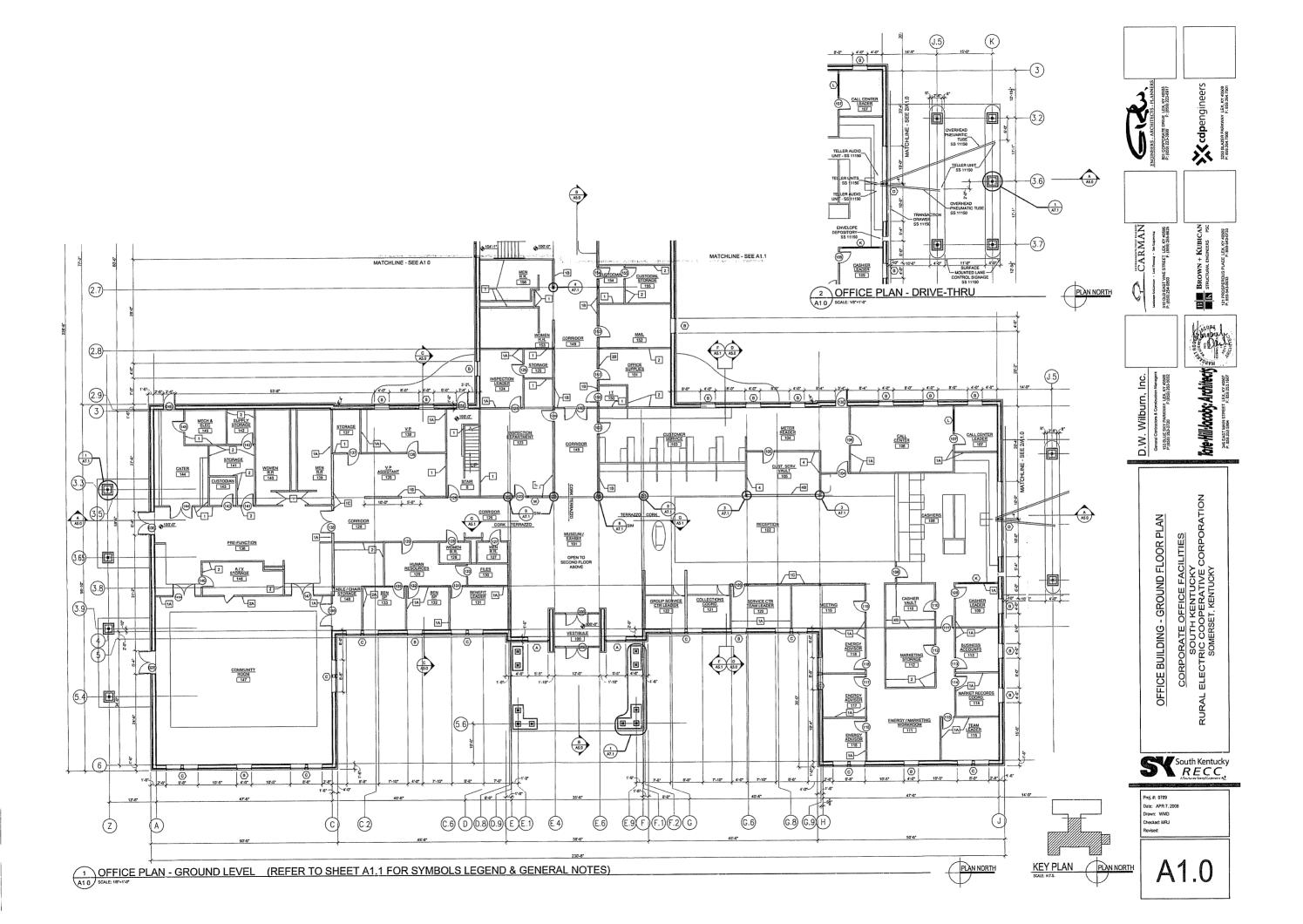


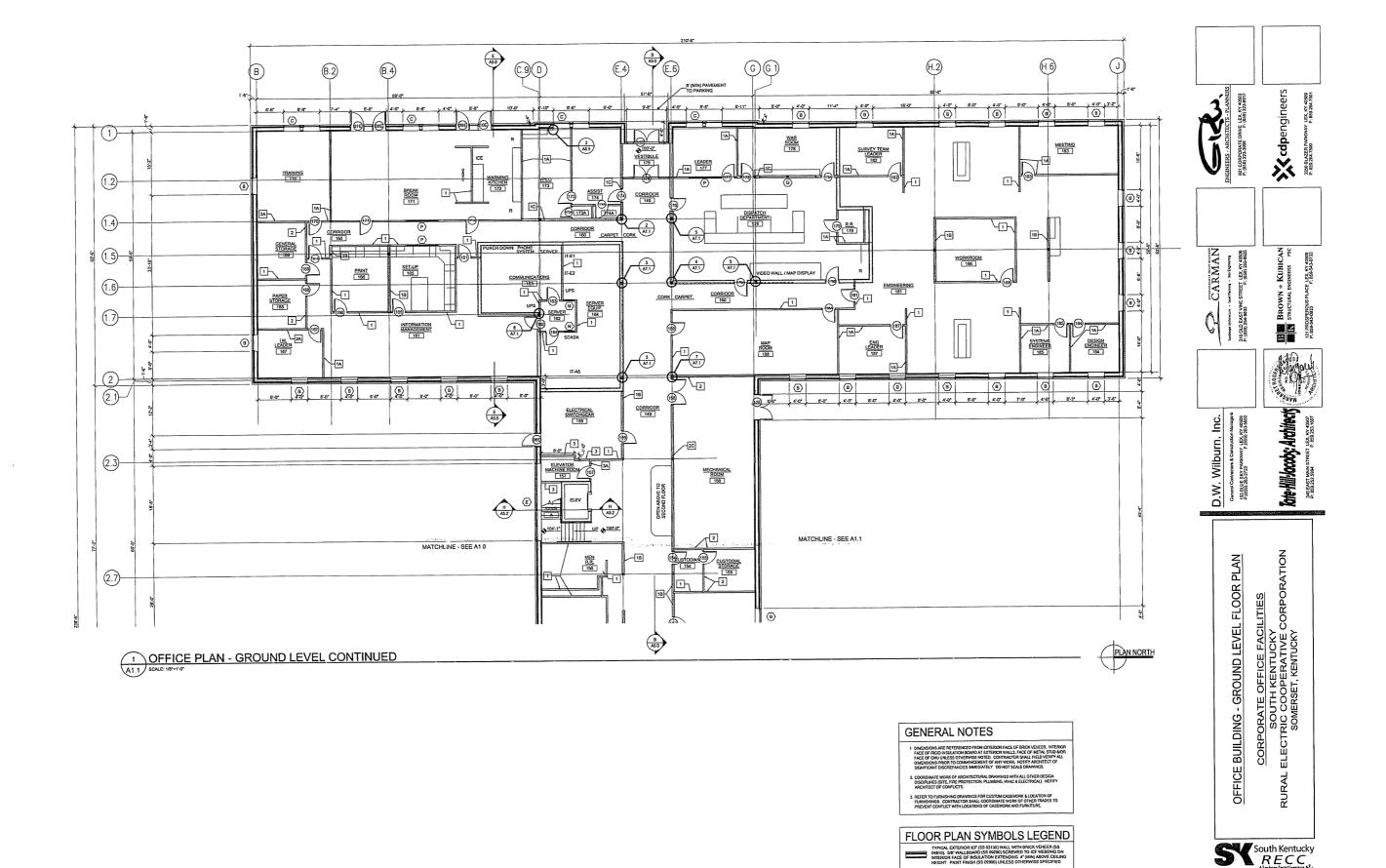












KEY PLAN PLAN NORTH

WINDOW TYPE DESIGNATION; REFER TO SCHEDULE ON SHEET AS.

DETAIL DESIGNATION; REFER TO DETAIL NUMBER ON DESIGNATED SHEET
FIRE EXTINGUISHER AND CABINET. REFER TO \$5 10523
PARTITION WALL TYPE DESIGNATION; REFER TO SCHEDULE ON A7.

Proj. #: 0709
Date: APR 7 2008
Drawn: WMD
Checked: MRJ
Revised:

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