



Allen Anderson, Head Coach & CEO

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OCT 20 2008

PUBLIC SERVICE
COMMISSION

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October 20, 2008

Ms. Stephanie L. Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

RE: CASE NO. 2008-00371

Dear Ms. Stumbo:

Enclosed you will find an original and ten (10) copies of the response to the Commission Staff's first data request on the application of South Kentucky RECC's certificate of convenience and necessity to construct a new headquarters facility in Somerset, Kentucky.

Should you require further information, please let us know.

Sincerely,

SOUTH KENTUCKY RECC

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

Allen Anderson
President & CEO

AA:cgw

F: CaseNo 2008-00374

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR A CERTIFICATE) CASE NO.
OF CONVENIENCE AND NECESSITY) 2008-00371
TO CONSTRUCT A NEW HEADQUARTERS)
FACILITY IN SOMERSET KENTUCKY)

RESPONSE TO COMMISSION STAFF'S
FIRST DATA REQUEST

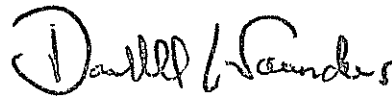
Comes South Kentucky Rural Electric Cooperative Corporation ("South Kentucky" or "SKRECC") and files with the Commission an Original and ten (10) copies of the attached response to the Commission Staff's First Data Request to South Kentucky Rural Electric Cooperative Corporation dated and served on October 8, 2008. Each copy has been placed in a bound volume with each item separately tabbed.

CERTIFICATION

The undersigned, Allen Anderson, stated that he is the President and Chief Executive Officer of South Kentucky Rural Electric Cooperative Corporation; that he supervised the preparation to 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.



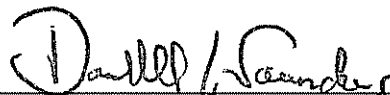
ALLEN ANDERSON
PRESIDENT & CEO
SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION
SOMERSET, KENTUCKY 42501
(606) 451-4123



DARRELL L. SAUNDERS
ATTORNEY FOR SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE
CORPORATION
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
(606) 523-1720 TELEPHONE
(606) 523-1372 FACSIMILE

CERTIFICATE OF SERVICE

I hereby certify that the original and ten (10) copies true and correct copies of the above and foregoing were on this 20th day of October, 2008, personally delivered to the Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, KY 40602-0615. I further certify that I have received no notice from the Public Service Commission that any other party is involved in this action.



ATTORNEY FOR SOUTH KENTUCKY RURAL
ELECTRIC COOPERATIVE CORPORATION

RESPONSE TO THE COMMISSION STAFF'S FIRST DATA REQUEST

- Q. What is the total square footage of South Kentucky's current headquarters facilities in Somerset, Kentucky?
- R. The total square footage of South Kentucky's current headquarters facilities is 21,704 square feet.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. What is the total square footage of South Kentucky's current warehouse facilities in Somerset, Kentucky
- R. The total square footage of South Kentucky's current warehouse facilities is 29,580 square feet.

RESPONSE TO THE COMMISSION STAFF'S FIRST DATA REQUEST

Q. Refer to paragraph 2 of the application.

- a. Provide a copy of the 2002 Facilities Analysis.
- b. Is the 2002 Facilities analysis the same study that was filed in Case No. 2005-00261, Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity to Construct a District Office and Service Facility in Whitley City, Kentucky?
- c. Provide in detail, with a full explanation, the most significant changes in 2008 Facilities Analysis with respect to the 2002 Facilities Analysis.

- R
- a. Attached is a copy of the 2002 Facilities Analysis.
 - b. This analysis was filed as a part of the Application in Case No. 2005-00261.
 - c. The 2008 Facilities Analysis has several changes from the 2002 Facilities Analysis. Most of these changes are a result of timing difference but follow a pattern similar to the trends identified in 2002 analysis. Two significant changes are result of the new study. One change is the increase in size and second change is the increase in the cost of the proposed facilities.

Several reasons are provided in this study for these increases including increased labor costs and increased material costs. The estimates developed in the 2002 analysis was based on estimates developed by the consultant on that study. These estimates were based on that consultant's queries with local contractors.

The 2002 study and the 2008 study were conducted by the same consultant. The building estimates in the 2008 study are based on quotations that the project's general contractor had received in a bidding process .

A side by side comparison of the estimated facility cost along with the size of the facilities is provided on page 2 of this response.

RESPONSE TO THE COMMISSION STAFF'S FIRST DATA REQUEST

COMPARISON 2002 FACILITIES ANALYSIS WITH 2008 ANALYSIS				
	Square Footage		Facility Costs	
	2002 <u>Study</u>	2008 <u>Study</u>	2002 <u>Study</u>	2008 <u>Study</u>
Office Space	35,750	49,200	\$ 2,681,250	\$ 8,610,000
Warehouse, Shops, Vehicle Maint. Offices & Covered Area	57,000	67,800	\$ 1,995,000	\$ 6,780,000
Community/Training Room	4,000	4,900	260,000	750,000
Cold Storage Parking	10,000	-	150,000	-
A&E and Site Preparation			885,000	3,900,000
Land			1,250,000	-
Total	106,750	121,900	\$ 7,221,250	\$ 20,040,000

South Kentucky RECC
Somerset KY

Facilities Analysis

October 2002

Criteria for Electric Utility Facilities (General Plant)

- ◆ Member Concentrations and Load Centers.
- ◆ Growth in Load and Member.
- ◆ Key Account Locations.
- ◆ Transportation Corridors.
- ◆ Availability, Suitability and Cost of Land.
- ◆ Accessibility for Employees.

Facilities Under Discussion

- ◆ Somerset, Russell Springs, Monticello Albany and Whitley City to Include:
 - Offices, Warehouses/Shops, Community Meeting Rooms, Storage Facilities and Acreage Needed for each area.
 - Annual Meeting Location.

General Observations Somerset Facilities

- ◆ The facilities have clearly served their effective life and acreage available for expansion.
- ◆ Access and Egress is an issue of employee and member safety.
- ◆ Potentially liable for lack of ADA compliance.
- ◆ Fire regulation could preclude any renovation or expansion.
- ◆ Flood Plane

General Observations Somerset Facilities

- ◆ Space is fragmented spreading same or like function on different floors and or separated areas of the building and facility. (reduced efficiency and potential loss of productivity)
- ◆ Impractical to retrofit most technological applications.
- ◆ Long & Narrow Hallways.
- ◆ Environmental Issues

Employee Comments (Most Repeated)

- ◆ Always looking for a space for business meeting. (fellow employee 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 certain times there are traffic jams for getting in and out. (Driveways)
- ◆ The drive-thru is hazardous, for members, public and employees. (most if not all facilities)

Employee Comments (Most Repeated)

- ◆ It is difficult to share and communicate with colleagues. (Spread out and fragmented)

Site Selection Issues at Somerset

- ◆ Size of property will depend on decision to sell or keep the approximately 75 acre farm.
- ◆ Identify appropriate site for new Somerset facility.

Observations Russell Springs

- ◆ Access and Egress for Members and Employees can conflict at certain times.
- ◆ There appears to be sufficient acreage to build a new facility at the existing location if the rent house can be demolished.
- ◆ Present office, warehouse/storage, and community meeting room, will not accommodate projected growth.
- ◆ Transportation Corridors seems to Accommodate Needs and Criteria.

Observations Russell Springs

- ◆ Present Building is Sited Inappropriately to Consider Expansion.

Facility Considerations at Russell Springs (Option I)

- ◆ Building a New Facility on Existing Acreage Demolishing Existing Rent House.
- ◆ Depending on the site of new office there may be a need for temporary offices.
- ◆ Public Uses of Community Room and Associated Traffic Flow.
- ◆ Will Present 8+ Acres Provide Needed Space for Facilities with Minimum Disruption During Construction and into the Future.

Facility Considerations at Russell Springs (Option II)

- ◆ Sell existing facility.
- ◆ Purchase 7—10 Acres and build new facility

Observations for Albany

- ◆ The building does not lend to expansion or renovation due to sighting, traffic flow or available land area.
- ◆ Difficult and impractical to bring facilities to ADA or OSHA standards.
- ◆ Interior space will not accommodate projected growth in employees or member traffic.

Albany Considerations

- ◆ Purchase land sufficient to accommodate facilities for future target growth. (7—10 Acres)

Observations for Monticello

- ◆ Office in town will not provide needed space for conducting business or housing employees for future growth.
- ◆ The cooperative owns sufficient land (9.88 Acres) which meets requirement for conducting business plus the presence of the warehouse will be useful.

Facility Considerations at Monticello

- ◆ The land owned by the cooperative provides good access and egress as well as being convenient for member contact.

Facility Considerations at Whitley City

- ◆ Due to US Highway 27 Expansion Project there will be Insufficient Acreage to Accommodate the Cooperative.
- ◆ Access and egress for traffic flow presently and as highway project progresses will pose hazards and inconvenient in conducting business.
- ◆ Present property deed has restriction on sale.

Facility Considerations at Whitley City

- ◆ Based on projected growth we find that most fully operation districts with the type of equipment and traffic flow will effectively utilize between 7 to 10 Acres.
- ◆ An interim office may be required during construction depending on the timing of the highway expansion.

Build New Facilities on Existing Land (Russell Springs)

◆ Advantages

- Perception of Effective Land Uses.
- May be More Palatable to Members than a New Site
- Defer potential Site preparation.

◆ Disadvantage

- Demolition Expense
- Disruption of Productivity.
- Shuffling Employees During Construction.
- Hazards and confusion to members.

Build New Facility at New Location(Somerset)

◆ Advantages

- Designed for Technology Application.
- Minimizes Work Disruption.
- Built to Accommodate Growth.
- Efficient Functional Layout
- More Efficient Operation.
- Lower Operating Cost
- Create professional image.

◆ Disadvantages

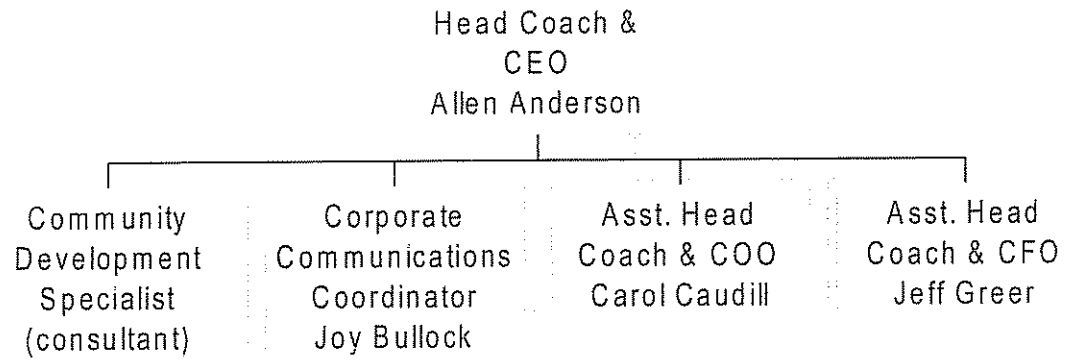
- Member perception (higher rates)
- Perception of Higher Upfront Investment.

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Organization Staff

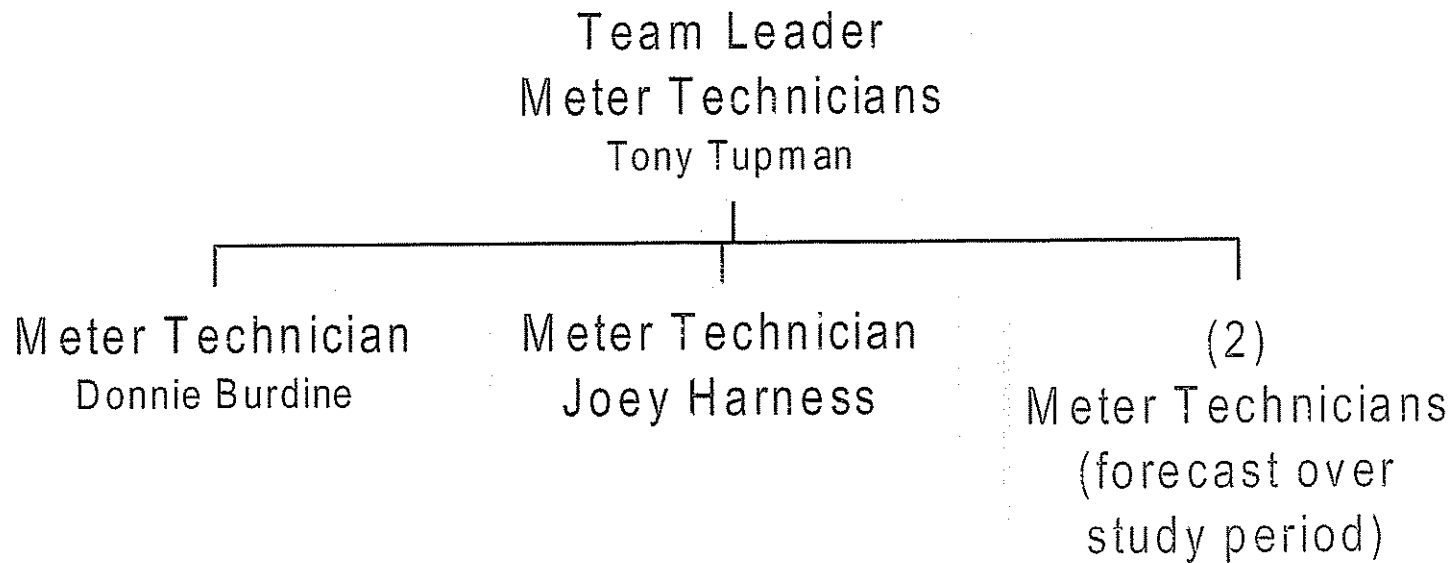
Projections Based on Forecast,
Employee Interviews, and
Consultant Data Base

Executive Group



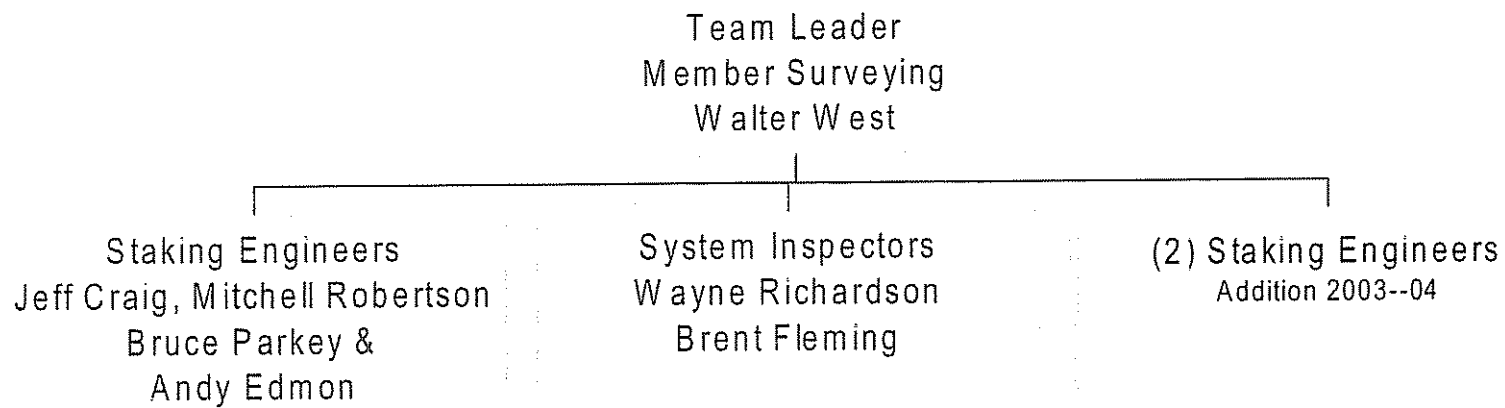
Asst. HC & COO's

Meter Tech. Team



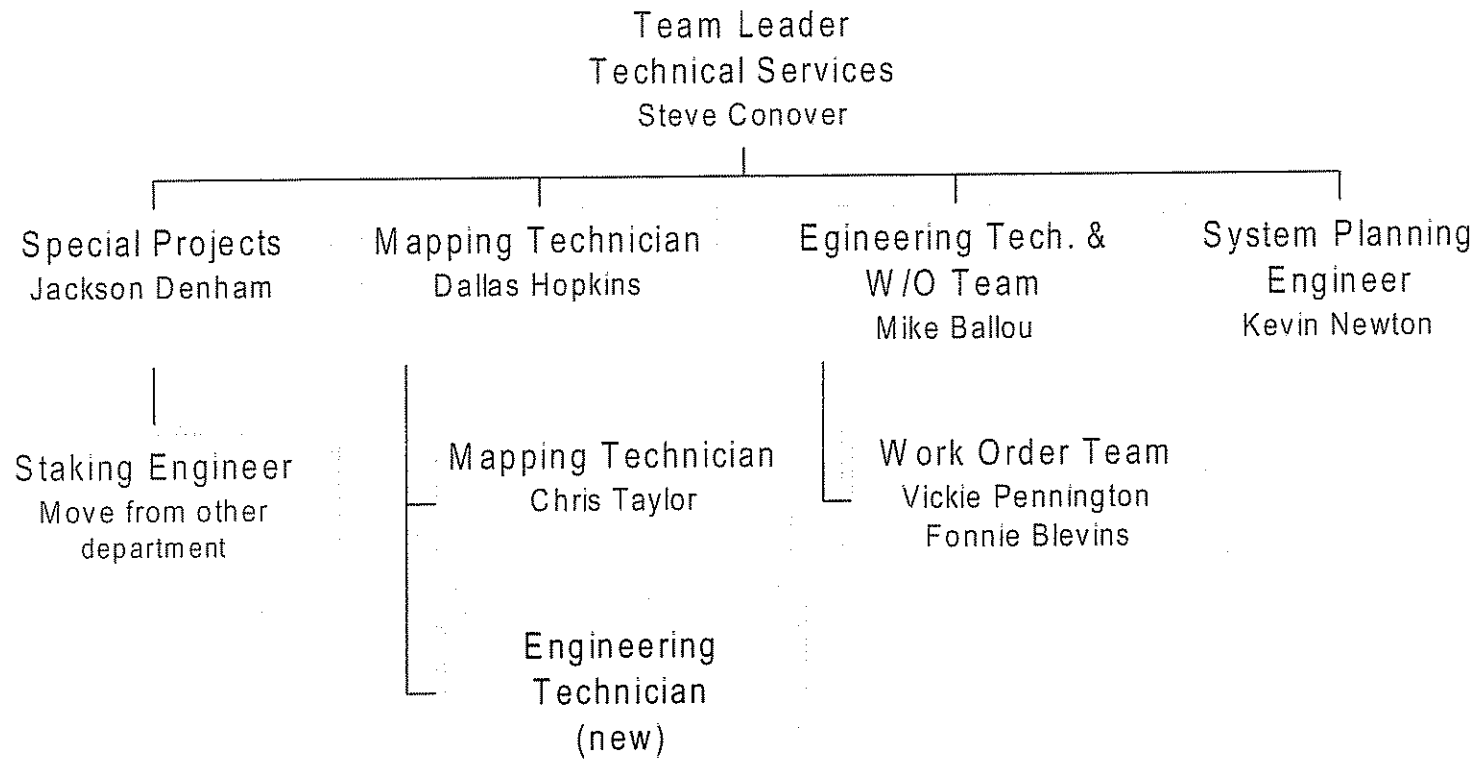
Asst. HC & COO's

Member Survey Team



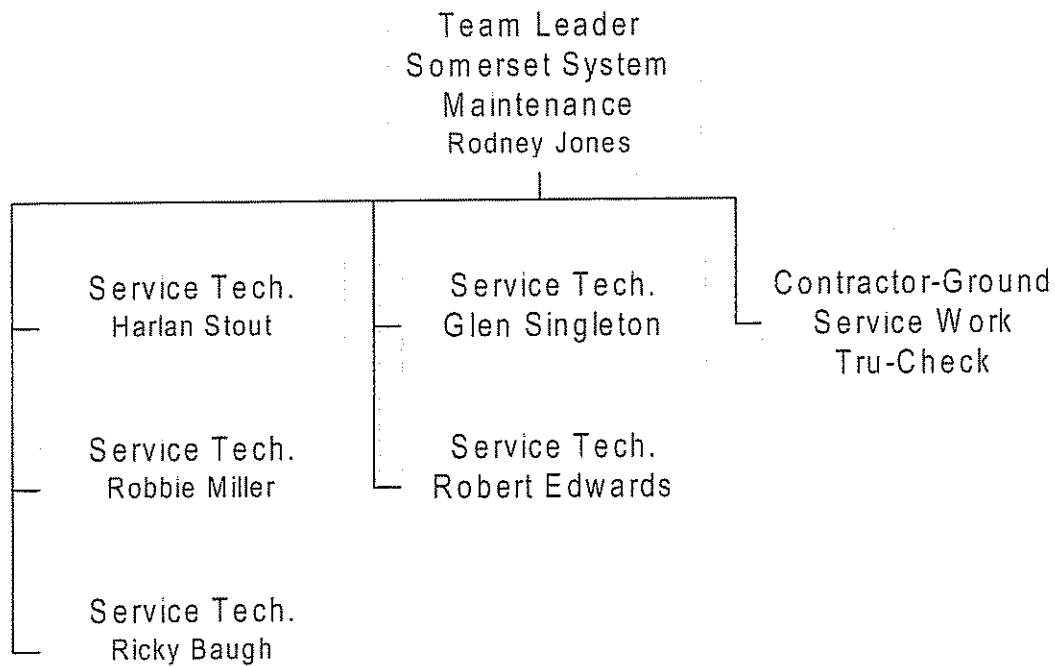
Asst. HC & COO's

Technical Services Team



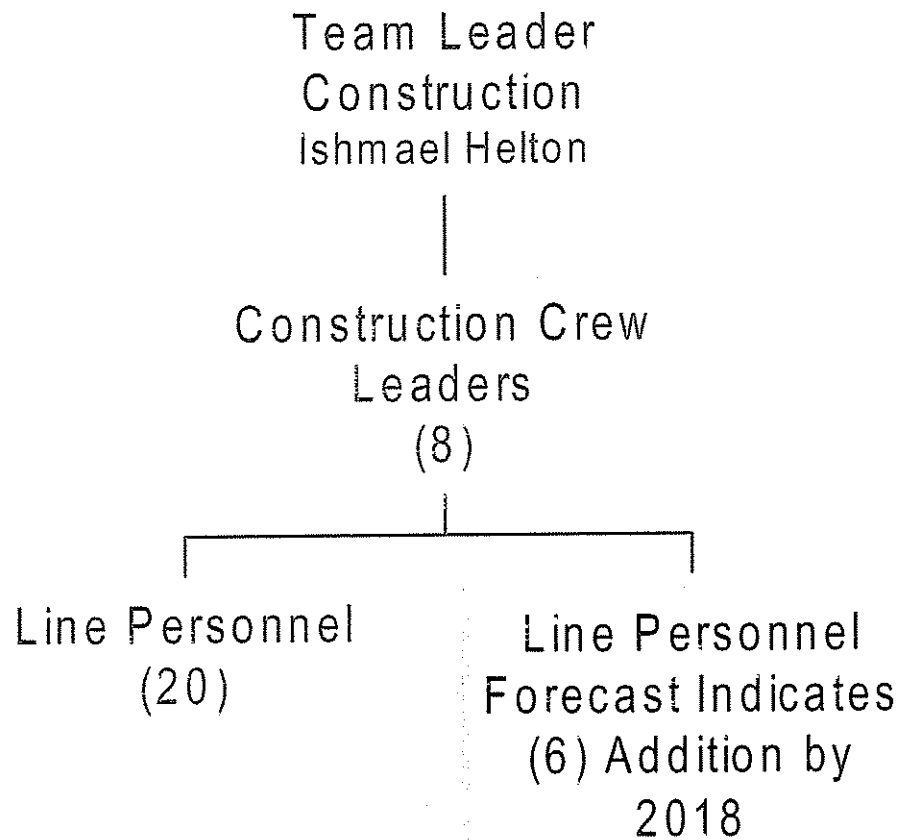
Asst. HC & COO's

Maintenance Team



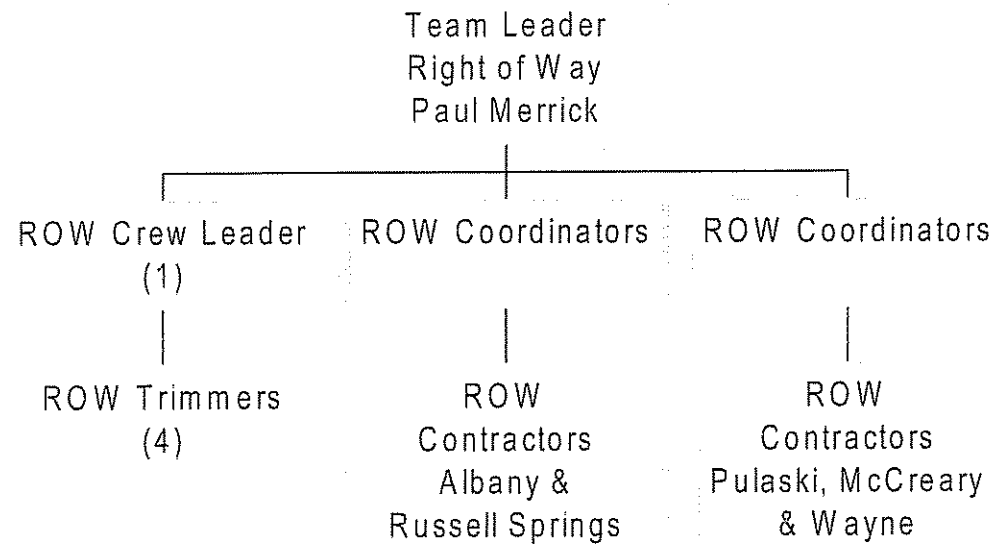
Asst. HC & COO's

Construction Team



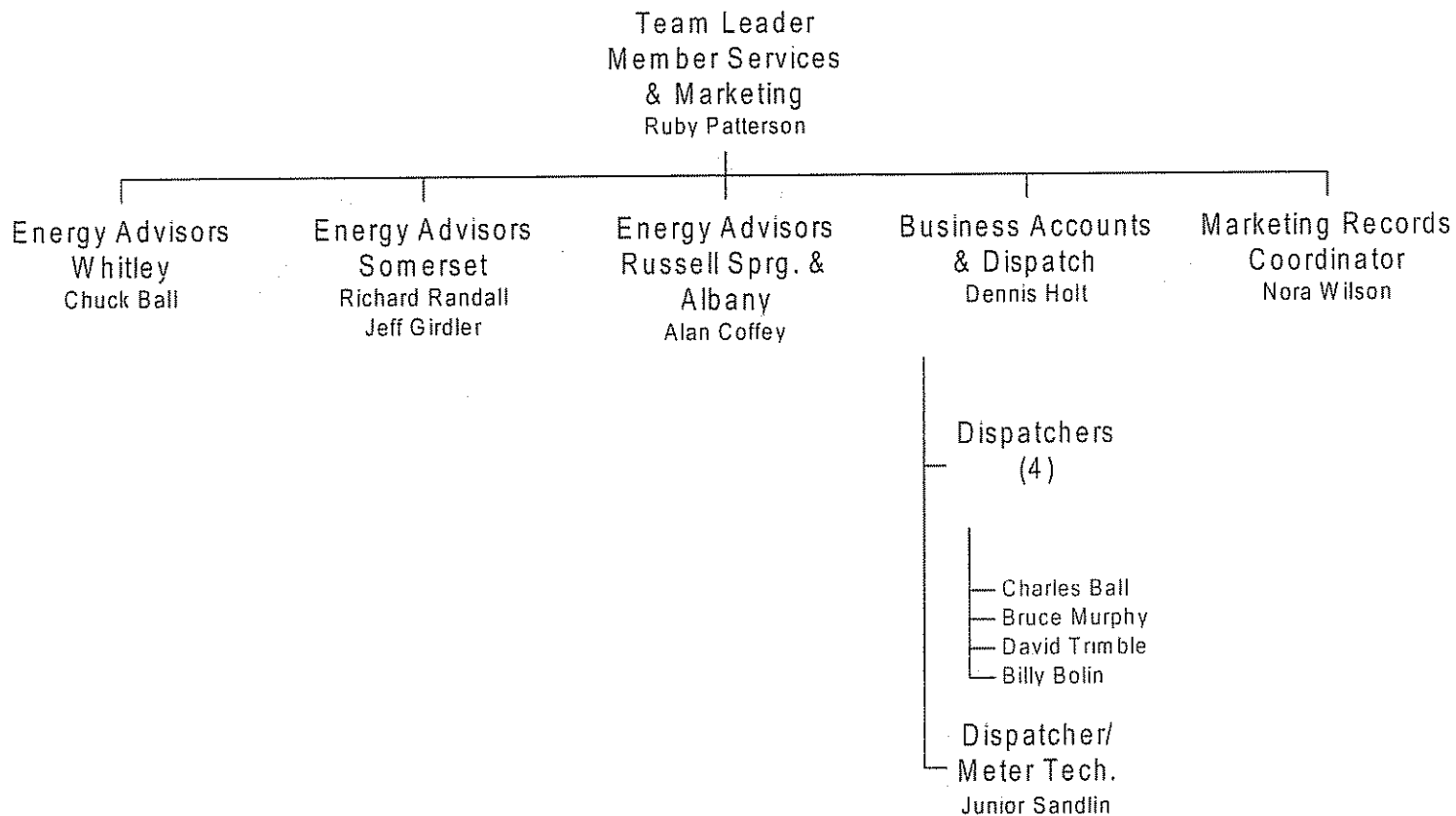
Asst. HC & COO's

Right of Way Team



Asst. HC & COO's

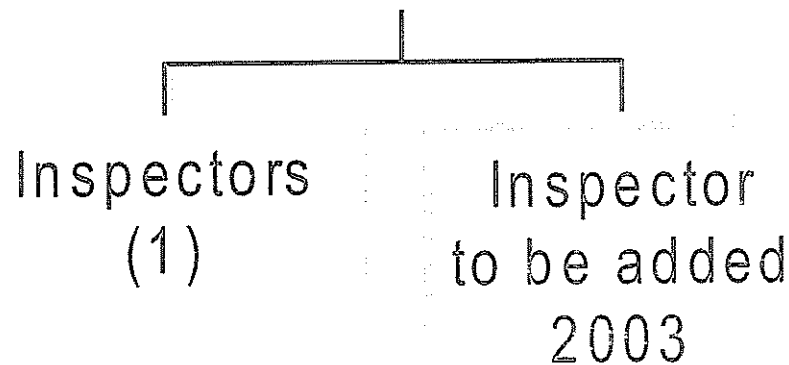
Member Services & Marketing Team



Asst. HC & COO's

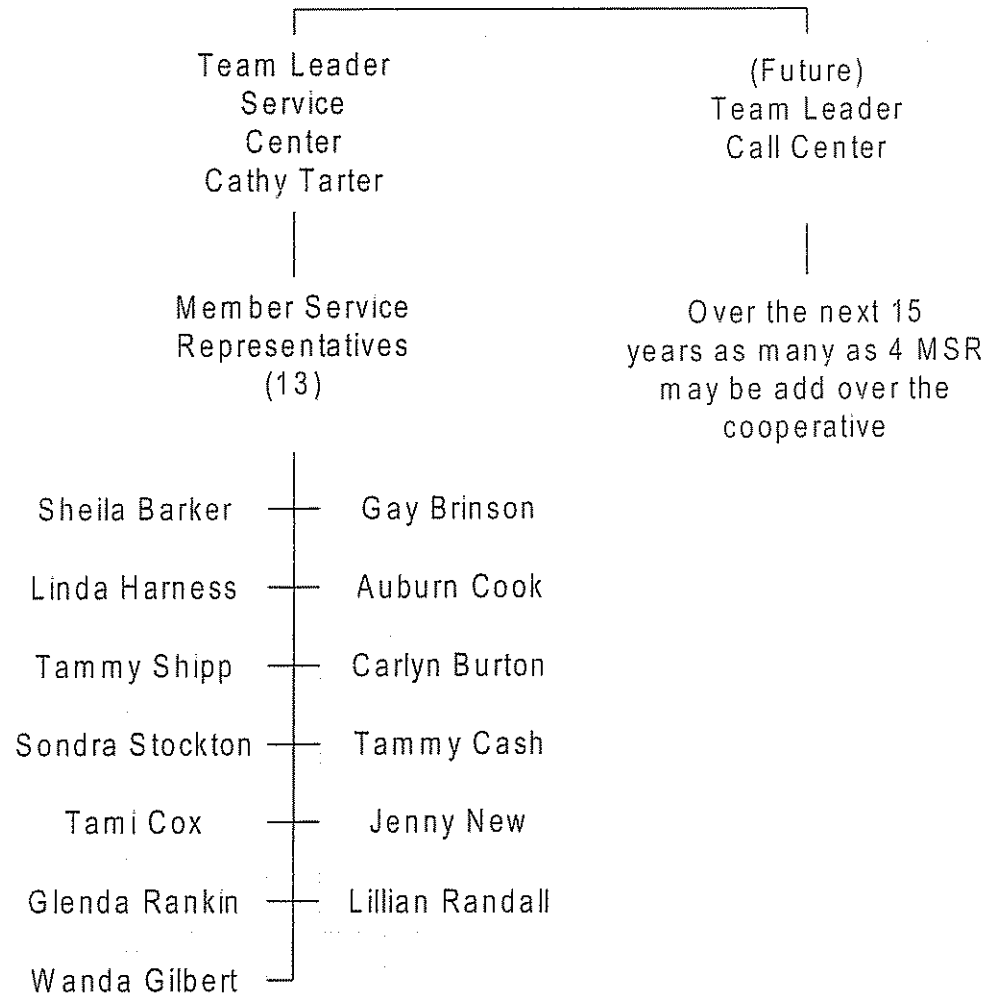
***Electrical Inspection/PWR Quality
Team***

Team Leader
Electrical Inspection
Power Quality
Bobby Hamilton



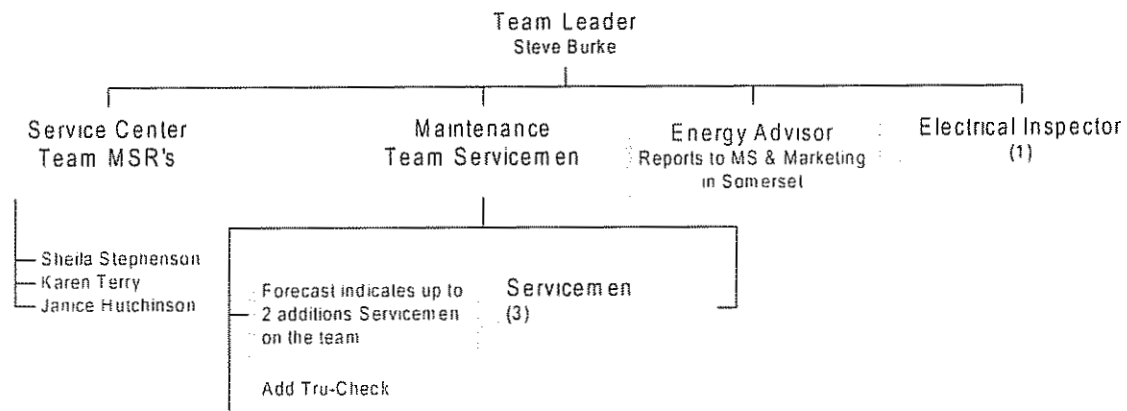
Asst. HC & COO's

Somerset Service Center



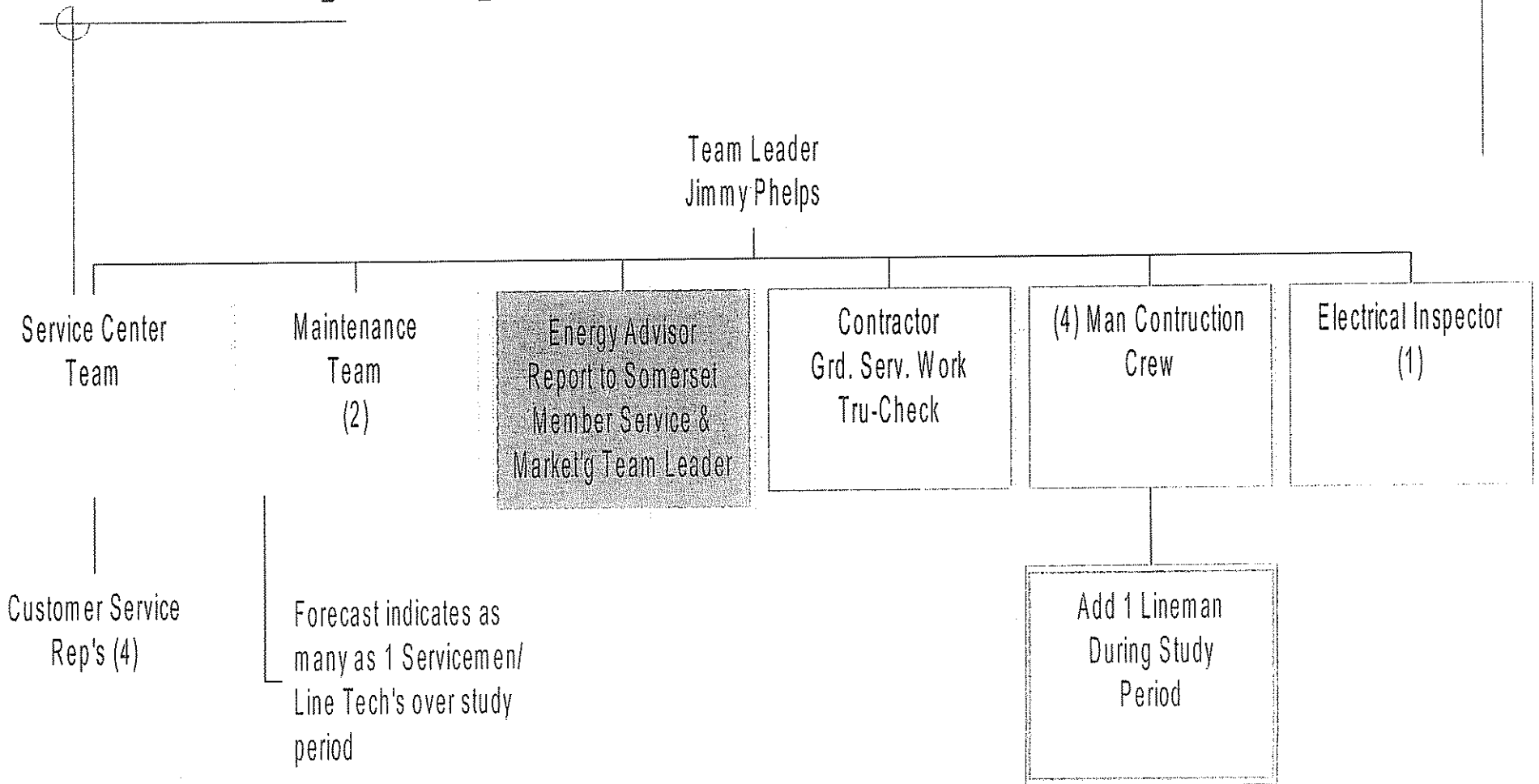
Asst. HC & COO's

Monticello Service Center

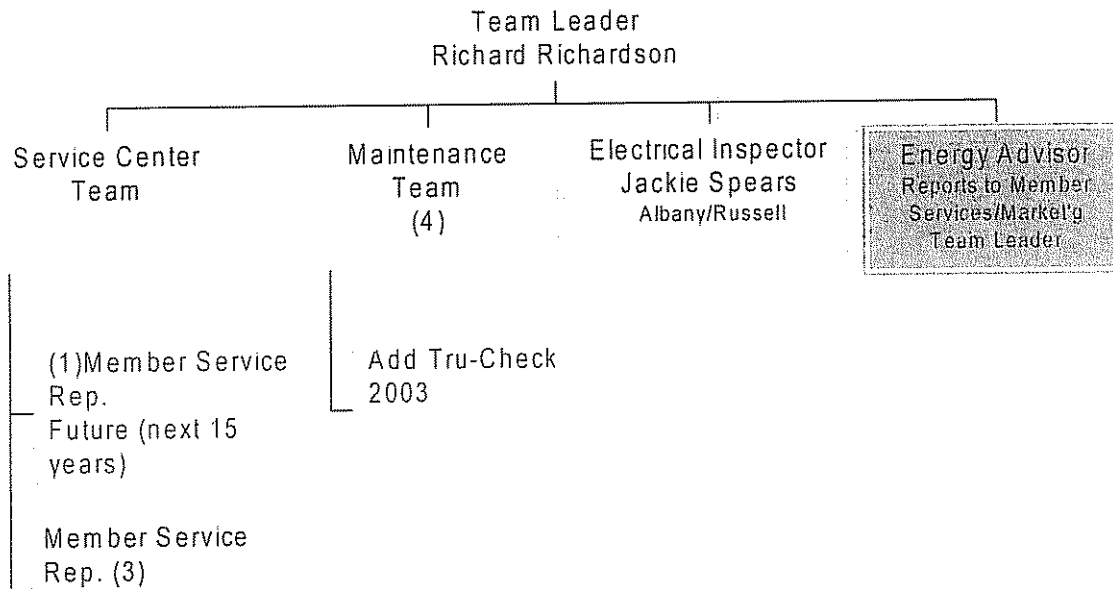


Asst. HC & COO's

Whitley City Service Center

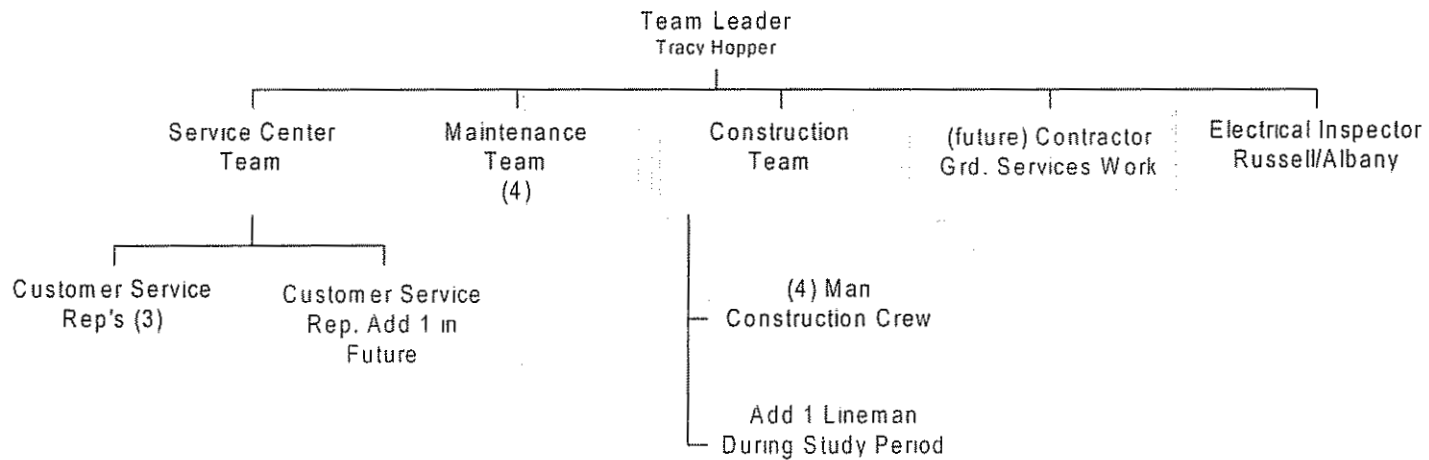


Asst. HC & COO's *Albany Service Center*



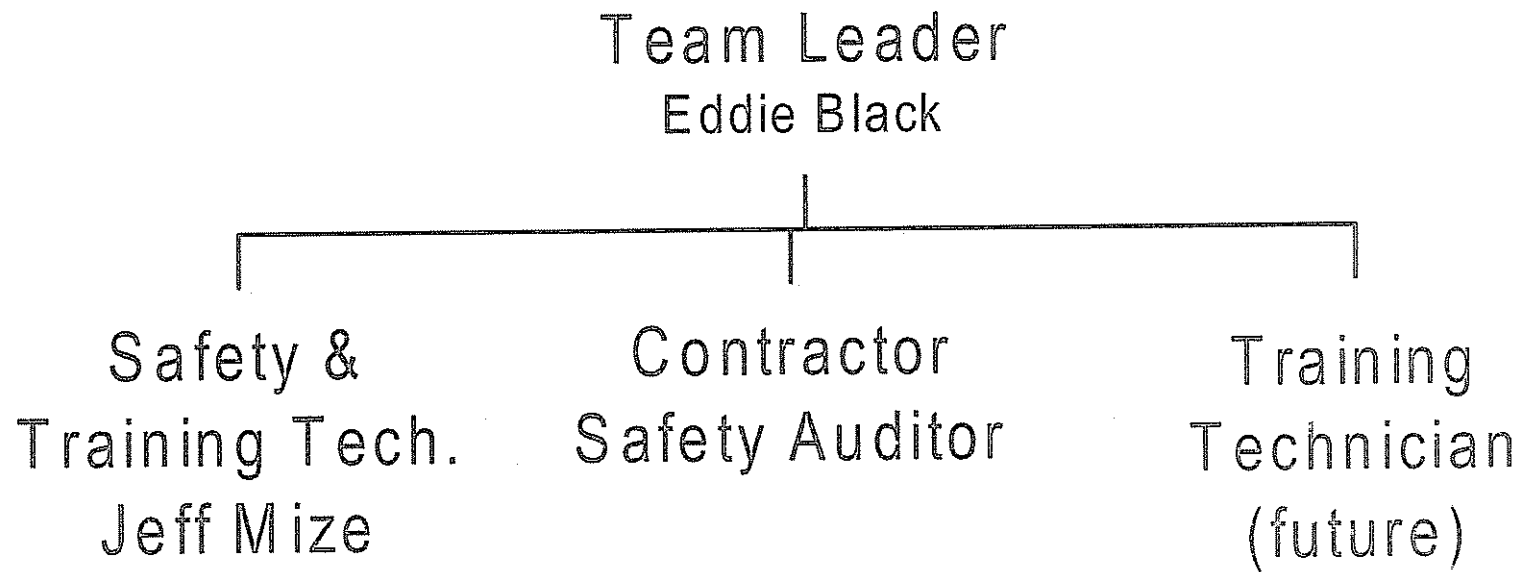
Asst. HC & COO's

Russell Springs Service Center



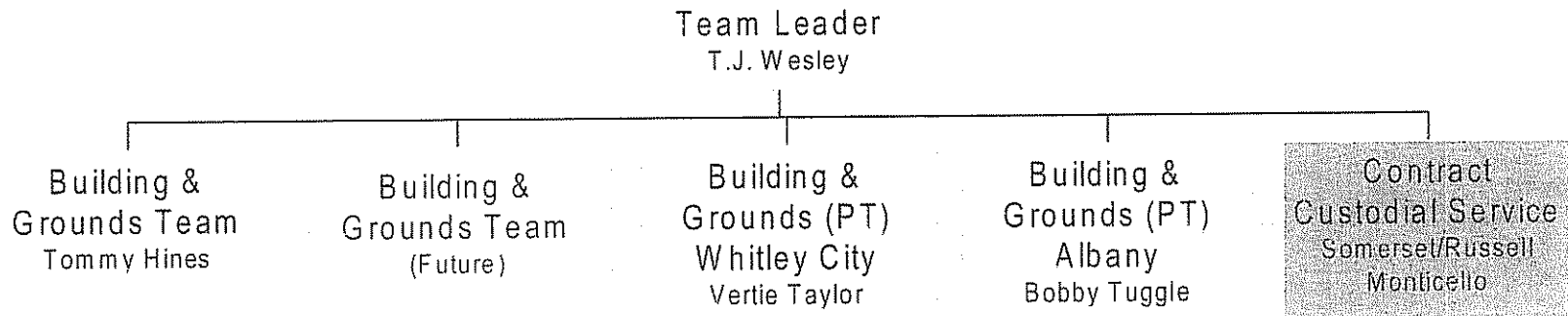
Asst. HC & COO's

Safety & Training Team



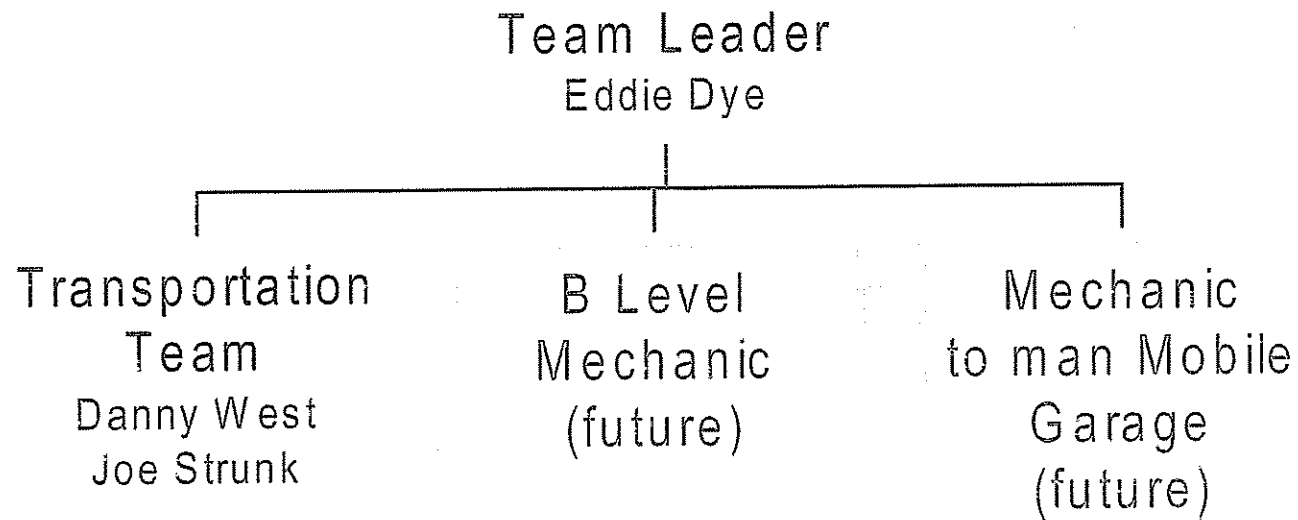
Asst. HC & COO's

Buildings & Grounds Team



Asst. HC & COO's

Transportation Team



Assistant HC & CFO

Chief Financial
Officer
Jeff Greer

Director Finance
(vacant)

Consumer Finance
Team
Jan Baker

Credit &
Collections
Doug Roberts

Accounting Team
Leader
Mary Lou Henderlight

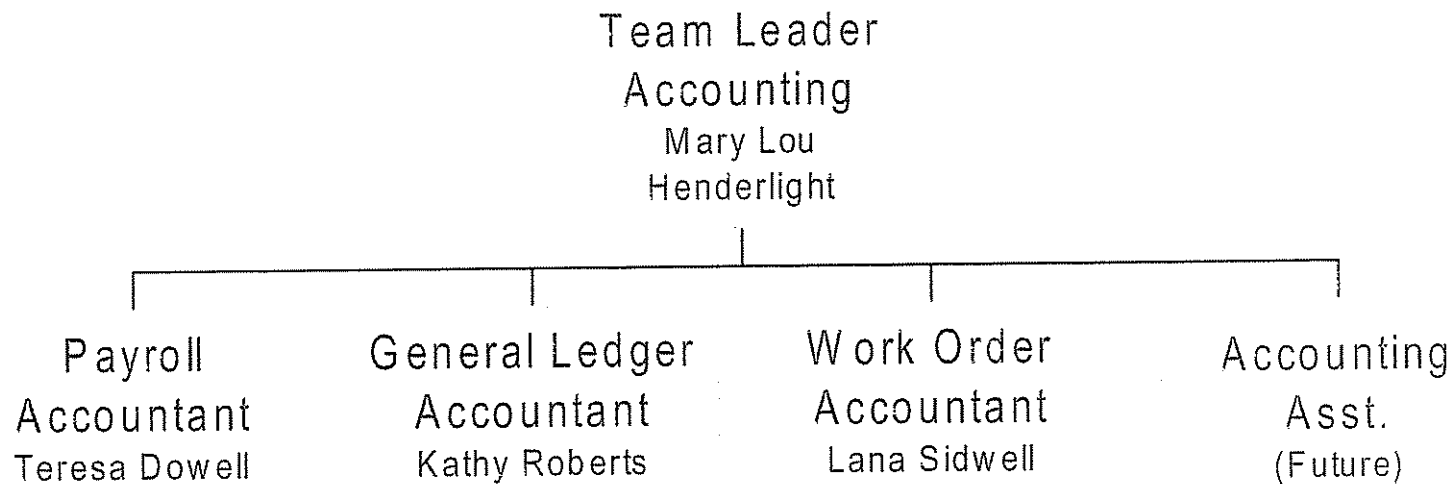
Warehouse Team
Leader
Doug Conley

IT Team Leader
Joe Langdon

HR Team Leader
Karen Black

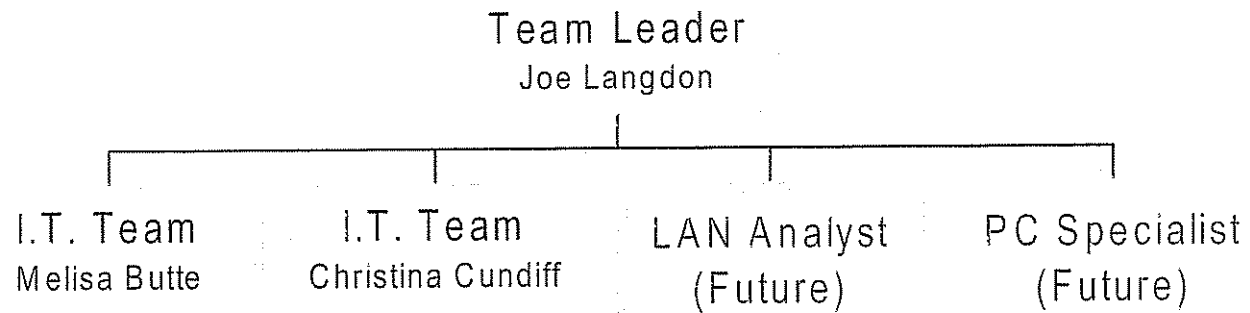
Asst. HC & CFO'S

Accounting & Finance Team

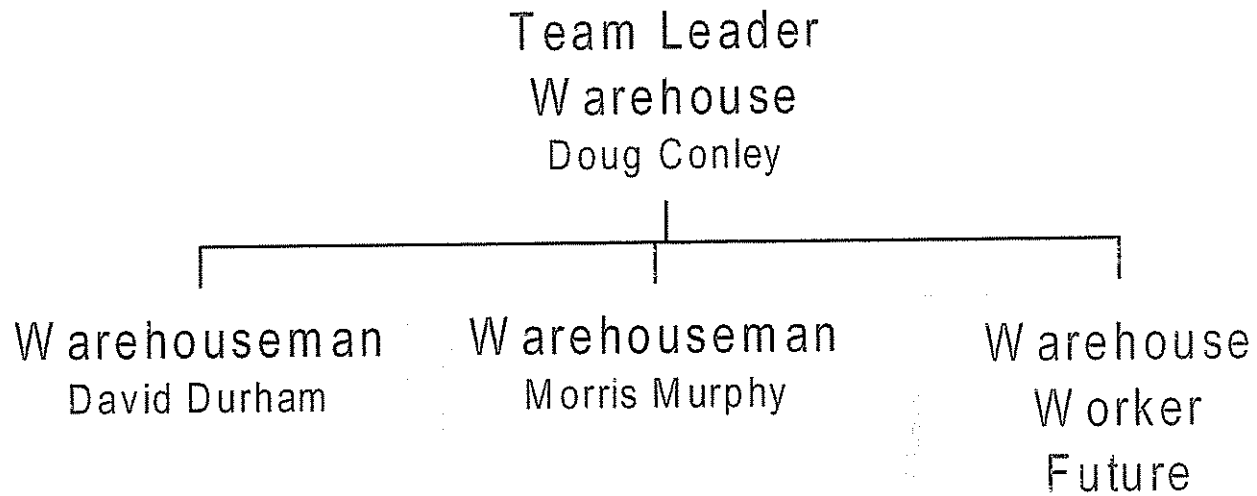


Asst. HC & CFO'S

Management Information Systems Team



Asst. HC & CFO'S
Logistics Team



Asst. HC & CFO'S

Human Resource Team

Team Leader

Karen Black



Benefits Specialist

Kathy Miller

Asst. HC & CFO'S
Secretarial Team

Interim Team Leader
Connie Wilson



Secretarial Team
(4)

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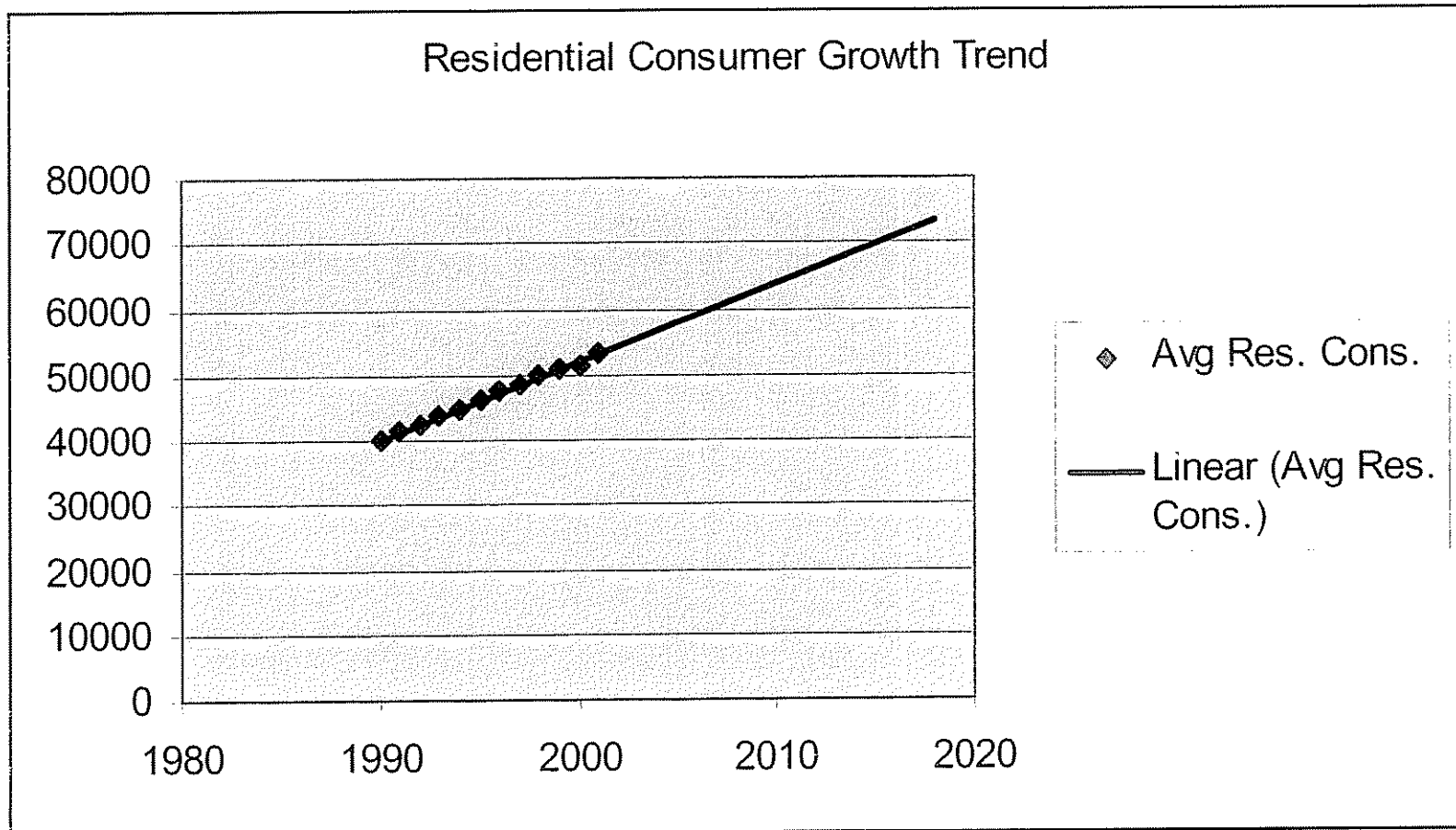
Analysis

General Observations,
Forecast/Analysis, and Cost
Estimates

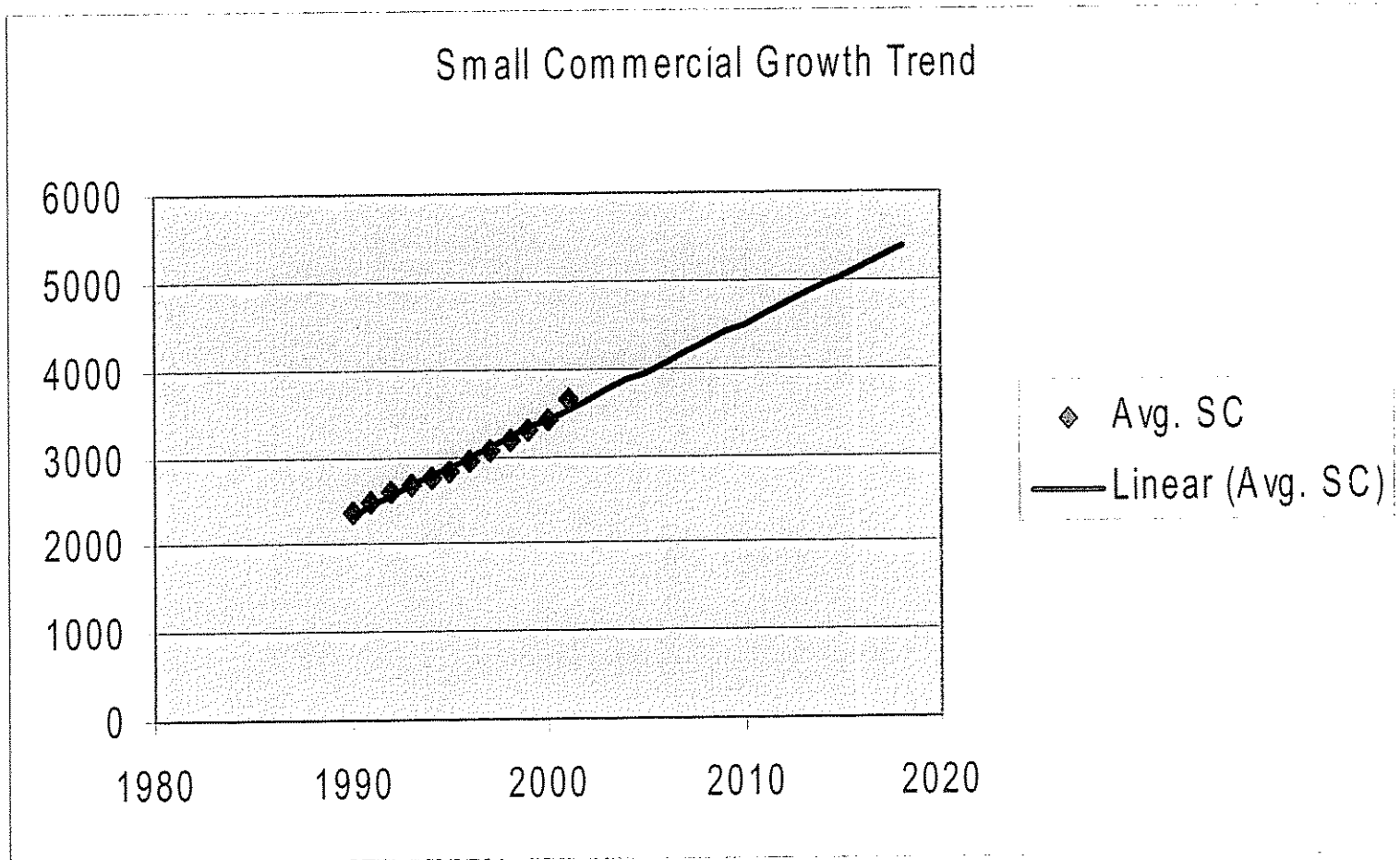
General Observations

- ◆ South Kentucky RECC at Year End 2001 had 56,857 Consumers and 156 Fulltime Equivalent Employees.
 - A consumer to employee ratio of 364 cons./FTE employees
- ◆ Based on our analysis we feel economies of scale will allow this ratio to increase to approximately 375-400 cons./employees during the period under study. (2003—2018)

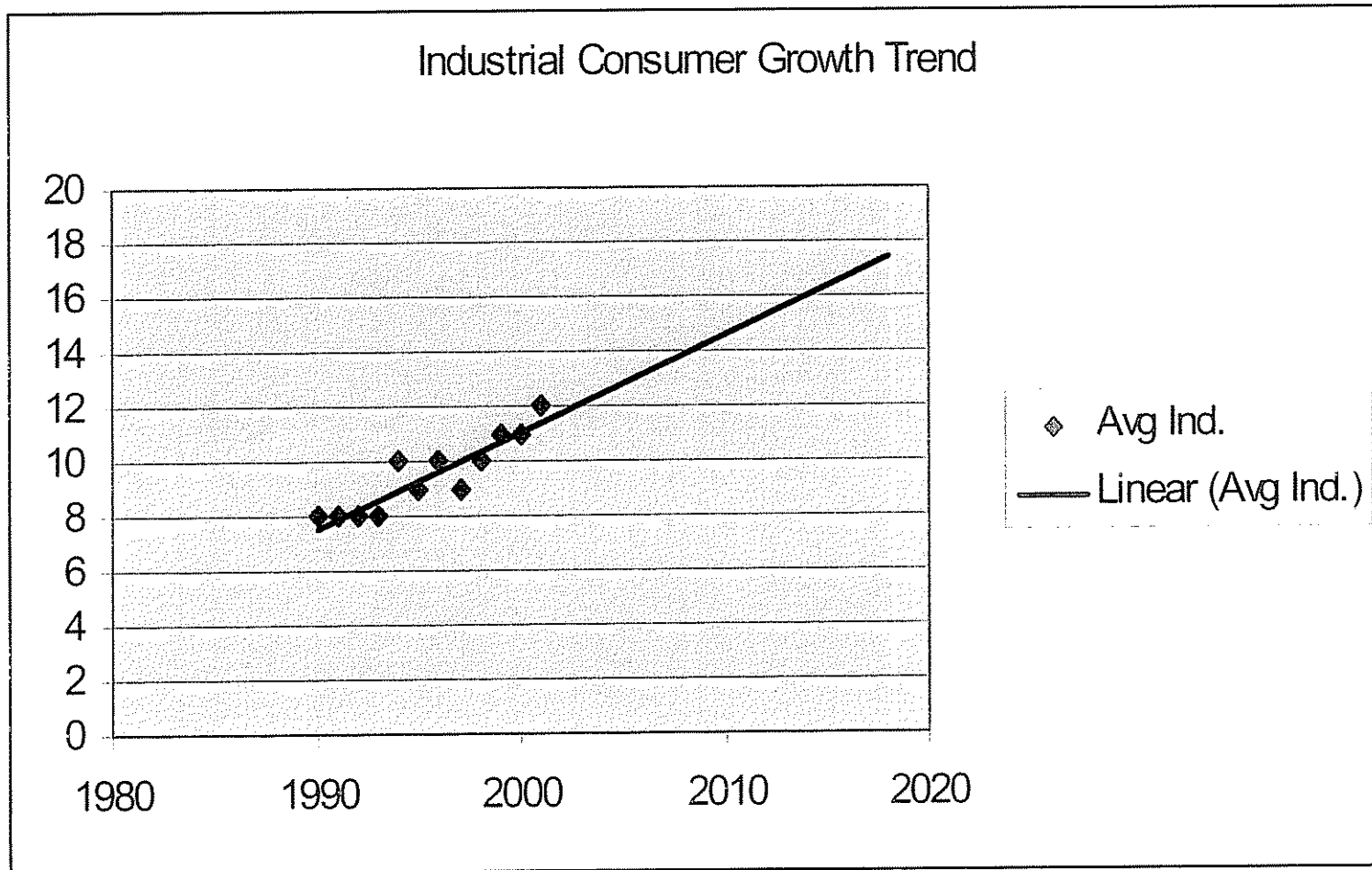
Residential Consumer Growth Trend



Small Commercial Growth Trend



Industrial Consumer Growth Trend



Consumer Growth Trends

- ◆ Based on the Historical Record, Power Requirement and Financial Forecast it Appears South Kentucky RECC Will Grow from Approximately 57,000 in 2002 to Over 82,000 Consumers over the next 15 years.

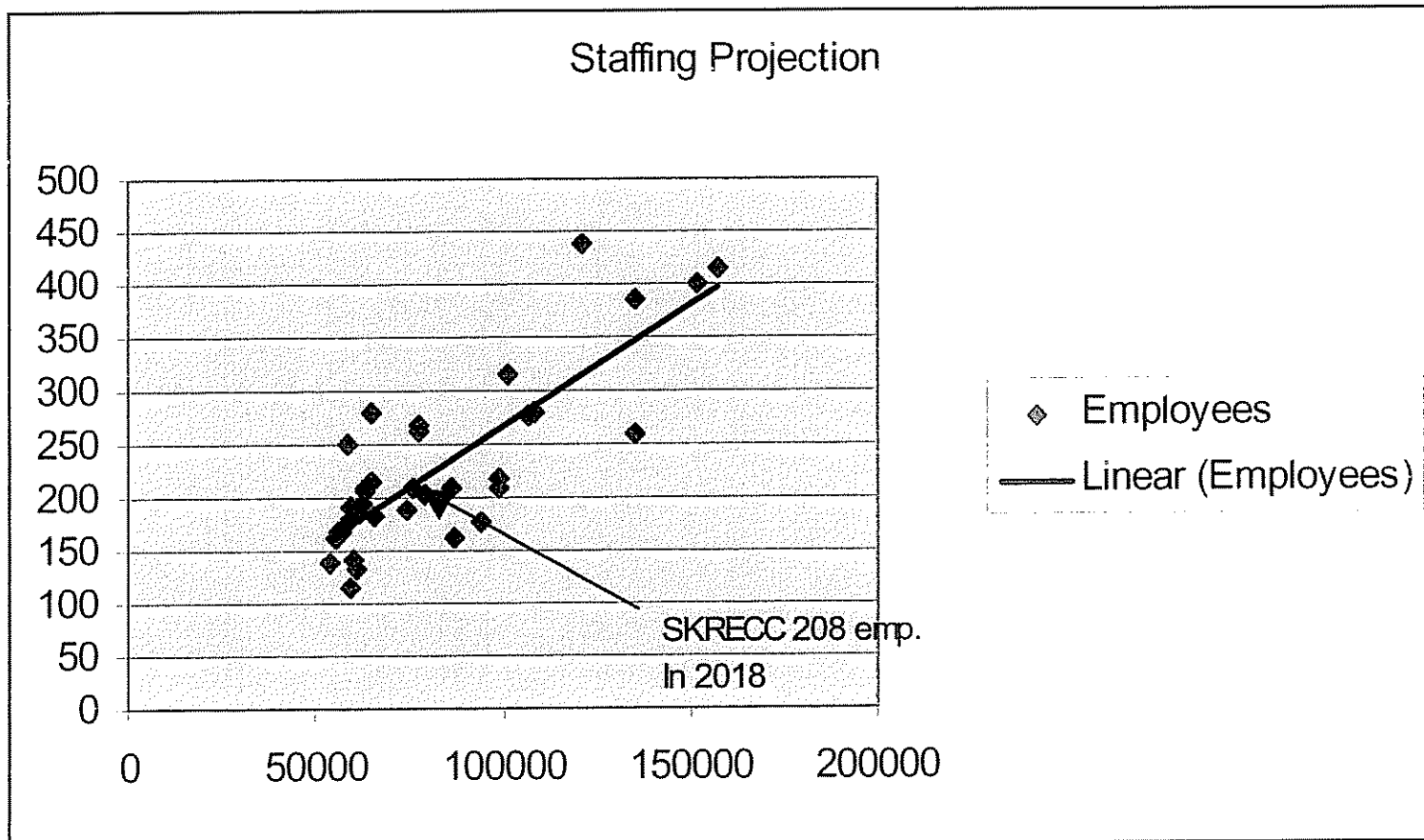
Consumer Trend by Area

Area	Cons. 2002	% Cons. Distribution	Cons. 2018
Somerset	25,823	45.4%	37,269
Russell Springs	10,218	17.9%	14,694
Albany	6,363	11.2%	9,194
Monticello	8,139	14.3%	11,739
Whitley City	6,388	11.2%	9,194
Total	56,857	100%	82,090

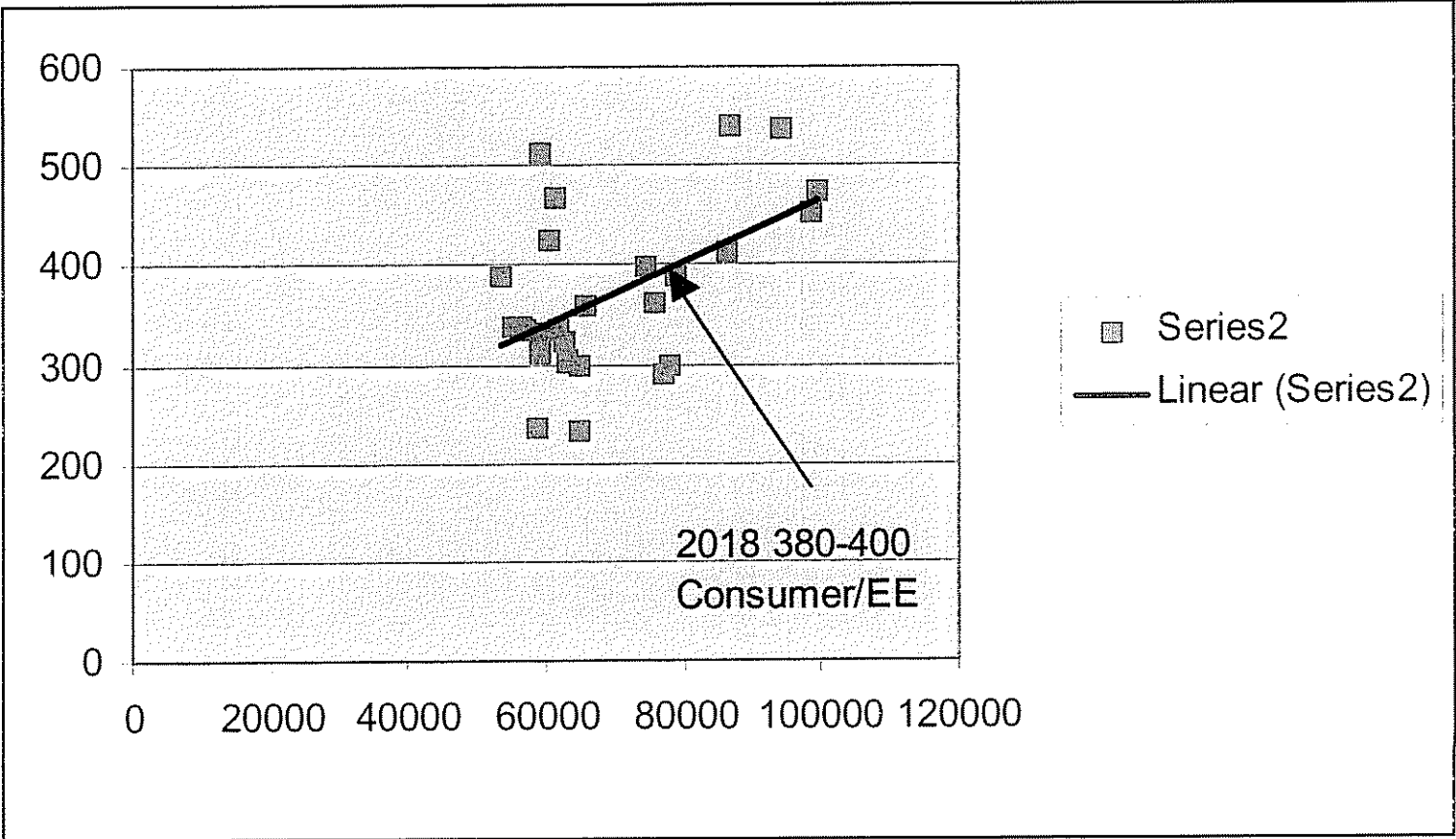
Staffing Forecast

- ◆ Based on comparative analysis and present business practices South Kentucky RECC will employ approximately 205—215 fulltime equivalent people by the year 2018.

Staffing Forecast



Staffing Trends



Case Findings for Facilities Requirements

- ◆ Facilities requirements are driven by:
 - The number of consumers serviced.
 - Business practices.
 - Number of employees.
 - Serviceability of Existing Facilities.
- ◆ All indicators point to the requirement to new facilities at the locations being considered.

Staffing Distribution 2002 by Area

Area	# Employees	% Distribution	Projected EEs
Somerset	110	70.1%	143
Russell Springs	13	8.3%	17-18
Albany	9	5.8%	11-12
Monticello	12	7.7%	16-17
Whitley City	12	7.7%	16-17
	156	100%	203-207

Somerset Facilities Requirements

Somerset	Current SF	SF needed	Projected SF	Difference
Office	21,704	27,500	35,750	-14,046
Climate Control Garage, WH, & Shops	29,580	39,500	57,000	-27,420
Cold Storage/Parking	10,225	10,000	10,000	+225
Community Room	2,436	2,436	4,000	-1,564

Russell Springs Facilities Requirements

Russell Springs	Current SF	SF needed	Projected SF	Difference
Office	2,391	3,600	5,400	-2,709
Community Room	924	1,200	2,000	-1,076
Climate Control Garage, WH, & Shops	2,000	5,000	15,000	-13,000
Cold Storage/Parking	336	N/A	N/A	N/A

Albany Facilities Requirements

Albany	Current SF	SF needed	Projected SF	Difference
Office	1,651	3,000	3,800	-2,149
Community Room	841	2,000 (Could Use)	2,000	-1,159
Climate Control Garage, WH, & Shops	2,293	5,000	10,000	-7,707
Cold Storage	NA	N/A	N/A	N/A

Monticello Facilities Requirements

Monticello	Current SF	SF needed	Projected SF	Difference
Office	1,320	3,000	4,000	-2,680
Community RM	924	1,200	2,000	-1076
Climate Control Garage, WH, & Shops	4,233	11,200	15,000	-10,767
Cold Storage/Parking	588	N/A	N/A	N/A

Whitley City Facilities Requirements

Whitley City	Current SF	SF needed	Projected SF	Difference
Office	2,350	3,000	4,000	-1,650
Community RM	750	1,100	2,000	-1250
Climate Control Garage, WH, & Shops	2,000	7,000	10,000	-8,000
Cold Storage/Parking	288	N/A	N/A	N/A

Land Present and Projected

Locations	Current Land at Office	Minimum for Growth (full service)
Somerset	8.6 acres	25—40 acres depending on farm status
Russell Springs	8.77 acres	7—10 acres
Albany	1.72 acres	7—10 acres
Whitley City	3.4 acres	7—10 acres
Monticello	Less than 2 acres	9.87 acres coop. owned

Construction Estimates

- ◆ We contacted a number of local building contractor with estimates for office space ranging from \$60/SF to \$75/SF and warehouse space from \$20/SF to \$35/SF. Based on the consultants experience the higher level was used for our forecast.

Somerset New Facilities Estimate

Description	Square Feet	Cost
Garage/Shop & Warehouse	57,000 @ \$35/SF	\$1,995,000
Office	35,750 @ \$75/SF	\$2,681,250
Community Room	4,000 @ \$65/SF	\$260,000
Cold Storage/Parking	10,000 @ \$15/SF	\$150,000
Land Purchase	25 Acres @ \$50,000	\$1,250,000
Site Preparation & A&E		\$885,000
Totals		\$7,221,250

Russell Springs New Facilities Estimate (Option I)

Description	Square Feet	Cost
Garage Warehouse	15,000 @ \$35/SF	\$525,000
Office	5,100 @ \$75/SF	\$382,500
Community Room	2,000 @ \$65/SF	\$130,000
Site Work & Engineering		\$166,000
Totals		\$1,203,500

Russell Springs New Facilities Estimate (option II)

Description	Square Feet	Cost
Garage Warehouse	15,000 @ \$35/SF	\$525,000
Office	5,100 @ \$75/SF	\$382,500
Community Room	2,000 @ \$65/SF	\$130,000
Land Purchase	6.9 Acres @ \$24,271	\$169,900
Site Work & Engineering		\$166,000
Total		\$1,373,400

Albany New Facilities Estimate

Description	Square Feet	Cost
Office	3,000 @ \$75/SF	\$225,000
Garage Warehouse	10,000 @ \$35/SF	\$350,000
Community Room	2,000 @ \$65/SF	\$130,000
Land Purchase	10 Acres @ \$10,000	\$100,000
Site Preparation & Engineering		\$185,000
Totals		\$990,000

Monticello New Facilities Estimate

Description	Square Feet	Cost
Garage Warehouse	10,000 @ \$35/SF	\$350,000
Office	4,000 @ \$75/SF	\$300,000
Community Room	2,000 @ \$65/SF	\$130,000
Site Preparation & Engineering		\$175,000
Totals		\$955,000

Whitley City New Facilities Estimate

Description	Square Feet	Cost
Garage Warehouse	10,000 @ \$35/SF	\$350,000
Office	4,000 @ \$75/SF	\$300,000
Community Room	2,000 @ \$65/SF	\$130,000
Land Purchase	10 Acres @ avg. \$33,000/acre	\$330,000
Site Preparation & Engineering		\$250,000
Totals		\$1,360,000

Project Cost Conditions

- ◆ The building estimates are based on prefabricated steel structure such as “Butler Building” and a move to other designs will usually increase cost.
- ◆ The estimated growth in staffing is based on present business practices and maintaining full service area operations

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Site Considerations

Options for Land Acquisitions

Pulaski County Sites

Site A

Property is approx. 1.33 mile west of US 27 and KY 80 on KY 80. Property is on left side going east on KY 80. Site is close to connect road to Cumberland Parkway. Property was used as golf driving range and car lot. Sign on land said for lease. Property is owned by Ward Corell 606-679-6316. Will sell needed acres at \$50,000/Acre. Water, sewer, gas

Site B

Property is adjacent to Turner Road which runs parallel to North Side of Cumberland Parkway. Turner Road intersects on the West with Cumberland Parkway and on the East with US 27. Site has approximately 13 acres at \$1,100,000. Property is adjacent to Somerset Plaza on South Side. Property is owned by Alton Blakey. 606-678-5181 (Alton Blakey Ford) Water, sewer & gas

Site C

Property is .2 mile north of intersection of KY 1575 and US 27 on US 27. Site has approx. 2,800 ft road frontage on right side of US 27 going North. Site is approx. 1,500 ft deep. No zoning out of city limits. Ward Corell 606-679-6316 Water (sewer & gas contracted) \$50,000/Acre

Pulaski County Sites

Site D

Property is located behind Landmark Inn about 1.45 mile south of Intersection of Cumberland Parkway and US 27. Site has approx. 250' frontage on KY 1577 (Oak Hill Road). Site consists of 8.9 acres with approx. 8.6 acres level. Property is owned by JV and Roy Garner. Price is \$300,000 or \$33,707 per acre. 606-871-7687. Four more acres are available that joins this property that has US 27 frontage at a negotiable price per acre. Water, sewer, gas.

Site E

Property is approx. 3 miles south of intersection of Cumberland Parkway and US 27 on right side of US 27. Land consists of approx. 24 acres divided into tracks. Two tracks of 200 X 250 fronting US 27 are \$750,000 each and two back tracks are \$400,000 each. Total price \$2,300,000. Price per acre average \$95,833. Owner is Eagle Properties 606-679-4316. Site has water, sewer and not for sure about natural gas. Southern McDonald's is across US 27 from this site.

Pulaski County Sites

Site F

Property is located .5 miles north from US 27 on the Eastern Bypass on the right side. Property consists of approx. 100 acres and is adjacent to Lumber King. Land is gently rolling. Will sell in small or large tracks. Sold 10 acres to Lumber King 3 years ago for \$500,000. or \$50,000 per acre. CV Weddle, Owner 606-679-3554 Land not disturbed. Water & sewer, no gas. Now quoting a price of \$85,000/Acre

Site G

Property is about 1.5 miles East of Intersection US 27 and KY 80 on KY 80. Land is on Left side of road going East on KY 80. Fronts on KY 80 1600' and is about 250' deep. Water, sewer and not sure about natural gas. Property is owned by Jerry Ikerd 606-451-0964. No sewer on site. Will require force main. Force that is on site is 10' that goes to 461 Industrial Site. If all is purchased price is \$1,200 per ft. Approx. \$1,200,000.

Pulaski County Sites

Site H

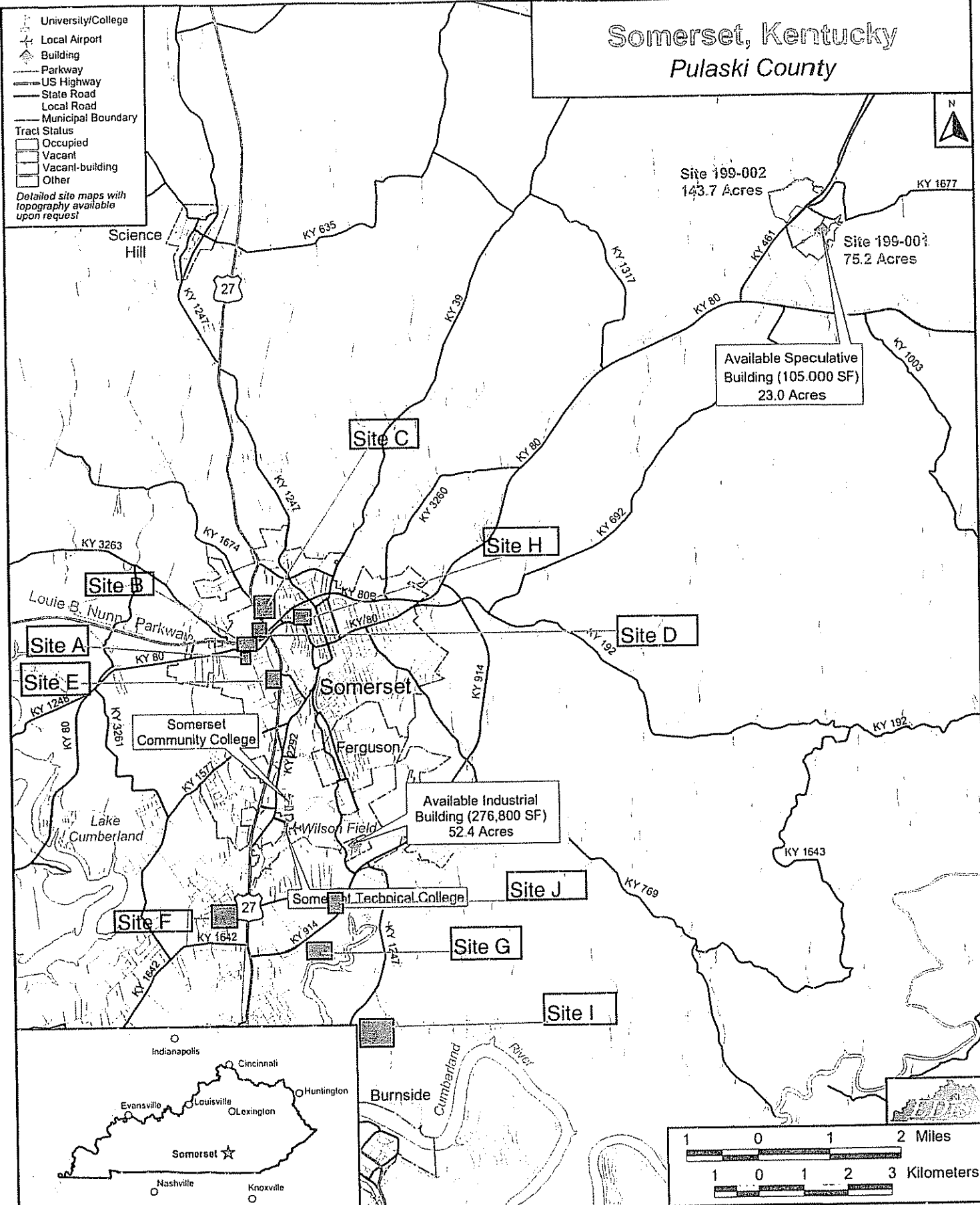
Property belongs to East Kentucky Power and is located .75 mile from intersection of US 27 & KY 90 on US 1247. Property front KY 1247 about 1,000 ft or more. Land is undisturbed farm land that is gently rolling. Several acres but exact number unknown. Improvements are in the KY DOT 6 yr plan for 1247. Land right of way acquisition is scheduled for 2004. Water, no sewer or gas. Price is negotiable 859-744-4712

Site I

Property located 2.5 miles east from US 27 on left side of road on KY 914 By Pass. 21+ acres. DC Trimble, Inc. Owner 606-679-5086. \$42,500 per acre for a total of \$892,500. Water, no sewer(sewer is on other side or RR tracks). Lays well.



Somerset, Kentucky Pulaski County



For more information contact the Kentucky Cabinet for Economic Development, Department for Business Development, Capital Plaza Tower, 500 Mero Street, Frankfort, Kentucky 40601 Tel: (502) 564-7140 Fax: (502) 564-3256

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McCreary County Sites

Site A

2 acres commercial location on going south on right hand side of US 27 before 192 intersection. Property joins McCreary National Branch Bank and McCreary County Board of Education.

Frontage 2 lots--1 acre each at \$150,000/acre. Parcels behind frontage up to 35 acres \$15,000 to \$20,000 negotiable. Cost to fit needs, approximately \$290,000--\$300,000. This is Pine Knot area.

Jerry Stephens
1-606-354-4800

Site B

Stearns

10 acres at the intersection of US 27 and KY 92. Land is divided by KY 92 with 3 acres on south side of KY 92 and 7 acres on north side of KY 92. All land fronts on US 27. Asking price of \$400,000. Will subdivide. Land has steep topography. Undisturbed.

Water, sewer, gas
Mr. Butch Spencer
954-294-0825

McCreary County Sites

Site C

Whitley City

Approximately 1 acre with 11,000 sq ft metal pre fab building being the old Food Fair Store with parking lot paved. Approximately 150' road frontage US 27 approx 200'

Water, sewer, gas

\$335,000

Whitley Investment Co

606-871-7687

Site D

Whitley City

Stephens Property fronts US 27. Potential different partials possibly available for long term lease ranging in various sizes. Property is across from existing South KY RECC Facilities.

Rick Stephens

606-376-5602

McCreary County Sites

Site E

Campbell Property north of Whitley City on US 27 is not available for sale or lease at this time. (Site work for SKRECC needs would not fit into Mr. Campbell's overall scope of work for the total 194 acres.) Stated he would prefer to do all of the site work at one time and cost will range from \$1- \$1.5 million.

Site F

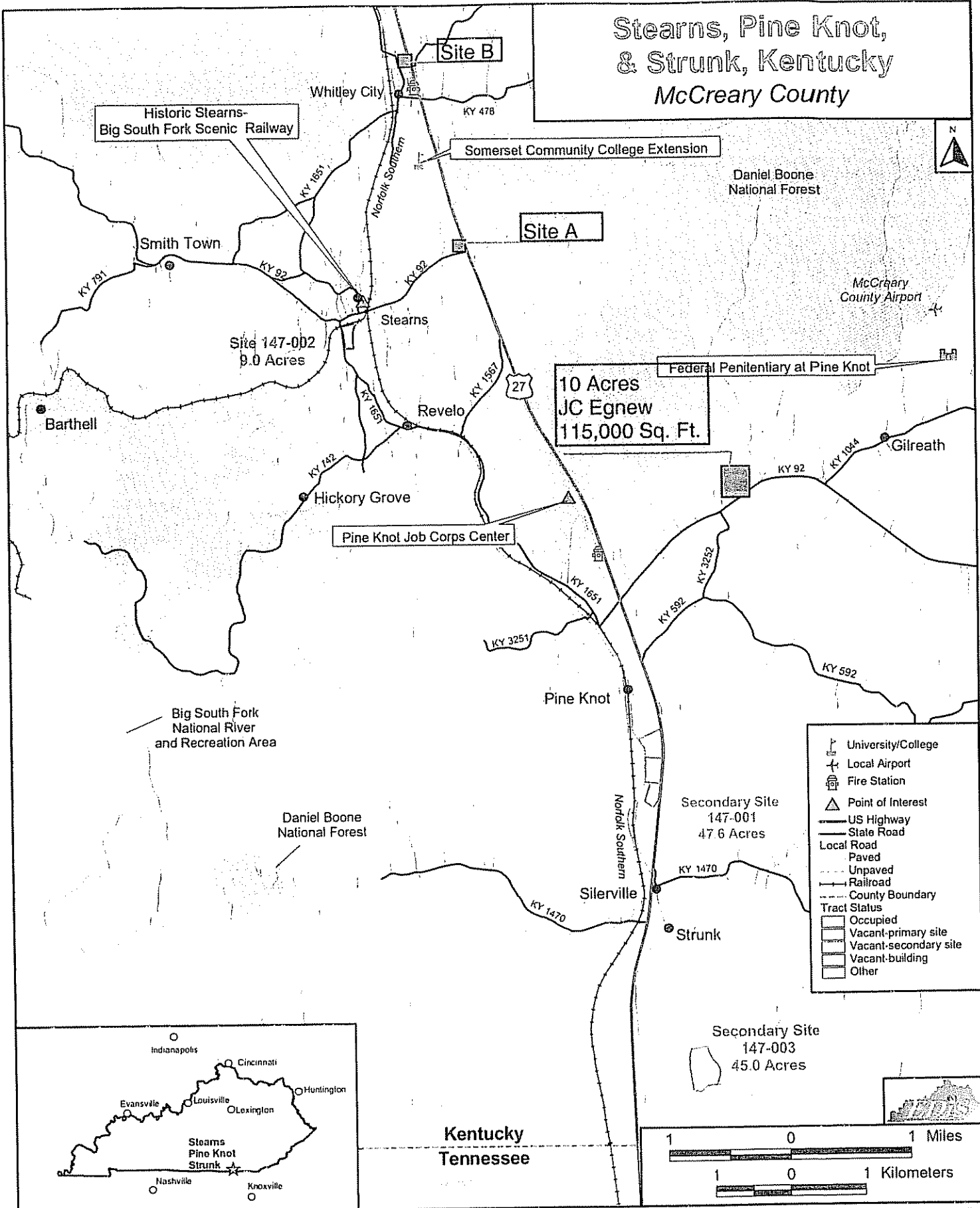
Wayne Prichard Property at intersection of US 27 & KY 700. 3 ½ acres, some level, back side steep.

Water, sewer

\$900,000 or \$45,000 lease for 20 years at no interest.



Stearns, Pine Knot, & Strunk, Kentucky McCreary County



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Map date: 7/22/2002

Clinton County Sites

Site A

Clinton County Industrial Park. Acreage available 1 – 5 @ approximately \$6,000 per acre. Located two miles east of Intersection of US 127 & KY 90. Water and sewer. Some sites are to grade in mini business park but not in other areas.

Site B

Three acres located 1.75 miles east of intersection US 127 and KY 90 on KY 90. Property is next to Clinton County Industrial Park. About 500' of road frontage on KY 90. Site is undisturbed gently rolling. Site has water 11" but no sewer. Owner is Mr. Bethel Williams. Asking price is \$75,000

Site C

Four and one half (4.5) acres located in Albany on US 127 adjacent to US Post Office. Property is gently rolling and is boundaried by US 127, Cedar St, and Maple St. Property has water, sewer, and natural gas. There are two old white wood sided houses located on property adjacent to US 127. Property is listed by Davis Realty (Robbie Davis) 606-387-4298. Asking price for property is \$450,000. Realtor feels owner will subdivide and would negotiate on price. Property could accommodate all future growth needs for SKRECC.

Clinton County Sites

Site D

Property is the Old Clinton County Library. Located on KY 1590 (Burkesville St) adjacent to SKRECC office. Built in 1950's flat roof and approximately 5,000 sq ft. Property fronts KY 1590 with about 100' of frontage. About ½ acre of land. Owner is the Clinton Co Library Board. Asking price is \$100,000. Building has several cracks in brick veneer from top to bottom. I was informed on 9/30/02 that property may be in negotiation for sale to Mr. John Barber who owns the old Polston Chevrolet Garage Property directly across the street. Mr. Barber's father in law is Hobart Barber at 606-387-4135. Property has remodeling potential. Flat roof is hindrance. Community room capability but has no need in Clinton County at this time.

Site E

Property is known as the Polston Chevrolet Garage and sale lot property. Property has approx. 400 ft of road frontage on KY 1590 (Burkesville Rd). It has water, sewer, and gas. The lot is approx. 300 ft deep. Property has old block garage building with about 4 bays and a show room. Building would be about 10,000 to 15,000 sq ft. Property was purchased at auction about 3 years ago for less than \$300,000. Mr. Hobert Barber phone # is 606-387-4135. Site could be made into a good maintenance and storage facility for SKRECC.

Clinton County Sites

Site F

Site adjoins SKRECC property on South West Side on lot. Is about 75' wide and 200' deep. Property has water, sewer and gas and has about 800 sq ft wood sided house. Davis Realty has listing and are asking \$31,500.

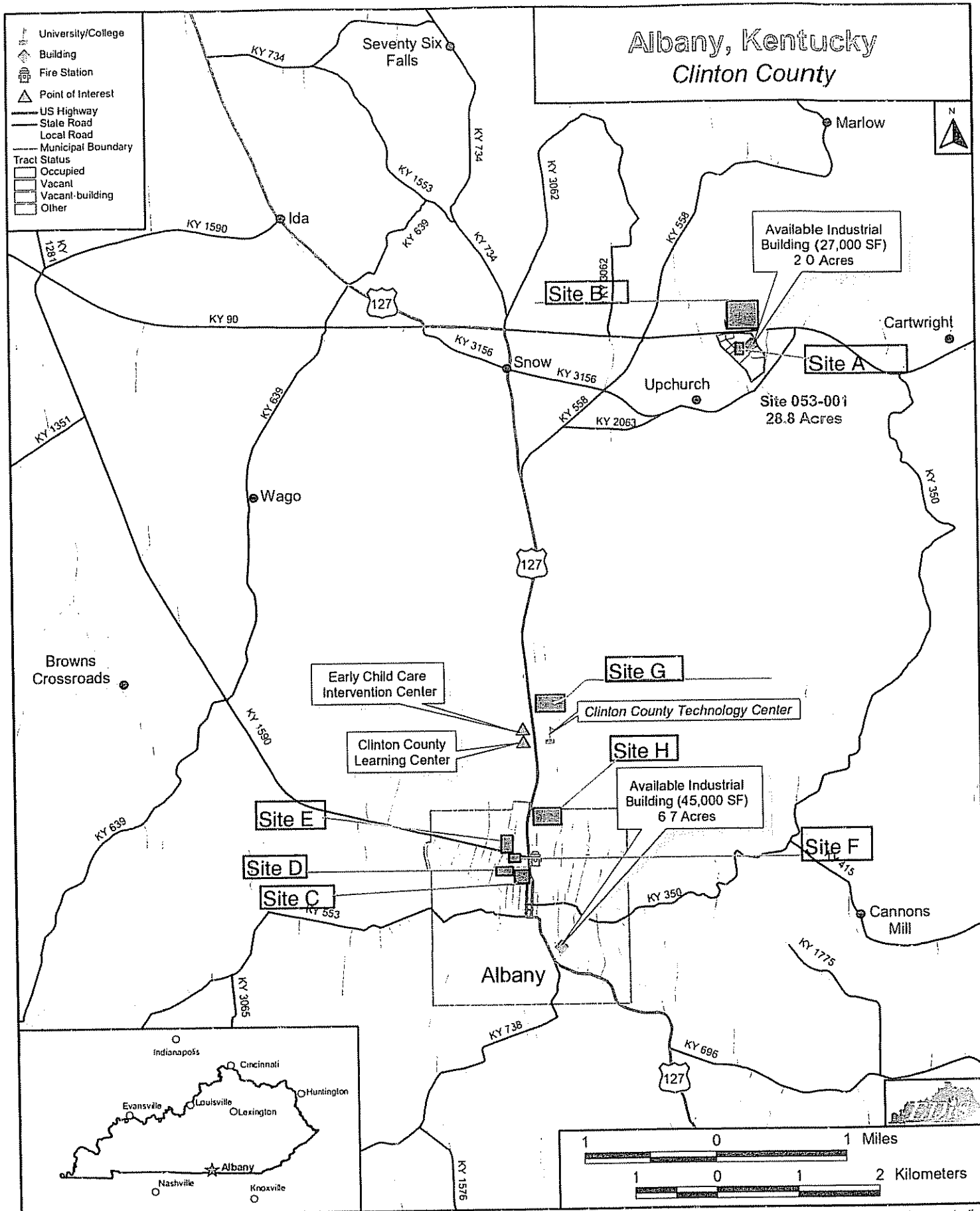
Site G

Site is located adjacent to Somerset Gas Station on the North side on US 127. Site has about 185' of road frontage and is about 175' deep. Site is directly across from the Superintendent of Schools office. Site is level and has water and gas. Sewer is about 100' south of site. Site is level and could accommodate SKRECC future office needs but would have limited construction space growth for existing and future growth. Site is owned by Robbie Davis and asking price is \$37,500. 606-387-4298

Site H

Site is located in North Albany City Limits adjacent to US 127. Property has approx 300' frontage with blacktop road running through the center of the property about 1000'. Site has been excavated to grade. Sewer, water and gas on site. Property is owned by Mr. Ward Corell. 606-679-1813. Price per acre is not determined.





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Russell Springs Sites

Site A

Middletown

370 ft Frontage on 127

6.9 Acres

Water, Sewer

\$169,900. 10% down to hold for 30 days

\$24,271. per acre

Steve Poff

Cell - 270-566-1198

Home - 270-866-9050

Site B

Middletown

850 ft Frontage on 127

30 Acres (will subdivide)

Water, sewer

\$1,695,000.

\$56,500. per acre

Jimmy or Jack Hudson

270-343-5264

Russell Springs Sites

Site C

Russell Springs
400 Ft Frontage on US 127
200 Ft Frontage on Cortez
2.73 Acres
Water, Sewer, Gas
Land cut to grade
\$575,000
\$210,622 per acre
Golden Rule – Wilson Real Estate
270-384-1111

Site D

Russell Springs
300 Ft Frontage on Bernard Lane
12 acres
Water, Sewer, Gas
Land is generally level, no earth work
\$360,000
\$30,000 per acre
Lake Cumberland Real Estate
270-866-6400

Russell Springs Sites

Site E

Russell Springs

4.8 acres adjacent to Cortez Rd and Andrew Rd.

Water, Sewer, Gas

Site graded all level

\$400,000 (will NOT subdivide)

\$83,333 per acre

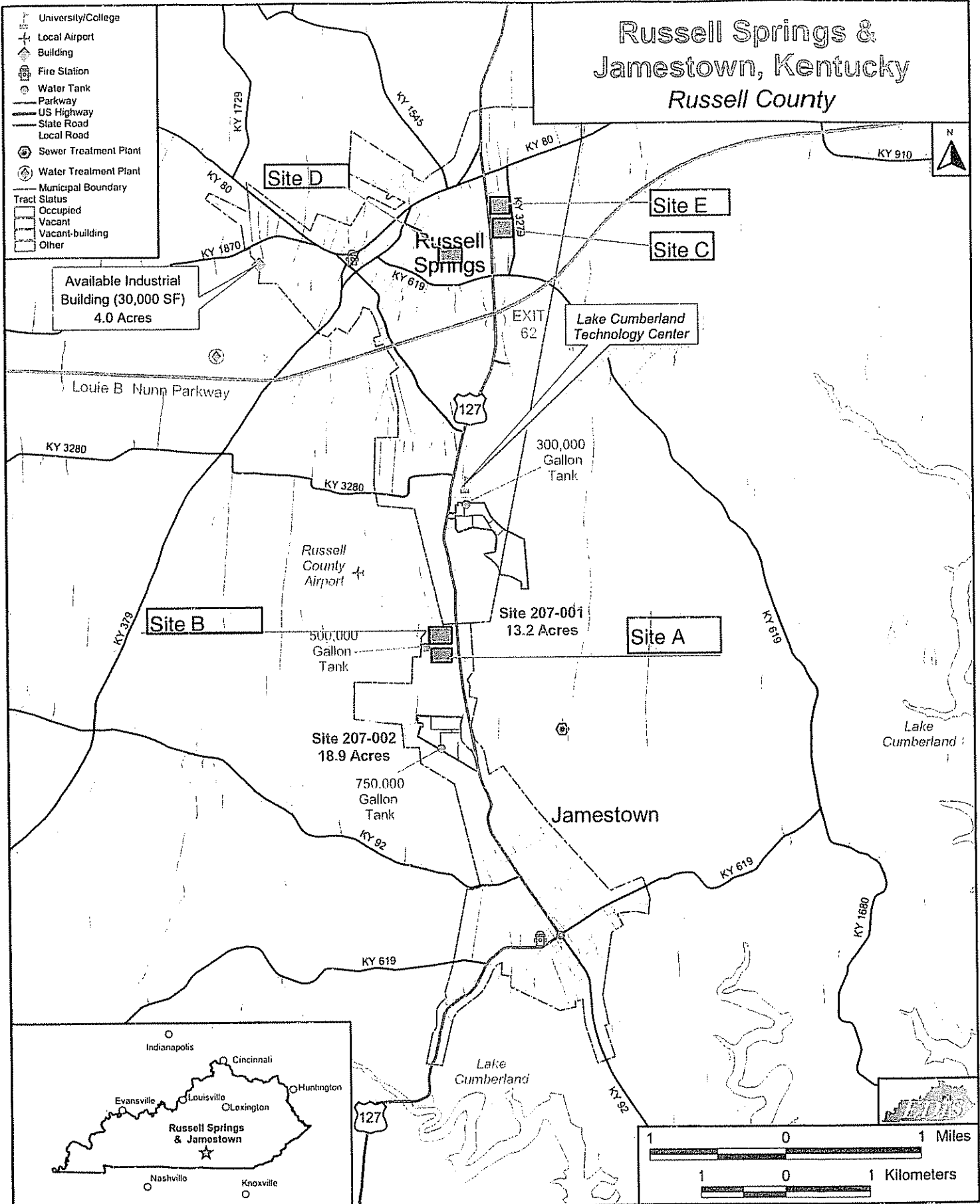
Lake Cumberland Real Estate

270-866-6400



Russell Springs & Jamestown, Kentucky

Russell County



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Detailed site maps with topography available upon request
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Map date: 05/10/2002

Project Cost Conditions

- ◆ The estimate for land cost and site preparations will vary with area and terrain and may be low in this estimate. These are vary preliminary utilizing a blind call approach in contacting owners/realtors and builders.

Cost Summary

Location	Estimated Cost
Somerset	\$7,221,250
Russell Springs	\$1,373,400
Albany	\$990,000
Monticello	\$995,000
Whitley City	\$1,360,000
Estimated Total	\$11,939,650

Potential Cost Recovery

Location	Estimated Sale
Somerset	\$1,700,000
Russell Springs	\$200,000
Albany	\$150,000
Monticello	\$100,000
Farm Land 74.6 Acres	\$500,000
McCreary	\$100,000

A decorative layout consisting of a vertical line on the left, a horizontal line at the top, and a horizontal line at the bottom. Small circles are placed at the intersections of these lines: one at the top-left, one at the bottom-right, and one at the bottom-right of the bottom horizontal line.

General Criteria

Building and layout criteria
observations for todo,

Considerations for Building Layout

- ◆ Design One Story Facility
- ◆ Provide Conference Room in the Proximity of Each Work Section.
- ◆ Position Rest Rooms in the Proximity of Concentrated Work Areas for each work section and member use.
- ◆ Position Warehouse with Ready Access for Operations and Engineering Personnel.

Considerations for Building Layout

- ◆ Based on the employee culture consider a wellness center
- ◆ Where possible space should be multi-use, (crew room as training room, and meetings),
- ◆ Sufficient space to establish a modern dispatch center with war room for emergencies and special projects. (Should be contiguous to Engineering, Operations and Call Center.)

Observations & Summary

- ◆ The cooperative should continue to grow in consumers and load over the next 15 year.
- ◆ Growth will continue to stimulate the need for additional staff.
- ◆ The present facility is beyond it's useful life, and will require significant renovation and expansion.

Observations & Summary

- ◆ If the board chooses to move forward, it will be desirable to tour new facilities at other cooperatives, that have been recently constructed.
- ◆ It will be advantageous to begin site testing at present facilities for appraisal purposes.

What's Next?

- ◆ Select Sites for New Facilities
- ◆ Select Architect and Engineering Firm
- ◆ Finalize Financial Forecast.
- ◆ Select Internal Project Manager
- ◆ Let Bids for Construction

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Q. Refer to Exhibit 1 of the Application

- a. Explain fully why the current headquarters facilities including the warehouse, shops, and storage areas, have exceeded their effective life with no land available for expansion.

Response - The facilities is comprised of eight separate buildings on eight plus acres of land. Some of the buildings have deteriorated to a condition that is not feasibly repairable. Operating out of eight different buildings during various weather conditions makes it very inefficient in the utilization of employees and contractors. Additionally, SKRECC has out grown many of its current facilities and current structures render unfeasible for any new additions. The current property is surrounded by three streets and residential subdivisions. The purchase of new land would occur in small tracks with some demolition of existing homes. The present site is a flood plane which, in extreme wet conditions, will have one half of the current property under water. Many of the current buildings have been added on to multiple times. The main building contains many stairways and many long narrow hallways. In the facilities and land assessment, it was deemed feasible and preferable to build on a new site for the reasons stated in the study.

- b. Explain fully why access to and from the current headquarters facilities has become a safety issue for South Kentucky employees and members.

Response - The current facility has access and egress from highways on the north and east sides of the property. The north entrance/exit connects to a highway within 300 yards from a school zone and is near a 4-way stop. The east entrance/exit is also close to the same 4-way stop and both roads are major thoroughfares during rush hours. Additionally, within a two mile radius are four other schools and a large number of businesses. Over the years, the population in the area has grown and the traffic congestion has increased with the population growth. Traffic congestion can make it extremely difficult to enter or leave SKRECC's property and it can be further complicated by members using the drive-through facilities. Both employees, members, and others have been involved in traffic accidents due to the current situation.

- c. Explain fully how the proposed new headquarters facilities would lower operating costs, including any quantitative analysis conducted to support such a conclusion.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Response - The design of the proposed new facility incorporates energy efficient building components with attention to the integrity of the thermal envelope and energy efficient equipment that should lower the per square foot costs and operation when considering the age and inefficiency of SKRECC's current facilities. SKRECC's goal is to meet the Energy Star criteria which would result in reduction in operating costs over standard construction. SKRECC has the responsibility of educating its membership on energy efficient building practices and the use of efficient equipment. It is SKRECC's desire to use this facility as a model for energy efficient practices. The design will permit SKRECC to gain operational efficiencies by allowing SKRECC to locate its employees in the areas that are optimal for interaction with the members and their related job functions.

- d. Explain in detail the significance of obtaining a consumer-to-employee ratio of approximately 370-375 consumers per employee.

Response - Based on data from the 2008 Feasibilities Analysis, the 370-375 consumers-to-employee ratio is one that SKRECC could achieve as it grows. The significance of this ratio is that it has been used to make projections of future employment levels. As SKRECC's membership grows, so does the need for additional employees. Additionally, this ratio is used to determine the space needs for SKRECC's facilities.

- e. Based on the 2002 Facilities Analysis, state the number of employees the proposed facility is designed to accommodate?

Response - It was designed to accommodate 143 employees.

- f. 2008 Facilities Analysis states that the proposed facility should be designed to accommodate 164 employees. Provide the calculation in arriving at the project staffing level of 164 employees by 2022.

Response - The calculation of 56,000 consumers divided by a consumer-to-employee ratio of 361 consumers results in a need for 155 employees in the year 2022. Using this calculation, SKRECC would not require 164 employees until 2025.

- g. The 2008 Facilities Analysis proposed significant increases in the size of the headquarters facilities as compared to the 2002 Facilities Analysis. The 2008 study proposes to increase the office space from 35,750 square feet (based on

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

2002 study) to 49,200 square feet; to increase the warehouse facilities from 57,000 square feet (based on the 2002 study) to 67,800 square feet; and to increase the community room from 4,000 square feet (based on the 2002 study) to 4,900 square feet. Explain in detail why South Kentucky is proposing such large increases in office space, warehouse space, and community room space.

Response - An extensive programming process was performed by the Architect/Engineering Team which evaluated the functions of each SKRECC team and the necessary space requirements to efficiently complete the job assignments and provide service to our members. The new building design includes efficient building layout that addressed the space for equipment and storage which should result in improved productivity. Also, the present facilities are lacking in restroom facilities, hallway space, inadequate storage, meeting rooms, and all areas are at maximum capacity. The building design is to accommodate our estimated future growth needs.

h Explain fully why the cost of construction has increased significantly since the 2002 Facilities Analysis.

Response - The 2002 Facilities Analysis arrived at the needed square footage of space through the load growth projections and employee to membership ratios for that period. In that analysis, the Consultant was only able to take what he thought to be common cost per square foot for office space and cost per square foot for warehouse space without any designs in hand and without any actual bids. The numbers were only very rough estimates. After the completion of our first district office design in McCreary County and repeating that construction in later years in Russell County and Clinton County, all of which were projects that resulted in designs and bids, the bid prices received and completion costs incurred were much more accurate than the projections and estimates in the beginning. Also, the Somerset office is being designed by a different architect and is a completely different structure than the district offices. The Somerset office has gone out for bid and the bids received should contain accurate numbers. The time period from the completion of the first building to the completion of the Somerset office has been a period of significant increases in material costs and labor costs.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- i. How many contractors did South Kentucky contact before arriving at the estimated cost per square foot for the headquarters facilities contained in the 2008 Facilities Analysis? What was the range of estimates provided to South Kentucky?

Response - A general contractor was selected and the general contractor handled the entire bidding process. The general contractor broke the project into sixteen (16) different segments and received a minimum of two to three bids per segment from different subcontractors on each segment. An overall cost per square foot is an average amount based on the sum of individual, selected bids plus overheads.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. Refer to Exhibit 6 of the Application. Page 70 of the 2002 Facilities Analysis, entitled "Project Cost Conditions," provided that the buildings estimates were based on prefabricated steel structures such as "Butler Building" and that other designs would result in cost increases. Are the building estimates for 2008 Facilities Analysis based on prefabricated steel structures.
- R. None of the current building estimates are based on prefabricated steel structures except for the warehouse.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. South Kentucky is requesting expedited processing of this application on the grounds that "this time of year is a very beneficial time to do earth work..." and any delay in commencing the excavation process would increase the cost of construction. Explain why South Kentucky decided to wait until September to file the application.
- R. After an informal conference with Commission Staff on July 29, SKRECC came to the conclusion that two significant tasks still needed to be completed. One task was to obtain an update on the 2002 Facilities Analysis. The second task was to find out the costs that might be associated with delays in starting this project. The time it took to complete the 2008 Facilities Analysis and to obtain the costs of delays on the start of the project were the main reasons why the application was not filed until early September.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. When is the company expected to be able to provide specifics on the loans necessary for the construction of this project?
- R. SKRECC is not sure when it will be able to provide the specifics on the loan associated with this venture. The loan application has not been submitted to the Rural Development Utilities Program ("RDUP") as yet. The RDUP General Field Representative ("GFR") is working with SKRECC on the loan application at the present time. The GFR has not given any reason for concern concerning this loan or the loan application.

Based on SKRECC's past track record with RDUP, the loan application process is a critical piece of the process and most concerns can be resolved at that time.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. Provide load and member growth projections as indicated in the report titled "Facilities Analysis for Headquarters" dated August 2008 and filed as Exhibit 1 of the Application. Refer to page 10 of Exhibit 1 of the Application. Provide information supporting the member growth projection.
- R. SKRECC's forecasted consumer growth rates are presented below and are based on SKRECC's 2008 Load Forecast prepared by EKPC dated June 2008.

<u>Year</u>	<u>Resident.</u>	<u>Public Buildings</u>	<u>Small Commer.</u>	<u>Large Commer.</u>	<u>Other</u>	<u>Total</u>	<u>No. of Employ. Needed</u>
2008	60,988	742	4,855	16	82	66,683	177.8
2009	61,794	755	4,938	16	90	67,593	180.2
2010	62,612	768	5,022	16	97	68,515	182.7
2011	63,441	780	5,108	16	106	69,451	185.2
2012	64,283	793	5,194	16	113	70,399	187.7
2013	65,138	805	5,282	17	121	71,363	190.3
2014	66,005	818	5,371	17	128	72,339	192.9
2015	66,885	830	5,462	17	136	73,330	195.5
2016	67,779	742	5,553	17	144	74,235	198.0
2017	68,687	855	5,647	17	152	75,358	201.0
2018	69,608	867	5,741	18	159	76,393	203.7
2019	70,544	879	5,837	18	167	77,445	206.5
2020	71,494	891	5,934	18	174	78,511	209.4
2021	72,460	902	6,033	18	183	79,596	212.3
2022	73,441	914	6,133	18	190	80,696	215.2
2023	74,437	926	6,235	18	198	81,814	218.2
2024	75,450	937	6,338	18	205	82,948	221.2
2025	76,479	949	6,443	19	213	84,103	224.3

Number of employees needed is based on 375 consumers per employee.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q Refer to Exhibit 4, Financing Plan for New Headquarters Facilities:
- a. Provide documentation that supports the following statement: "Rural Development-Utility Services ("RD-US") is full aware of South Kentucky's plan to finance these new facilities through the Guaranteed Loan Program."
 - b. Has South Kentucky received any preliminary loan commitment from the Federal Finance Bank or RD-US? If so, provide documentation that evidences the loan commitment.
- R.
- a. The loan application for RD-UP financing is in the process with assistance from RD-UP personnel assisting its development. Documentation on this matter is not available at this time as it is in the process of being prepared.
 - b. SKRECC has no written documentation to support this position at this time.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. When were the current headquarters and warehouse facilities constructed?
- R. The current headquarters and warehouse facilities were constructed in 1952.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Q Refer to Exhibit 5 of the Application. Provide a schedule detailing the annual operating costs of the existing facilities for 2006 and 2007 and an estimate for 2008.

R Provided below is the requested data for the existing facilities.

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Depreciation	\$ 38,604	\$ 38,604	\$ 38,604
Insurance	5510	5650	5930
Property Taxes	24113	23640	23177
Electric Utilities	41,542	45,491	53,352
Water Utilities	16,377	15,712	19,376
General Maintenance	66,015	65,718	81,135
Interest	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 192,161</u>	<u>\$ 194,815</u>	<u>\$ 221,574</u>

RESPONSE TO COMMISSIONS STAFF'S FIRST DATA REQUEST

- Q. What is the estimated construction timeline for the new facilities?
- R. It is anticipated that it will take from eighteen to twenty-four months to complete these facilities once worked can be started. It is expected that completion will occur some time in late 2010.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

- Q. Refer to Exhibit 1 of the Application. Explain fully why the cost per square foot for the Community/Training Room at \$150 is less than the cost per square foot for the offices, given that both are located in the same building.
- R The reason the community room is cheaper than the office space is due primarily to the fact that the community room is a common area without partitions for office space. The office partitions requires additional labor and materials plus communications equipment for internet service and phone service. Finally, the office space will have a different type of flooring that is normally more expensive. These are the reasons why the office space is more expensive than community room space.