

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

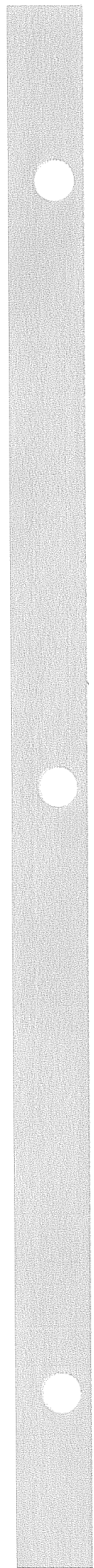
**RECEIVED**  
APR 12 2007  
PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

**AN INVESTIGATION OF THE REALIABILITY )  
MEASURES OF KENTUCKY'S )  
JURISDICTIONAL ELECTRIC ) ADMINISTRATIVE  
DISTRIBUTION UTILITIES AND CERTAIN ) CASE NO. 2006-00494  
RELIABILITY MAINTENANCE PRACTICES )**

**TESTIMONY RESULTING FROM INFORMAL CONFERENCE**  
**JURISDICTIONAL ELECTRIC DISTRIBUTION UTILITIES**

**DATED APRIL 9, 2007**



**5. Staff Questions**

**All Utilities**

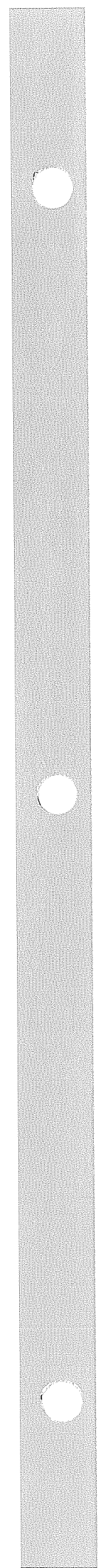
- 1. See Handout No 1 which reflects several types of tree pruning. Regardless of whether or not the Commission sets any tree trimming standards, should Through or V pruning, Side pruning, Under pruning, or Topping be allowed?**

Yes. A utility should be permitted to implement any or all of the four methods of vegetation management illustrated in Handout No 1, at management's discretion, in accordance with the National Electric Safety Code. In addition, the use of tree growth retardants (TGR) should be permitted along with the methods addressed above.

- 2. If the utility does not own the property over which its distribution lines are located, what are the utility's legal rights as far as access to the property, and ability to trim trees?**

A utility normally obtains such legal rights via easements. However, electric cooperative utilities also obtain such rights through provisions in their membership applications in addition to easements.

Witnesses: Wayne Anderson  
David Graham



7. **Staff guidance for testimony**

• **Reliability reporting requirement**

- **Is it appropriate for the Public Service Commission to require regular reporting of reliability information from all distribution utilities?**

Electric cooperative utilities are required to regularly report reliability information to the United States Department of Agriculture's Rural Utilities Service via the RUS Form 7. This data is also filed with Public Service Commission.

- **Should the PSC develop standardized criteria for recording and reporting reliability information?**

No, because electric cooperative utilities are required to regularly report reliability information to the United States Department of Agriculture's Rural Utilities Service on the RUS Form 7. In addition, this data is also filed with the Public Service Commission.

- **Is it appropriate for the Commission to require reporting at a level smaller than the entire system (i.e. by substation or circuit)?**

No. The system-wide reliability information reported via the RUS Form 7 has proven to be sufficient.

- **Are there concerns about sharing this information within the industry or with the public?**

No. The reliability information reported on the RUS Form 7 and filed with RUS and the Public Service Commission is public information and subject to public disclosure.

Witnesses: Wayne Anderson  
David Graham

7. (con't)

- **Reliability and performance standard**

- **Please comment on the appropriateness of a reliability performance standard. An example of a performance standard is found in the RUS requirement of no more than five hours outage for the average customer for any reason, and no more than one hour caused by power supply.**

A state-wide and/or industry-wide performance standard seems unreasonable. However, a guideline or benchmark can be helpful. Although RUS has not mandated performance requirements for electric cooperative utilities, RUS has provided electric cooperative utilities with performance guidelines via RUS Bulletin 1730-1.

- **Is it more appropriate to develop performance standards on a utility by utility basis or a circuit by circuit basis? What is the most appropriate level for applying performance standard requirements?**

As stated above, RUS provides electric cooperative utilities with performance guidelines via RUS Bulletin 1730-1. These performance guidelines are on a system-wide basis. Both RUS and electric cooperative utilities have found the system-wide guidelines to be appropriate.

- **Comment on an appropriate requirement to respond to non-attainment of performance standard, or in the alternative explain why a response to non-attainment is not necessary.**

As stated above, performance standards and requirements seem unreasonable, but guidelines such as those issued by RUS are helpful. Electric cooperative utilities that do not meet the performance guidelines specified by RUS Bulletin 1730-1 are provided with recommendations for correction and improvement by RUS and must respond to RUS regarding same via a “corrective plan.”

Witnesses: Wayne Anderson  
David Graham

7. (con't)

- **Right-of-Way (ROW) management**

- **Please provide comments regarding the appropriateness of PSC defined ROW management minimum standard**

Right of way management and performance standards for management of same are operational related functions and issues and as such should remain the responsibility of the electric utility and/or the industry respectively. Setting performance standards for service reliability and the regulation of same seems to be perfectly within the purview of the Commission. Defining right of way management standards however seems to move beyond the position of delineating the reason for right of way management to the position of delineating how right of way management should be performed.

- **If such a standard were created, to what level of detail should it be defined?**

Should such a standard be created it should be a minimum standard, such that the scope of its delineation is limited to first public and utility worker safety and then a minimum level of service reliability. (See prior response).

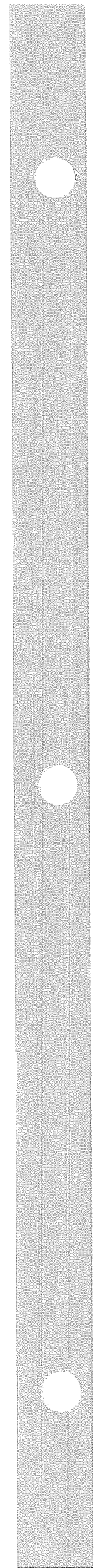
- **Does a PSC requirement give the utility any advantage when performing ROW maintenance?**

No. The importance of and the need to perform good right of way maintenance is well established within the electric utility industry, particularly within the electric cooperative segment.

- **Are there disadvantages?**

Yes. An additional layer of regulatory compliance issues would almost certainly be perceived as a disadvantage, particularly when a utility would have to dedicate a portion of already committed and limited resources to a facet of its operations that would not produce any positive effect on the issue at hand (right of way maintenance).

Witnesses: Wayne Anderson  
David Graham





PSC ADMINISTRATIVE CASE NO. 2006-00494  
Testimony Resulting from Informal Conference

**8. Miscellaneous Items Requested at Informal Conference**

**a. RUS Form 300 for past 5 years**

Refer to Exhibits 8A-1 thru 8A-5

There has only been one RUS Form 300 filed during the last 5 years period as per our RUS Field Representative, Mike Norman. In addition, attached is the 2005 Operation & Maintenance Survey (Refer to Exhibit 8A-1).

**b. RUS Form 7, Part G. for past 5 years**

Refer to Exhibits 8B-1 thru 8B-5

Witnesses: Wayne Anderson  
David Graham

Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Agriculture, Clearance Officer, OC, OMB Control # 0572-0025, AG Box 7630, Washington, DC 20250. You are not required to respond to this collection of information unless this form displays the currently valid OMB control number.

|  |  |
|--|--|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br><b>REVIEW RATING SUMMARY</b> | BORROWER DESIGNATION<br><p style="text-align: center;">KY 30</p> <hr/> DATE PREPARED<br><p style="text-align: center;">6/16/2005</p> |
|--|--|

Ratings on form are:                    0: Unsatisfactory -- No Records                    2: Acceptable, but Should be Improved -- See Attached Recommendations  
 NA: Not Applicable                    1: Corrective Action Needed                    3: Satisfactory -- No Additional Action Required at this Time

**PART I. TRANSMISSION and DISTRIBUTION FACILITIES**

|  |   |
|--|---|
| <b>1. Substations (Transmission and Distribution)</b> <span style="float: right;"><i>(Rating)</i></span><br>a. Safety, Clearance, Code Compliance <span style="float: right;">NA</span><br>b. Physical Conditions: Structure, Major Equipment, Appearance <span style="float: right;">NA</span><br>c. Inspection Records Each Substation <span style="float: right;">NA</span><br>d. Oil Spill Prevention <span style="float: right;">NA</span><br><br><b>2. Transmission Lines</b><br>a. Right-of-Way: Clearing, Erosion, Appearance, Intrusions <span style="float: right;">NA</span><br>b. Physical Condition: Structure, Conductor, Guying <span style="float: right;">NA</span><br>c. Inspection Program and Records <span style="float: right;">NA</span><br><br><b>3. Distribution Lines - Overhead</b><br>a. Inspection Program and Records <span style="float: right;">3</span><br>b. Compliance with Safety Codes: <span style="float: right;">3</span><br>Clearances <span style="float: right;">3</span><br>Foreign Structures <span style="float: right;">2</span><br>Attachments <span style="float: right;">3</span><br>c. Observed Physical Condition from Field Checking: <span style="float: right;">3</span><br>Right-of-Way <span style="float: right;">3</span><br>Other <span style="float: right;">2</span> | <b>4. Distribution - Underground Cable</b> <span style="float: right;"><i>(Rating)</i></span><br>a. Grounding and Corrosion Control <span style="float: right;">3</span><br>b. Surface Grading, Appearance <span style="float: right;">3</span><br>c. Riser Pole: Hazards, Guying, Condition <span style="float: right;">3</span><br><br><b>5. Distribution Line Equipment: Conditions and Records</b><br>a. Voltage Regulators <span style="float: right;">3</span><br>b. Sectionalizing Equipment <span style="float: right;">3</span><br>c. Distribution Transformers <span style="float: right;">3</span><br>d. Pad Mounted Equipment <span style="float: right;">3</span><br>Safety: Locking, Dead Front, Barriers <span style="float: right;">3</span><br>Appearance: Settlement, Condition <span style="float: right;">3</span><br>Other <span style="float: right;">NA</span><br>e. Kilowatt-hour and Demand Meter <span style="float: right;">3</span><br>Reading and Testing <span style="float: right;">3</span> |
|--|---|

**PART II. OPERATIONS and MAINTENANCE**

| <b>6. Line Maintenance and Work Order Procedures</b> <span style="float: right;"><i>(Rating)</i></span><br>a. Work Planning & Scheduling <span style="float: right;">3</span><br>b. Work Backlogs: <span style="float: right;">3</span><br>Right-of-Way Maintenance <span style="float: right;">3</span><br>Poles <span style="float: right;">3</span><br>Retirement of Idle Services <span style="float: right;">3</span><br>Other <span style="float: right;">NA</span><br><br><b>7. Service Interruptions</b><br>a. Average Annual Hours/Consumer by Cause (Complete for each of the previous 5 years) <table border="1" style="width:100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th>PREVIOUS 5 YEARS</th> <th>POWER SUPPLIER</th> <th>MAJOR STORM</th> <th>SCHEDULED</th> <th>ALL OTHER</th> <th>TOTAL</th> <th></th> </tr> <tr> <th>(Year)</th> <th>a.</th> <th>b.</th> <th>c.</th> <th>d.</th> <th>e.</th> <th><i>(Rating)</i></th> </tr> </thead> <tbody> <tr> <td>2000</td> <td>0.73</td> <td></td> <td>0.03</td> <td>2.90</td> <td>3.66</td> <td>3</td> </tr> <tr> <td>2001</td> <td>0.23</td> <td>0.96</td> <td>0.07</td> <td>2.00</td> <td>3.26</td> <td>3</td> </tr> <tr> <td>2002</td> <td>0.19</td> <td></td> <td>0.03</td> <td>1.39</td> <td>1.61</td> <td>3</td> </tr> <tr> <td>2003</td> <td>0.23</td> <td>2.27</td> <td>0.01</td> <td>1.05</td> <td>3.56</td> <td>3</td> </tr> <tr> <td>2004</td> <td>0.02</td> <td>2.90</td> <td>0.04</td> <td>1.04</td> <td>3.99</td> <td>3</td> </tr> </tbody> </table> b. Emergency Restoration Plan <span style="float: right;">3</span> | PREVIOUS 5 YEARS | POWER SUPPLIER | MAJOR STORM | SCHEDULED | ALL OTHER | TOTAL           |  | (Year) | a. | b. | c. | d. | e. | <i>(Rating)</i> | 2000 | 0.73 |  | 0.03 | 2.90 | 3.66 | 3 | 2001 | 0.23 | 0.96 | 0.07 | 2.00 | 3.26 | 3 | 2002 | 0.19 |  | 0.03 | 1.39 | 1.61 | 3 | 2003 | 0.23 | 2.27 | 0.01 | 1.05 | 3.56 | 3 | 2004 | 0.02 | 2.90 | 0.04 | 1.04 | 3.99 | 3 | <b>8. Power Quality</b> <span style="float: right;"><i>(Rating)</i></span><br>a. General Freedom from Complaints <span style="float: right;">3</span><br><br><b>9. Loading and Load Balance</b><br>a. Distribution Transformer Loading <span style="float: right;">3</span><br>b. Load Control Apparatus <span style="float: right;">NA</span><br>c. Substation and Feeder Loading <span style="float: right;">3</span><br><br><b>10. Maps and Plant Records</b><br>a. Operating Maps: Accurate and Up-to-Date <span style="float: right;">3</span><br>b. Circuit Diagrams <span style="float: right;">3</span><br>c. Staking Sheets <span style="float: right;">3</span> |
|---|------------------|----------------|-------------|-----------|-----------|-----------------|--|--------|----|----|----|----|----|-----------------|------|------|--|------|------|------|---|------|------|------|------|------|------|---|------|------|--|------|------|------|---|------|------|------|------|------|------|---|------|------|------|------|------|------|---|---|
| PREVIOUS 5 YEARS  | POWER SUPPLIER   | MAJOR STORM    | SCHEDULED   | ALL OTHER | TOTAL     |                 |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |
| (Year)  | a.               | b.             | c.          | d.        | e.        | <i>(Rating)</i> |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |
| 2000  | 0.73             |                | 0.03        | 2.90      | 3.66      | 3               |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |
| 2001  | 0.23             | 0.96           | 0.07        | 2.00      | 3.26      | 3               |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |
| 2002  | 0.19             |                | 0.03        | 1.39      | 1.61      | 3               |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |
| 2003  | 0.23             | 2.27           | 0.01        | 1.05      | 3.56      | 3               |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |
| 2004  | 0.02             | 2.90           | 0.04        | 1.04      | 3.99      | 3               |  |        |    |    |    |    |    |                 |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |  |      |      |      |   |      |      |      |      |      |      |   |      |      |      |      |      |      |   |   |

**PART III. ENGINEERING**

|   |  |
|---|--|
| <b>11. System Load Conditions and Losses</b> <span style="float: right;"><i>(Rating)</i></span><br>a. Annual System Losses <span style="float: right;">4.40%</span> <span style="float: right;">3</span><br>b. Annual Load Factor <span style="float: right;">51.8%</span> <span style="float: right;">3</span><br>c. Power Factor at Monthly Peak <span style="float: right;">97.0%</span> <span style="float: right;">3</span><br>d. Ratios of Individual Substation Annual Peak kW to kVA <span style="float: right;">3</span><br><br><b>12. Voltage Conditions</b><br>a. Voltage Surveys <span style="float: right;">3</span><br>b. Substation Transformer Output Voltage Spread <span style="float: right;">3</span> | <b>13. Load Studies and Planning</b> <span style="float: right;"><i>(Rating)</i></span><br>a. Long Range Engineering Plan <span style="float: right;">3</span><br>b. Construction Work Plan <span style="float: right;">3</span><br>c. Sectionalizing Study <span style="float: right;">3</span><br>d. Load Data for Engineering Studies <span style="float: right;">3</span><br>e. Load Forecasting Data <span style="float: right;">3</span> |
|---|--|

| PART IV. OPERATION AND MAINTENANCE BUDGETS |                        |                        |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| YEAR                                       | For Previous 2 Years   |                        | For Present Year       | For Future 3 Years     |                        |                        |
|  | 2003                   | 2004                   | 2005                   | 2006                   | 2007                   | 2008                   |
|  | Actual<br>\$ Thousands | Actual<br>\$ Thousands | Budget<br>\$ Thousands | Budget<br>\$ Thousands | Budget<br>\$ Thousands | Budget<br>\$ Thousands |
| Normal Operation                           | \$1,095                | \$1,094                | \$1,012                | \$1,042                | \$1,074                | \$1,106                |
| Normal Maintenance                         | \$1,272                | \$1,556                | \$1,520                | \$1,566                | \$1,612                | \$1,660                |
| Additional (Deferred) Maintenance          |                        |                        |                        |                        |                        |                        |
| <b>Total</b>                               | <b>\$2,367</b>         | <b>\$2,650</b>         | <b>\$2,532</b>         | <b>\$2,608</b>         | <b>\$2,686</b>         | <b>\$2,766</b>         |

14. Budgeting: Adequacy of Budgets for Needed Work 3 (Rating)

15. Date Discussed with Board of Directors 8/2/2005

EXPLANATORY NOTES

| ITEM NO. | COMMENTS   |
|----------|--|
| 3b.      | Telephone poles left standing next to electric poles need to be removed. |
| 3c.      | Servicemen will be directed to remove vines on poles.                    |

|              | TITLE                                      | DATE      |
|--------------|--|-----------|
| RATED BY:    | <i>David Martin</i><br>VP OPERATIONS       | 6/16/2005 |
| REVIEWED BY: | <i>Dudley Patton, Jr.</i><br>PRESIDENT/CEO | 6/16/2005 |
| REVIEWED BY: | <i>Min Nam</i><br>RUS GFR                  | 6/16/2009 |



United States Department of Agriculture  
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service  
Washington, DC 20250

June 16, 2005

SUBJECT: OPERATIONS AND MAINTENANCE SURVEY

TO: DUDLEY BOTTOM, PRESIDENT AND CEO  
SHELBY ENERGY COOPERATIVE

In accordance with 7 CFR 1730-1, a review and evaluation of your electric system and facilities as related to system operation and maintenance was made on June 16, 2005

The objectives of this review are to carry out RUS's responsibility for loan security and to assure that your electric plant is being operated and maintained in a safe and satisfactory condition and that you are providing an acceptable quality of service.

My review has indicated that your facilities are being adequately operated and maintained. There are only a couple of comments and recommendations for improvements:

- There are numerous telephone poles remaining close to the electric poles following line conversions. The telephone lines must be transferred and the telephone poles removed.
- Vines were observed on several poles. Servicemen should be directed to remove vines enroute to other jobs.

A handwritten signature in black ink, appearing to read "Mike Norman".

MIKE NORMAN  
RUS FIELD REPRESENTATIVE

|   |                                |
|---|--------------------------------|
| USDA-RUS<br><b>FINANCIAL AND STATISTICAL REPORT</b> | BORROWER DESIGNATION<br>KY0030 |
|   | PERIOD ENDED<br>12/2002        |
| INSTRUCTIONS-See RUS Bulletin 1717B-2               |                                |

**Part E. Changes in Utility Plant**

| PLANT ITEM                                | Balance<br>Beginning<br>of Year | Additions        | Retirements      | Adjustments<br>and Transfers | Balance<br>End of Year |
|---|---------------------------------|------------------|------------------|------------------------------|------------------------|
| Distribution Plant                        | 40,064,376                      | 3,624,782        | 1,015,043        | 0                            | 42,674,115             |
| General Plant                             | 1,436,196                       | 287,199          | 145,926          | 0                            | 1,577,469              |
| Headquarters Plant                        | 1,020,125                       | 0                | 0                | 0                            | 1,020,125              |
| Intangibles                               | 0                               | 0                | 0                | 0                            | 0                      |
| Transmission Plant                        | 0                               | 0                | 0                | 0                            | 0                      |
| All Other Utility Plant                   | 0                               | 0                | 0                | 0                            | 0                      |
| Total Utility Plant in Service (1 thru 6) | 42,520,697                      | 3,911,981        | 1,160,969        | 0                            | 45,271,709             |
| Construction Work in Progress             | 389,004                         | 0                | 0                | 0                            | 389,004                |
| <b>TOTAL UTILITY PLANT (7 + 8)</b>        | <b>42,909,701</b>               | <b>3,911,981</b> | <b>1,160,969</b> | <b>0</b>                     | <b>45,660,713</b>      |

**Part F. Materials and Supplies**

| ITEM       | Balance<br>Beginning<br>of Year<br>(a) | Purchased<br>(b) | Salvaged<br>(c) | Used (Net)<br>(d) | Sold<br>(e) | Adjustment<br>(f) | Balance<br>End of Year<br>(g) |
|------------|--|------------------|-----------------|-------------------|-------------|-------------------|-------------------------------|
| 1 Electric | 239,030                                | 796,928          | 1,306           | 819,413           | 1,728       | ( 3,569)          | 212,554                       |
| 2 Other    | 10,513                                 | 1,242            | 0               | 0                 | 4,365       | 0                 | 7,390                         |

**Part G. Service Interruptions**

| ITEM                | Avg Hours per<br>Consumer by<br>Cause<br>Power Supplier<br>(a) | Avg Hours per<br>Consumer by<br>Cause<br>Extreme Storm<br>(b) | Avg Hours per<br>Consumer by<br>Cause<br>Prearranged<br>(c) | Avg Hours per<br>Consumer by<br>Cause<br>All Other<br>(d) | TOTAL<br>(e) |
|---------------------|--|---|---|---|--------------|
| 1 Present Year      | 0.19   | 0.00  | 0.03  | 1.39  | 1.61         |
| 2 Five-Year Average | 0.50   | 0.67  | 0.04  | 2.13  | 3.34         |

**Part H. Employee-Hour and Payroll Statistics**

|  | Amount    |
|--|-----------|
| 1 Number of Full Time Employees          | 31        |
| 2 Employee - Hours Worked - Regular Time | 68,827    |
| 3 Employee - Hours Worked - Overtime     | 5,941     |
| 4 Payroll - Expensed                     | 1,001,043 |
| 5 Payroll - Capitalized                  | 644,496   |
| 6 Payroll - Other                        | 177,112   |

|   |                                |
|---|--------------------------------|
| USDA-RUS<br><b>FINANCIAL AND STATISTICAL REPORT</b> | BORROWER DESIGNATION<br>KY0030 |
|   | PERIOD ENDED<br>12/2003        |
| INSTRUCTIONS-See RUS Bulletin 1717B-2               |                                |

**Part E. Changes in Utility Plant**

| PLANT ITEM                                | Balance Beginning of Year | Additions        | Retirements    | Adjustments and Transfers | Balance End of Year |
|---|---------------------------|------------------|----------------|---------------------------|---------------------|
| Distribution Plant                        | 42,674,115                | 3,602,627        | 747,463        | 0                         | 45,529,279          |
| General Plant                             | 1,577,469                 | 361,750          | 250,858        | 0                         | 1,688,361           |
| Headquarters Plant                        | 1,020,125                 | 0                | 0              | 0                         | 1,020,125           |
| Intangibles                               | 0                         | 0                | 0              | 0                         | 0                   |
| Transmission Plant                        | 0                         | 0                | 0              | 0                         | 0                   |
| All Other Utility Plant                   | 0                         | 0                | 0              | 0                         | 0                   |
| Total Utility Plant in Service (1 thru 6) | 45,271,709                | 3,964,377        | 998,321        | 0                         | 48,237,765          |
| Construction Work in Progress             | 389,004                   | ( 26,396)        |                |                           | 362,608             |
| <b>TOTAL UTILITY PLANT (7 + 8)</b>        | <b>45,660,713</b>         | <b>3,937,981</b> | <b>998,321</b> | <b>0</b>                  | <b>48,600,373</b>   |

**Part F. Materials and Supplies**

| ITEM       | Balance Beginning of Year (a) | Purchased (b) | Salvaged (c) | Used (Net) (d) | Sold (e) | Adjustment (f) | Balance End of Year (g) |
|------------|-------------------------------|---------------|--------------|----------------|----------|----------------|-------------------------|
| 1 Electric | 212,554                       | 828,538       | 1,190        | 803,972        | 0        | ( 2,094)       | 236,216                 |
| 2 Other    | 7,390                         | 213           | 0            | 0              | 1,568    | 0              | 6,035                   |

**Part G. Service Interruptions**

| ITEM                | Avg. Hours per Consumer by Cause | Avg. Hours per Consumer by Cause | Avg. Hours per Consumer by Cause | Avg. Hours per Consumer by Cause | TOTAL |
|---------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------|
|                     | Power Supplier (a)               | Extreme Storm (b)                | Prearranged (c)                  | All Other (d)                    |       |
| 1 Present Year      | 0.23                             | 2.27                             | 0.01                             | 1.05                             | 3.56  |
| 2 Five-Year Average | 0.33                             | 0.66                             | 0.04                             | 2.01                             | 3.04  |

**Part H. Employee-Hour and Payroll Statistics**

|   | Amount    |
|---|-----------|
| 1. Number of Full Time Employees          | 31        |
| 2. Employee - Hours Worked - Regular Time | 68,102    |
| 3. Employee - Hours Worked - Overtime     | 6,802     |
| 4. Payroll - Expensed                     | 1,096,750 |
| 5. Payroll - Capitalized                  | 670,220   |
| 6. Payroll - Other                        | 178,809   |

|   |                                |
|---|--------------------------------|
| USDA-RUS<br><b>FINANCIAL AND STATISTICAL REPORT</b> | BORROWER DESIGNATION<br>KY0030 |
|   | PERIOD ENDED<br>12/2004        |

INSTRUCTIONS-See RUS Bulletin 1717B-2

**Part E. Changes in Utility Plant**

| PLANT ITEM                                | Balance Beginning of Year | Additions        | Retirements    | Adjustments and Transfers | Balance End of Year |
|---|---------------------------|------------------|----------------|---------------------------|---------------------|
| Distribution Plant                        | 45,529,279                | 3,259,854        | 522,171        | 0                         | 48,266,962          |
| General Plant                             | 1,688,361                 | 223,233          | 157,333        | 0                         | 1,754,261           |
| Headquarters Plant                        | 1,020,125                 | 0                | 0              | 0                         | 1,020,125           |
| Intangibles                               | 0                         | 0                | 0              | 0                         | 0                   |
| Transmission Plant                        | 0                         | 0                | 0              | 0                         | 0                   |
| All Other Utility Plant                   | 0                         | 0                | 0              | 0                         | 0                   |
| Total Utility Plant in Service (1 thru 6) | 48,237,765                | 3,483,087        | 679,504        | 0                         | 51,041,348          |
| Construction Work in Progress             | 362,608                   | 109,695          |                |                           | 472,303             |
| <b>TOTAL UTILITY PLANT (7 + 8)</b>        | <b>48,600,373</b>         | <b>3,592,782</b> | <b>679,504</b> | <b>0</b>                  | <b>51,513,651</b>   |

**Part F. Materials and Supplies**

| ITEM        | Balance Beginning of Year (a) | Purchased (b) | Salvaged (c) | Used (Net) (d) | Sold (e) | Adjustment (f) | Balance End of Year (g) |
|-------------|-------------------------------|---------------|--------------|----------------|----------|----------------|-------------------------|
| 1. Electric | 236,216                       | 749,386       | 617          | 727,613        | 7        | ( 155)         | 258,444                 |
| 2. Other    | 6,035                         | 58            | 0            | 0              | 50       | 0              | 6,043                   |

**Part G. Service Interruptions**

| ITEM                 | Avg. Hours per Consumer by Cause<br>Power Supplier (a) | Avg. Hours per Consumer by Cause<br>Extreme Storm (b) | Avg. Hours per Consumer by Cause<br>Prearranged (c) | Avg. Hours per Consumer by Cause<br>All Other (d) | TOTAL (e) |
|----------------------|--|---|---|---|-----------|
| 1. Present Year      | 0.02   | 2.89  | 0.04  | 1.04  | 3.99      |
| 2. Five-Year Average | 0.28   | 1.24  | 0.04  | 1.68  | 3.24      |

**Part H. Employee-Hour and Payroll Statistics**

|   | Amount    |
|---|-----------|
| 1. Number of Full Time Employees          | 30        |
| 2. Employee - Hours Worked - Regular Time | 68,304    |
| 3. Employee - Hours Worked - Overtime     | 6,956     |
| 4. Payroll - Expensed                     | 1,159,579 |
| 5. Payroll - Capitalized                  | 679,829   |
| 6. Payroll - Other                        | 189,218   |

|   |                                |
|---|--------------------------------|
| USDA-RUS<br><b>FINANCIAL AND STATISTICAL REPORT</b> | BORROWER DESIGNATION<br>KY0030 |
|   | PERIOD ENDED<br>12/2005        |
| INSTRUCTIONS-See RUS Bulletin 1717B-2               |                                |

**Part E. Changes in Utility Plant**

| PLANT ITEM                                | Balance Beginning of Year | Additions        | Retirements    | Adjustments and Transfers | Balance End of Year |
|---|---------------------------|------------------|----------------|---------------------------|---------------------|
| Distribution Plant                        | 48,266,962                | 3,753,900        | 777,247        | 0                         | 51,243,615          |
| General Plant                             | 1,660,665                 | 107,200          | 98,240         | 0                         | 1,669,625           |
| Headquarters Plant                        | 1,113,721                 | 18,963           | 0              | 0                         | 1,132,684           |
| Intangibles                               | 0                         | 0                | 0              | 0                         | 0                   |
| Transmission Plant                        | 0                         | 0                | 0              | 0                         | 0                   |
| All Other Utility Plant                   | 0                         | 0                | 0              | 0                         | 0                   |
| Total Utility Plant in Service (1 thru 6) | 51,041,348                | 3,880,063        | 875,487        | 0                         | 54,045,924          |
| Construction Work in Progress             | 472,303                   | ( 62,358)        | -              | -                         | 409,945             |
| <b>TOTAL UTILITY PLANT (7 + 8)</b>        | <b>51,513,651</b>         | <b>3,817,705</b> | <b>875,487</b> | <b>0</b>                  | <b>54,455,869</b>   |

**Part F. Materials and Supplies**

| ITEM       | Balance Beginning of Year (a) | Purchased (b) | Salvaged (c) | Used (Net) (d) | Sold (e) | Adjustment (f) | Balance End of Year (g) |
|------------|-------------------------------|---------------|--------------|----------------|----------|----------------|-------------------------|
| 1 Electric | 258,444                       | 965,903       | 675          | 914,748        | 42       | ( 8,805)       | 301,427                 |
| 2 Other    | 6,043                         | 38            | 0            | 0              | 3,357    | 0              | 2,724                   |

**Part G. Service Interruptions**

| ITEM                 | Avg. Hours per Consumer by Cause<br>Power Supplier (a) | Avg. Hours per Consumer by Cause<br>Extreme Storm (b) | Avg. Hours per Consumer by Cause<br>Prearranged (c) | Avg. Hours per Consumer by Cause<br>All Other (d) | TOTAL (e) |
|----------------------|--|---|---|---|-----------|
| 1. Present Year      | 0.05   | 0.00  | 0.01  | 1.08  | 1.14      |
| 2. Five-Year Average | 0.14   | 1.23  | 0.03  | 1.30  | 2.70      |

**Part H. Employee-Hour and Payroll Statistics**

|   | Amount    |
|---|-----------|
| 1. Number of Full Time Employees          | 31        |
| 2. Employee - Hours Worked - Regular Time | 66,890    |
| 3. Employee - Hours Worked - Overtime     | 5,346     |
| 4. Payroll - Expensed                     | 1,140,994 |
| 5. Payroll - Capitalized                  | 724,255   |
| 6. Payroll - Other                        | 178,070   |



| USDA - RUS   |   | BORROWER DESIGNATION              |                    |                                 |                            |                   |                            |
|--|---|-----------------------------------|--------------------|---------------------------------|----------------------------|-------------------|----------------------------|
| FINANCIAL AND STATISTICAL REPORT                       |   | KY0030                            |                    |                                 |                            |                   |                            |
| INSTRUCTIONS - See RUS Bulletin 1717B-2                |   | PERIOD ENDED                      |                    |                                 |                            |                   |                            |
|  |   | December, 2006                    |                    |                                 |                            |                   |                            |
| <b>PART E. CHANGES IN UTILITY PLANT</b>                |   |                                   |                    |                                 |                            |                   |                            |
| PLANT ITEM   | BALANCE BEGINNING OF YEAR<br>(a)  | ADDITIONS<br>(b)                  | RETIREMENTS<br>(c) | ADJUSTMENTS AND TRANSFER<br>(d) | BALANCE END OF YEAR<br>(e) |                   |                            |
| 1. Distribution Plant                                  | 51,243,615  | 3,471,643                         | 642,282            | 0                               | 54,072,976                 |                   |                            |
| 2. General Plant                                       | 1,669,625   | 398,667                           | 338,637            | 0                               | 1,729,655                  |                   |                            |
| 3. Headquarters Plant                                  | 1,132,684   | 10,177                            | 0                  | 0                               | 1,142,861                  |                   |                            |
| 4. Intangibles   | 0   |                                   |                    |                                 | 0                          |                   |                            |
| 5. Transmission Plant                                  | 0   |                                   |                    |                                 | 0                          |                   |                            |
| 6. All Other Utility Plant                             | 0   |                                   |                    |                                 | 0                          |                   |                            |
| 7. Total Utility Plant in Service (1 thru 6)           | 54,045,924  | 3,880,487                         | 980,919            | 0                               | 56,945,492                 |                   |                            |
| 8. Construction Work in Progress                       | 409,945   | (72,736)                          |                    |                                 | 337,209                    |                   |                            |
| 9. TOTAL UTILITY PLANT (7 + 8)                         | 54,455,869  | 3,807,751                         | 980,919            | 0                               | 57,282,701                 |                   |                            |
| <b>PART F. MATERIALS AND SUPPLIES</b>                  |   |                                   |                    |                                 |                            |                   |                            |
| ITEM   | BALANCE BEGINNING OF YEAR<br>(a)  | PURCHASED<br>(b)                  | SALVAGED<br>(c)    | USED (NET)<br>(d)               | SOLD<br>(e)                | ADJUSTMENT<br>(f) | BALANCE END OF YEAR<br>(g) |
| 1. Electric  | 301,427   | 1,185,566                         | 7,484              | 1,017,761                       | 2,717                      | (6,234)           | 467,765                    |
| 2. Other   | 2,724   | 76                                | 0                  | 0                               | 136                        | 0                 | 2,664                      |
| <b>PART G. SERVICE INTERRUPTIONS</b>                   |   |                                   |                    |                                 |                            |                   |                            |
| ITEM   | AVERAGE HOURS PER CONSUMER BY CAUSE   |                                   |                    |                                 | TOTAL<br>(e)               |                   |                            |
|  | POWER SUPPLIER<br>(a)   | EXTREME STORM<br>(b)              | PREARRANGED<br>(c) | ALL OTHER<br>(d)                |                            |                   |                            |
| 1. Present Year  | .15   | 7.23                              | .02                | 1.58                            | 8.98                       |                   |                            |
| 2. Five-Year Average                                   | .14   | 2.53                              | .02                | 1.23                            | 3.92                       |                   |                            |
| <b>PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS</b>    |   |                                   |                    |                                 |                            |                   |                            |
| 1. Number of Full Time Employees                       | 31  | 4. Payroll - Expensed             | 1,150,335          |                                 |                            |                   |                            |
| 2. Employee - Hours Worked - Regular Time              | 58,862  | 5. Payroll - Capitalized          | 747,061            |                                 |                            |                   |                            |
| 3. Employee - Hours Worked - Overtime                  | 6,591   | 6. Payroll - Other                | 197,598            |                                 |                            |                   |                            |
| <b>PART I. PATRONAGE CAPITAL</b>                       |   |                                   |                    |                                 |                            |                   |                            |
| ITEM   | DESCRIPTION   | THIS YEAR<br>(a)                  | CUMULATIVE<br>(b)  |                                 |                            |                   |                            |
| 1. Capital Credits - Distributions                     | a. General Retirements  | 425,235                           | 2,008,729          |                                 |                            |                   |                            |
|  | b. Special Retirements  | 130,449                           | 2,047,688          |                                 |                            |                   |                            |
|  | c. Total Retirements (a + b)  | 555,684                           | 4,056,417          |                                 |                            |                   |                            |
| 2. Capital Credits - Received                          | a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power                        |                                   |                    |                                 |                            |                   |                            |
|  | b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System | 33,905                            |                    |                                 |                            |                   |                            |
|  | c. Total Cash Received (a + b)  | 33,905                            |                    |                                 |                            |                   |                            |
| <b>PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE</b> |   |                                   |                    |                                 |                            |                   |                            |
| 1. AMOUNT DUE OVER 60 DAYS                             | \$ 13,865   | 2. AMOUNT WRITTEN OFF DURING YEAR | \$ 73,424          |                                 |                            |                   |                            |