INTER COUNTY
ENERGY COOPERATIVE

A Touchstone Energy Cooperative

February 16, 2007

RECEIVED
FEB 19 2007
PUBLIC SERVICE COMMISSION

Ms. Beth O'Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

Re: Administrative Case No. 2006-00494
An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities and Certain Reliability Maintenance Practices

Dear Ms. O'Donnell:

Please find enclosed the original and (6) copies of the information requested in Administrative Case No. 2006-00494, An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities and Certain Reliability Maintenance Practices for Inter-County Energy Cooperative Corporation, Second Data Request of Commission To Jurisdictional Electric Distribution Utilities.

Marvin Graham, Vice President-Operations, will be our witness for all items.

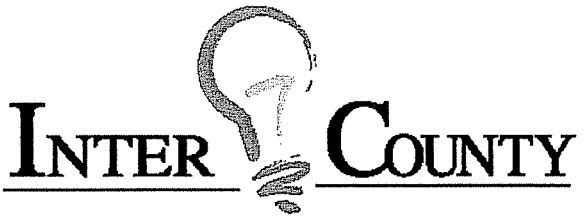
Should you need additional information concerning this filing, please contact this office.

Sincerely,

James L. Jacobus
President/CEO

JLJ/crl

P.O. Box 87 ◦ Danville, Kentucky 40423-0087 ◦ Phone (859) 236-4561 ◦ 1-888-266-7322 ◦ Fax (859) 236-3627



A Touchstone Energy® Cooperative

ADMINISTRATIVE
CASE NO. 2006-00494

Second Data Request of Commission Staff To Jurisdictional Electric Distribution Utilities

February 16, 2007

P. O. Box 87 • Danville, KY 40423-0087 • (859) 236-4561

1. Describe in detail how the company utilizes all of the reliability measures it monitors.

The monthly reliability measures are discussed at each Board of Directors meeting. The end of the year SAIDI is also discussed.

2. Has the company determined an appropriate operating range or performance threshold based on these measures? If yes, identify.

Inter-County Energy has not determined an appropriate operating range.

3. Describe in detail how the company develops formal plans to address its worst performing circuits. If the company does not develop such plans, indicate so in the response.

Inter-County Energy does not define circuit problems by reliability measures.

4. Why are momentary outages excluded?

Momentary outages are generally restored by equipment designed to clear temporary faults from a circuit. No one is dispatched to repair the distribution lines. Inter-County Energy does not have any equipment that monitors the restoration equipment.

5. Why are major event days or major storms excluded?

Inter-County Energy does not exclude major event days or major storms. SAIDI is broken down into Major Storm, Scheduled, Power Supplier and All Other and reported to RUS.

6. Provide a hard copy citing of the Rural Utilities Service ("RUS") reliability monitoring or reporting requirements or, in the alternative, provide an accessible Internet site.

See attached.

(3) *Periodic Instrument Check.* Run the salt solution two times and average the results. If the value is more than ±5 percent of the nominal value, the instrument needs further calibration, following manufacturer's recommendation.

(c) *Waterborne preservatives.* Treaters and inspection agencies should purchase AWPA Committee P-5 Standard Reference Materials to analyze on their instruments. Reference materials should be in the retention range of the material being produced at the plants. If the value is more than ±5 percent of the nominal value, the instrument needs further calibration. AWPA Committee P-5 Standard Reference Materials may be purchased from:

American Wood Preservers' Association, P.O. Box 286, Woodstock, Maryland 21163, Phone: (410) 456-3169.

[58 FR 41406, Aug. 3, 1993, as amended at 69 FR 18803, Apr. 9, 2004]

PART 1730—ELECTRIC SYSTEM OPERATIONS AND MAINTENANCE

Subpart A—General

Sec.

Subpart B—Operations and Maintenance Requirements

AUTHORITY: 7 U.S.C. 901 *et seq.*, 1921 *et seq.*, 6941 *et seq.*

SOURCE: 63 FR 3450, Jan. 23, 1998, unless otherwise noted.

Subpart A—General

§ 1730.1 Introduction.

(a) This part contains the policies and procedures of the Rural Utilities Service (RUS) related to electric borrowers' operation and maintenance practices and RUS' review and evaluation of such practices.

(b) The policies and procedures included in this part apply to all electric borrowers (both distribution borrowers and power supply borrowers) and are intended to clarify and implement certain provisions of the security instrument and loan contract between RUS and electric borrowers regarding operations and maintenance. This part is not intended to waive or supersede any provisions of the security instrument and loan contract between RUS and electric borrowers.

(c) The Administrator may waive, for good cause, on a case by case basis, certain requirements and procedures of this part.

§ 1730.2 RUS policy.

It is RUS policy to require that all property of a borrower be operated and maintained properly in accordance with the requirements of each borrower's loan documents. It is also RUS policy to provide financial assistance only to borrowers whose operations and maintenance practices and records are satisfactory or to those who are taking corrective actions expected to make their operations and maintenance practices and records satisfactory to RUS.

§ 1730.3 RUS addresses.

(a) Persons wishing to obtain forms referred to in this part should contact: Program Support and Regulatory Analysis, Rural Utilities Service, U.S. Department of Agriculture, Stop 1522, 1400 Independence Ave., SW., Washington, DC 20250-1522, telephone (202) 720-8674. Borrowers or others may reproduce any of these forms in any number required.

(b) Documents required to be submitted to RUS under this part are to be sent to the office of the borrower's assigned RUS General Field Representative (GFR) or such other office as designated by RUS.

§ 1730.4 Definitions.

Terms used in this part have the meanings set forth in 7 CFR Part 1710.2. References to specific RUS forms and other RUS documents, and

to specific sections or lines of such forms and documents, shall include the corresponding forms, documents, sections and lines in any subsequent revisions of these forms and documents. In addition to the terms defined in 7 CFR Part 1710.2, the term *Prudent Utility Practice* has the meaning set forth in Article 1, Section 1.01 of Appendix A to Subpart B of 7 CFR Part 1718—Model Form of Mortgage for Electric Distribution Borrowers, for the purposes of this Part.

§§ 1730.5–1730.19 [Reserved]

Subpart B—Operations and Maintenance Requirements

§ 1730.20 General.

Each electric program distribution, transmission and generation borrower (as defined in § 1710.2) shall operate and maintain its system in compliance with prudent utility practice, in compliance with its loan documents, and in compliance with all applicable laws, regulations and orders, shall maintain its systems in good repair, working order and condition, and shall make all needed repairs, renewals, replacements, alterations, additions, betterments and improvements, in accordance with applicable provisions of the borrower's security instrument. Each borrower is responsible for on-going operations and maintenance programs, individually or regionally performing a system security Vulnerability and Risk Assessment (VRA), establishing and maintaining an Emergency Restoration Plan (ERP), maintaining records of the physical, cyber and electrical condition and security of its electric system and for the quality of services provided to its customers The borrower is also responsible for all necessary inspections and tests of the component parts of its system, and for maintaining records of such inspections and tests. Each borrower shall budget sufficient resources to operate and maintain its system and annually exercise its ERP in accordance with the requirements of this part. An actual manmade or natural event on the borrowers system in which a borrower utilizes a significant portion of its ERP shall count as an annual exercise for that calendar year, provided that after conclusion of the event, the borrower verifies accuracy of the emergency points-of-contact (POC) and the associated contact numbers as listed in their ERP. For portions of the borrower's system that are not operated by the borrower, if any, the borrower is responsible for ensuring that the operator is operating and maintaining the system properly in accordance with the operating agreement.

[69 FR 60540, Oct. 12, 2004]

§ 1730.21 Inspections and tests.

(a) Each borrower shall conduct all necessary inspections and tests of the component parts of its electric system, annually exercise its ERP, and maintain records of such inspections and tests. For the purpose of this part, "Exercise" means a borrower's Tabletop execution of, or actual implementation of, the ERP to verify the operability of the ERP. Such Exercise may be performed singly by an individual borrower, or as an active participant in a multi-party (to include utilities, government agencies and other participants or combination thereof) Tabletop execution or actual full implementation of the ERP. For the purpose of this part, "Tabletop" means a hypothetical emergency response scenario in which participants will identify the policy, communication, resources, data, coordination, and organizational elements associated with an emergency response.

(b) The frequency of inspection and testing will be determined by the borrower in conformance with applicable laws, regulations, national standards, and Prudent Utility Practice. The frequency of inspection and testing will be determined giving due consideration to the type of facilities or equipment, manufacturer's recommendations, age, operating environment and hazards to which the facilities are exposed, consequences of failure, and results of previous inspections and tests. The records of such inspections and tests will be retained in accordance with applicable regulatory requirements and Prudent Utility Practice. The retention period should be of a sufficient time period to identify long-term trends. Records must be retained at

least until the applicable inspections or tests are repeated.

(c) Inspections of facilities must include a determination of whether the facility complies with the National Electrical Safety Code, National Electrical Code (as applicable), and applicable State or local regulations and whether additional security measures are considered necessary to reduce the vulnerability of those facilities which, if damaged or destroyed, would severely impact the reliability and security of the electric power grid, cause significant risk to the safety and health of the public and/or impact the ability to provide service to consumers over an extended period of time. The electric power grid, also known as the transmission grid, consists of a network of electrical lines and related facilities, including certain substations, used to connect distribution facilities to generation facilities, and includes bulk transmission and subtransmission facilities as defined in §1710.2 of this title. Any serious or life-threatening deficiencies shall be promptly repaired, disconnected, or isolated in accordance with applicable codes or regulations. Any other deficiencies found as a result of such inspections and tests are to be recorded and those records are to be maintained until such deficiencies are corrected or for the retention period required by paragraph (b) of this section, whichever is longer.

[63 FR 3450, Jan. 23, 1998, as amended at 69 FR 60540, Oct. 12, 2004]

§ 1730.22 Borrower analysis.

(a) Each borrower shall periodically analyze and document its security, operations and maintenance policies, practices, and procedures to determine if they are appropriate and if they are being followed. The records of inspections and tests are also to be reviewed and analyzed to identify any trends which could indicate deterioration in the physical or cyber condition or the operational effectiveness of the system or suggest a need for changes in security, operations or maintenance policies, practices and procedures. For portions of the borrower's system that are not operated by the borrower, if any, the borrower's written analysis would also include a review of the operator's performance under the operating agreement.

(b) When a borrower's security, operations and maintenance policies, practices, and procedures are to be reviewed and evaluated by RUS, the borrower shall:

(1) Conduct the analysis required by paragraph (a) of this section not more than 90 days prior to the scheduled RUS review;

(2) Complete RUS Form 300, Review Rating Summary, and other related forms, prior to RUS' review and evaluation; and

(3) Make available to RUS the borrower's completed RUS Form 300 (including a written explanation of the basis for each rating) and records related to the operations and maintenance of the borrower's system.

(c) For those facilities not included on the RUS Form 300 (e.g., generating plants), the borrower shall prepare and complete an appropriate supplemental form for such facilities.

[63 FR 3450, Jan. 23, 1998, as amended at 69 FR 60541, Oct. 12, 2004]

§ 1730.23 Review rating summary, RUS Form 300.

RUS Form 300 in Appendix A shall be used when required by this part.

§ 1730.24 RUS review and evaluation.

RUS will initiate and conduct a periodic review and evaluation of the operations and maintenance practices of each borrower for the purpose of assessing loan security and determining borrower compliance with RUS policy as outlined in this part. This review will normally be done at least once every three years. The borrower will make available to RUS the borrower's policies, procedures, and records related to the operations and maintenance of its complete system. Reports made by other inspectors (e.g., other Federal agencies, State inspectors, etc.) will also be made available, as applicable. RUS will not duplicate these other reviews but will use their reports to supplement its own review. RUS may inspect facilities, as well as records, and may also observe construction and maintenance work in the field. Key borrower personnel responsible for the facilities being inspected

are to accompany RUS during such inspections, unless otherwise determined by RUS. RUS personnel may prepare an independent summary of the operations and maintenance practices of the borrower. The borrower's management will discuss this review and evaluation with its Board of Directors.

§ 1730.25 Corrective action.

(a) For any items on the RUS Form 300 rated unsatisfactory (i.e., 0 or 1) by the borrower or by RUS, the borrower shall prepare a corrective action plan (CAP) outlining the steps (both short term and long term) the borrower will take to improve existing conditions and to maintain an acceptable rating. The CAP must include a time schedule and cost estimate for corrective actions, and must be approved by the borrower's Board of Directors. The CAP must be submitted to RUS for approval within 90 days after the completion of RUS' evaluation noted in § 1730.24.

(b) The borrower must periodically report to RUS in writing progress under the CAP. This report must be submitted to RUS every six months until all unsatisfactory items are corrected unless RUS prescribes a different reporting schedule.

§ 1730.26 Certification.

(a) *Engineer's certification.* Where provided for in the borrower's loan documents, RUS may require the borrower to provide an "Engineer's Certification" as to the condition of the borrower's system (including, but not limited to, all mortgaged property.) Such certification shall be in form and substance satisfactory to RUS and shall be prepared by a professional engineer satisfactory to RUS. If RUS determines that the Engineer's Certification discloses a need for improvements to the condition of its system or any other operations of the borrower, the borrower shall, upon notification by RUS, promptly undertake to accomplish such improvements.

(b) *Emergency Restoration Plan certification.* The borrower's Manager or Chief Executive Officer shall provide written certification to RUS stating that a VRA has been satisfactorily completed that meets the criteria of § 1730.27 (a), (b), (c), or (d), as applicable and § 1730.27(e)(1) through (e)(8), and that the borrower has an ERP that meets the criteria of § 1730.28 (a), (b), (c), or (d), as applicable, *and* § 1730.28 (e), (f), and (g). The written certification shall be in letter form. Applicants for new RUS electric loans, loan guarantees or grants shall include the written certification in the application package submitted to RUS. If the self-certification of an ERP and VRA are not received as set forth in this section, approval of the loan, loan guarantees or grants will not be considered until the certifications are received by RUS.

[63 FR 3450, Jan. 23, 1998, as amended at 69 FR 60541, Oct. 12, 2004]

§ 1730.27 Vulnerability and Risk Assessment (VRA).

(a) Each borrower with an approved RUS electric program loan as of October 12, 2004 shall perform an initial VRA of its electric system no later than July 12, 2005. Additional or periodic VRA's may be necessary if significant changes occur in the borrower's system, and records of such additional assessments shall be maintained by the borrower.

(b) Each applicant that has submitted an application for an RUS electric program loan or grant prior to October 12, 2004, but whose application has not been approved by RUS by such date, shall perform an initial VRA of its electric system in accordance with § 1730.27(a).

(c) Each applicant that submits an application for an RUS electric program loan or grant between October 12, 2004 and July 12, 2005 shall perform an initial VRA of its electric system in accordance with § 1730.27(a).

(d) Each applicant that submits an application for an RUS electric program loan or grant on or after July 12, 2005 shall include with its application package a letter certification that such applicant has performed an initial VRA of its electric system. Additional or periodic VRA's may be necessary if significant changes occur in the borrower's system, and records of such additional assessments shall be maintained by the borrower.

(e) The VRA shall include identifying:

(1) Critical assets or facilities considered necessary for the reliability and security of the electric power grid as described in § 1730.21(c);

(2) Facilities that if damaged or destroyed would cause significant risk to the safety and health of the public;

(3) Critical assets or infrastructure owned or served by the borrower's electric system that are determined, identified and communicated as elements of national security by the consumer, State or Federal government;

(4) External system impacts (interdependency) with loss of identified system components;

(5) Threats to facilities and assets identified in paragraphs (e)(1), (e)(2), (e)(3), and (e)(4) of this section;

(6) Criticality and risk level of the borrower's system;

(7) Critical asset components and elements unique to the RUS borrower's system; and

(8) Other threats, if any, identified by an individual borrower.

[69 FR 60541, Oct. 12, 2004]

§ 1730.28 Emergency Restoration Plan (ERP).

(a) Each borrower with an approved RUS electric program loan as of October 12, 2004 shall have a written ERP no later than January 12, 2006. The ERP should be developed by the borrower individually or in conjunction with other electric utilities (not all having to be RUS borrowers) through the borrower's unique knowledge of its system, prudent utility practices (which includes development of an ERP) and the borrower's completed VRA. If a joint electric utility ERP is developed, each RUS borrower shall prepare an addendum to meet the requirements of paragraphs (e), (f), and (g) of this section as it relates to its system.

(b) Each applicant that has submitted an application for an RUS electric program loan or grant prior to October 12, 2004, but whose application has not been approved by RUS by such date, shall have a written ERP in accordance with § 1730.28(a).

(c) Each applicant that submits an application for an RUS electric program loan or grant between October 12, 2004 and January 12, 2006, shall have a written ERP in accordance with § 1730.28(a).

(d) Each applicant that submits an application for an RUS electric program loan or grant on or after January 12, 2006 shall include with its application package a letter certification that such applicant has a written ERP.

(e) The ERP shall include:

(1) A list of key contact emergency telephone numbers (emergency agencies, borrower management and other key personnel, contractors and equipment suppliers, other utilities, and others that might need to be reached in an emergency);

(2) A list of key utility management and other personnel and identification of a chain of command and delegation of authority and responsibility during an emergency;

(3) Procedures for recovery from loss of power to the headquarters, key offices, and/or operation center facilities;

(4) A Business Continuity Section describing a plan to maintain or re-establish business operations following an event which disrupts business systems (computer, financial, and other business systems); and

(5) Other items, if any, identified by the borrower as essential for inclusion in the ERP.

(f) The ERP must be approved and signed by the borrower's Manager or Chief Executive Officer, and approved by the borrower's Board of Directors

(g) Copies of the most recent approved ERP must be made readily available to key personnel at all times.

(h) The ERP shall be Exercised at least annually to ensure operability and employee familiarity. Completion of the first exercise of the ERP must occur on or before January 12, 2007.

(i) If modifications are made to an existing ERP:

(1) The modified ERP must be prepared in compliance with the provisions of paragraphs (e), (f), and (g) of this section; and

(2) Additional Exercises may be necessary to maintain employee operability and familiarity.

(j) Each borrower shall maintain records of such Exercises

[69 FR 60541, Oct. 12, 2004]

§ 1730.29 Grants and Grantees.

For the purposes of this part, the terms "borrower" shall include recipients of RUS electric program grants, and "applicant" shall include applicants for such grants. References to "security documents" shall, with respect to recipients of RUS electric program grants, include grant agreements and other grant-related documents.

[69 FR 60541, Oct. 12, 2004]

§§ 1730.30-1730.99 [Reserved]

APPENDIX A TO SUBPART B OF PART 1730—REVIEW RATING SUMMARY, RUS FORM 300

Borrower Designation _____
Date Prepared _____

Ratings on form are:

0: Unsatisfactory—no records
1: Unsatisfactory—corrective action needed
2: Acceptable, but should be improved—see attached recommendations
3: Satisfactory—no additional action required at this time
N/A: Not applicable

PART I—TRANSMISSION and DISTRIBUTION FACILITIES

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

PART II—OPERATION AND MAINTENANCE

6. Line Maintenance and Work Order Procedures
   a. Work Planning and Scheduling—Rating: _____
   b. Work Backlogs: Right-of-Way Maintenance—Rating: _____
   Work Backlogs: Poles—Rating: _____
   Work Backlogs: Retirement of Idle Services—Rating: _____
   Work Backlogs: Other—Rating: _____
7. Service Interruptions
   a. Average Annual Hours/Consumer by Cause (Complete for each of the previous 5 years)
   1. Power Supplier _____
   2. Major Storm _____
   3. Scheduled _____
   4. All Other _____
   5. Total _____
   Rating: _____
   b. Emergency Restoration Plan—Rating: _____
8. Power Quality
   General Freedom from Complaints—Rating: _____
9. Loading and Load Balance
   a. Distribution Transformer Loading—Rating: _____
   b. Load Control Apparatus—Rating: _____
   c. Substation and Feeder Loading—Rating: _____
10. Maps and Plant Records
   a. Operating Maps: Accurate and Up-to-Date—Rating: _____
   b. Circuit Diagrams—Rating: _____
   c. Staking Sheets—Rating: _____

PART III—ENGINEERING

11. System Load Conditions and Losses
   a. Annual System Loses. _____%—Rating: _____
   b. Annual Load Factor. _____%—Rating: _____

c. Power Factor at Monthly Peak, _____%—Rating:_____
d. Ratio of Individual Substation Peak kW to kVA, _____—Rating:_____
12. Voltage Conditions
a. Voltage Surveys—Rating:_____
b. Substation Transformer Output Voltage Spread—Rating:_____
13. Load Studies and Planning
a. Long Range Engineering Plan—Rating:_____
b. Construction Work Plan—Rating:_____
c. Sectionalizing Study—Rating:_____
d. Load Data for Engineering Studies—Rating:_____
e. Load Forecasting Data—Rating:_____

PART IV—OPERATION AND MAINTENANCE BUDGETS

For Previous 2 Years:
Normal Operation—Actual $_____
Normal Maintenance—Actual $_____
Total—Actual $_____
For Present Year:
Normal Operation—Budget $_____
Normal Maintenance—Budget $_____
Total—Budget $_____
For Future 3 Years:
Normal Operation—Budget $_____
Normal Maintenance—Budget $_____
Additional (Deferred) Maintenance—Budget $_____
Total—Budget $_____
14. Budgeting:
Adequacy of Budgets For Needed Work—Rating:_____
15. Date Discussed with Board of Directors _____
Remarks: _____

EXPLANATORY NOTES

Item No. _____ Comments _____
Rated by _____ _____ Title _____ Date _____
Reviewed by _____ Manager _____ Date _____
Reviewed by _____ RUS GFR _____ Date _____

PART 1735—GENERAL POLICIES, TYPES OF LOANS, LOAN REQUIREMENTS—TELECOMMUNICATIONS PROGRAM

Subpart A—General

Sec.

Subpart B—Loan Purposes and Basic Policies

Subpart C—Types of Loans

Subpart D—Terms of Loans

Subpart E—Basic Requirements for Loan Approval

Subpart F—Mortgage Controls on Acquisitions and Mergers

Subpart G—Acquisitions Involving Loan Funds

7. Provide and describe in detail any service restoration or outage response procedure utilized.

Inter-County Energy's territory is divided into service areas. During the normal workday, Service Technicians are assigned to each of these areas. When an outage call is received from a customer, the location of the outage is noted and the Service Technician assigned to the area is dispatched to evaluate and repair the problem. In most cases, the Service Technician can repair the problem.

If the evaluation concludes the problem is not repairable by the Service Technician, additional work forces are called to assist. If the outage occurs after hours, the call center notifies the on-call Service Technician. He proceeds to the outage location to make an evaluation and if possible, correct the problem. If additional work force is needed, the on-call Service Technician calls for help.

8. Refer to the RUS drawing M1.30G "RIGHT-OF-WAY CLEARING GUIDE" ("ROW Guide"), a copy has been provided in Appendix A.

a. Is this type of clearance requirement appropriate for all areas of a distribution system? If not, what types of exclusions or exceptions should be made?

As a guide only, yes. Unlike other right-of-way requirements, distribution line construction has to be responsive to the needs of the customer. It requires the crossing of lands not owned by the customer requiring service. Distribution right-of-way is asked for, and given in most cases, without cost to the customer of the Co-op. This is not the case with transmission line right-of-way. Transmission right-of-way is bought and paid for. Distribution line right-of-way affects every Co-op customer served.

Transmission lines serve large load centers and only affect a small number of land owners. There is far more miles of distribution right-of-way than there is of transmission right-of-way. In many cases the right-of-way is obtained without a formal written agreement, only a hand shake of good faith. At Inter-County Energy, a 60-foot right-of-way is our goal. However, the rights of the land owner must be respected and that includes the amount of land that can be acquired for right-of-way or cleared to construct the distribution line.

b. If the distribution utility is not already following this guide, provide an estimate of the cost and timeline to implement.

As stated in 8(a), Inter-County Energy's goal is a 60-foot distribution right-of-way. However, it is our member-owners that determine if the right-of-way clearance can be obtained.

9. Refer to North American Electric Reliability Corporation ("NREC") standard FAC-003-1 "Transmission Vegetation Management Program" ("NERC Standard"), a copy is attached in Appendix B.

a. Does the company prefer the type of standard described in the NERC Standard over the type of standard described in the ROW Guide? Explain why you prefer one over the other.

Inter-County Energy would prefer the ROW Guide to the NERC Standard. A visual guide can be shown to the customer and/or the land owner.

b. Refer to section R3 of the NERC Standard and substitute "distribution" for "transmission". Is the distribution utility capable of meeting the reporting requirements described in the section? If not, why not?

The NERC Standard gives a list of reportable exclusions. Inter-County Energy's outages don't define the outages to degree required. Inter-County Energy's right-of-ways are not defined in a manner that would allow for the determination of where the problem came from, inside the right-of-way or outside the right-of-way.

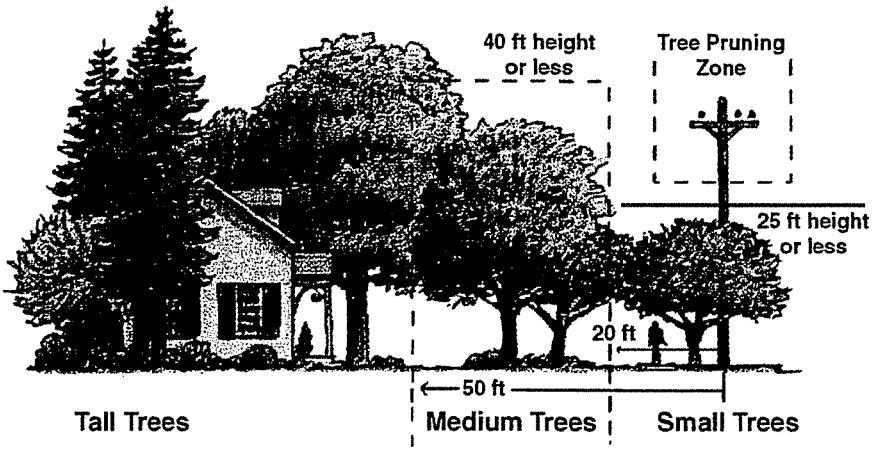
c. Again referring to section R3 as applied to distribution, how many sustained outages would be reportable for the calendar year 2006?

The 2006 outages cannot be broken down to meet the NERC Standard. There were 1,238 sustained outages corrected by Inter-County Energy in 2006, of which 137 were caused by trees. Of these 137 tree-related outages, 14 were caused by humans cutting trees into distribution lines.

10. Provide and discuss any right-of-way maintenance standard which is preferable to those identified in questions 1 and 2 above.

See attachment. This guide was published by Inter-County Energy in the November 2006 issue of the Kentucky Living.

Right-of-way clearing is essential



Right-of-way clearing, including tree removal and trimming, is an important aspect of Inter-County Energy's goal of delivering power to you that is safe, reliable, and affordable, as well as environmentally responsible.

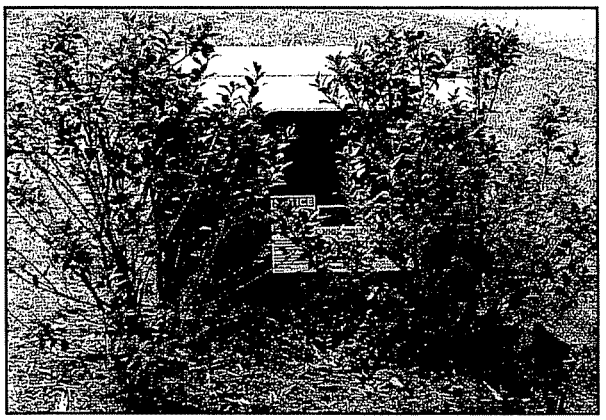
In fact, the cooperative's right-of-way maintenance program can help reduce outages caused by branches falling on lines, shrubbery interfering with voltage levels, or weeds making access to electric facilities difficult.

The Kentucky Public Service Commission requires that all electric utilities under its jurisdiction maintain their right-of-way areas.

Inter-County Energy must trim trees and clear undergrowth that could pose safety or reliability problems in order to prevent possible injury and/or power outages.

The cooperative has the right to prune a tree without a member's permission if it extends into the roadway. If the tree is on private property, the cooperative can trim the tree if it is within the utility easement signed by the landowner when the power line was built. Before the co-op enters private property to cut right-of-way prior notification is given when possible. Members also grant to the cooperative permission to maintain right-of-way for the purpose of power delivery when they sign up for service and become a member of the cooperative.

The number of trips crews must make to maintain right-of-ways are reduced when customers allow Inter-County Energy to prune back undergrowth and trim trees as much as possible. This helps control cost especially during this period of rising fuel cost.



In Violation. Never block access to pad-mounted equipment, such as transformers, switches, and junction boxes. Shrubs, fences, and other structures must be at least 8 feet from the locked front side of such equipment and at least 3 feet from the other sides.

Administrative Case No. 2006-00494

25. Can Inter-County monitor SAIFI and CAIDI in addition to SAIDI?

Inter-County Energy has not calculated year-end SAIFI and CAIDI, but yes it can.

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(Copy of Second Data Request responses for abovementioned case mailed by regular U.S. Mail to all listed parties.)

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