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April 10, 2007

RECEIVED

APR 13 2007

PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 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
Informal Conference Response**

Ms. O'Donnell:

Please find enclosed the original and six (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 South Kentucky Rural Electric Cooperative Corporation.

Should you need additional information concerning this filing, please contact Carol Wright, Chief Operation Officer at 606-451-4160.

Sincerely,

A handwritten signature in cursive script that reads 'Allen Anderson' with a small 'CW' or similar mark below it.

Allen Anderson
President/CEO

cc: Parties of Record

**KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
Response Due Date: April 13, 2007**

4. Staff Summary of Responses

Bullet No. 4:

- The RECCs appear to be subject to more requirements, mainly in terms of reporting, than the investor-owned companies.

Sub-Bullet No. 3:

REQUEST:

- According to RUS Bulletin 1730-1, and RECC that is an RUS borrower is required to have a written plan detailing how to restore its system in the event of a system wide outage. The Bulletin also requires the RECCs to report reliability measures in Section 7 of RUS form, which must be completed every 3 years. If reliability is lower than satisfactory, the reporting RECC is to include in the explanatory notes section of RUS Form 300 a list of items rated as unsatisfactory along with comments indicating the action or implementation proposed. (Each RECC should provide FORM 300 for the past 5 years to the PSC staff)

RESPONSE:

See Attachment A Form 300 dated December 13, 2006.
Attachment B Form 300 dated December 11, 2003.

WITNESS RESPONSIBLE: CAROL WRIGHT

KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
Response Due Date: April 13, 2007

Sub-Bullet No. 6

REQUEST:

- RUS Bulletin 1717B-2 provides instructions on submission of operating reports to RUS. It includes financial and statistical reports. Part G, Service Interruptions requires the RECCs provide average hours of interruptions per consumer for service interruptions caused by: the Power Supplier, Major Event, Planned interruptions, and all Other interruptions. The RECCs must also report their total interruptions for the present year as well as a five-year average of their interruptions. (Each RECC should provide a copy of RUS Form 7, Part G for the past 5 years to the PSC staff)

RESPONSE:

See Attachment C RUS Form 7, Part G for the past 5 years.

WITNESS RESPONSIBLE: CAROL WRIGHT

KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
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5. Staff Questions:

REQUEST:

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, or Topping be allowed?

RESPONSE:

All of the different types of pruning shown in Handout No.1 should be allowed, including topping. Electric utilities need the flexibility to use many different methods of pruning depending on the situation. While topping may not be an ideal solution, it is sometimes the only solution to safely remove tree branches in or near distribution lines. A topped tree may still provide benefit to a property owner. The utilities need the flexibility to take care of the right-of-way problem in a way that leaves the member as satisfied as possible. We most likely will be back to that member many times in the future asking for right-of-way again so keeping good relations are critical.

REQUEST:

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?

RESPONSE:

Members sign an application for electric service that states the applicant grants the cooperative a right-of-way easement allowing access to the property and also grants the cooperative the right to clear the right-of-way. (See attachment D)

For right-of-way across property owners that are not applying for service, an easement is generally signed. However, there are circumstances where the property owner will not sign an easement and will only give verbal permission to access their property or clear the right-of-way.

WITNESS RESPONSIBLE: CAROL WRIGHT

**KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
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7. **Staff Guidance for testimony:**

• **Reliability reporting requirement**

Sub-Bullet No. 1:

REQUEST:

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

RESPONSE:

Reporting the reliability information to the PSC is not a concern. This data is reported to RUS and the PSC also has a copy. However, a serious concern is how the PSC would review this data and compare utilities across the state. Every utility is unique and this data would vary so vastly that we are not sure how it could be beneficial to the PSC or other utilities.

Sub-Bullet No. 2:

REQUEST:

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

RESPONSE:

We do not feel that the PSC should develop criteria for recording and reporting reliability information. Each utility has vast differences in terrain and other operating conditions. In addition, unavoidable events creating outages such as severe storms may affect some utilities and not others. We currently have criteria to follow with RUS, which seem sufficient and do not see the need for the PSC to duplicate with additional criteria.

WITNESS RESPONSIBLE: CAROL WRIGHT

**KYPSC Informal Conference Response
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Sub-Bullet No. 3:

REQUEST:

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

RESPONSE:

We do not believe it would be appropriate to require reporting by substation, circuit, or a level smaller than the entire system. If the PSC needs to investigate a complaint or case involving a specific substation or circuit, it would be more appropriate at that time to request this information.

Sub-Bullet No: 4:

REQUEST:

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

RESPONSE:

We have many concerns with sharing this type of information with the public. The general public does not have the training to properly interpret this type of data and could reach conclusions that are not correct concerning a utility's performance. In addition, each utility has different budgetary constraints that may not allow them to make all system upgrades at one time, but have a developed plan of action that is prioritized and followed with their budget means.

WITNESS RESPONSIBLE: CAROL WRIGHT

KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
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- **Reliability performance standard**

Sub-Bullet No. 1:

REQUEST:

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

RESPONSE:

The RUS standard cited is appropriate. However, even when a utility fails to meet such a standard there may be legitimate reasons such as a devastating system-wide ice storm, severe tornados, or other catastrophic events. Failing to meet a standard may call attention to a particular situation, but common sense must still be used to analyze the situation.

Sub-Bullet No. 2:

REQUEST:

- **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?**

RESPONSE:

We do not believe that either a utility by utility basis or circuit by circuit basis is appropriate. The terrain, operating conditions, and customer densities between different utilities and different circuits within an individual utility vary tremendously.

The PSC investigates a situation to make sure the utility used good judgment regarding the circumstances at hand and accomplished and an acceptable result.

WITNESS RESPONSIBLE: CAROL WRIGHT

**KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
Response Due Date: April 13, 2007**

Sub-Bullet No. 3:

REQUEST:

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

RESPONSE:

The RUS guidelines have been sufficient for electric cooperatives and corrective actions are established if the cooperative fails to meet these guidelines. Electric cooperatives have performance standards currently in place that work if followed and additional standards would just create additional unnecessary burden on the cooperatives for no benefit.

WITNESS RESPONSIBLE: CAROL WRIGHT

KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
Response Due Date: April 13, 2007

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

Sub-Bullet No. 1:

REQUEST:

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

RESPONSE:

We feel that it would be inappropriate for the PSC to define such a standard. Requiring such a standard would immediately put us into conflict with our members and other property owners. To serve our members, we must be in close proximity to their homes and work harmoniously with them concerning trees and other aspects of their property. Implementing this type of standard would cause bad member relations and in some instances, legal action. Our ability to extend lines to future members would be hampered. The cost to deal with all the problems would be tremendous and this would increase costs to our members thru rates. This also would make it very difficult to get free right-of-way from members.

Sub-Bullet No. 2:

REQUEST:

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

RESPONSE:

We do not feel that such a standard should be created. However, if the PSC makes such a decision, then the least level of detail possible would be our choice leaving the utility with some flexibility and common sense judgment based on the given circumstances.

WITNESS RESPONSIBLE: CAROL WRIGHT

**KYPSC Informal Conference Response
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Sub-Bullet No. 3:

REQUEST:

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

RESPONSE:

It would not be an advantage for our utility. Even though we might be able to state that it was a PSC requirement, we would still have to be compassionate with our angry members. Also, we do not feel that it would change the attitude of the members and property owners toward us, because we would still be the ones working with them face-to-face. They have the option to call the PSC with a complaint but the complaint is then handed back to the utility to resolve. Our members look to us to resolve issues and not a government entity such as the PSC and we want to show our concerns for them and try to resolve these issues satisfactory without having to involve the PSC>

WITNESS RESPONSIBLE: CAROL WRIGHT

**KYPSC Informal Conference Response
South Kentucky Rural Electric Cooperative Corporation
Case No. 2006-00494
Response Due Date: April 13, 2007**

Sub-Bullet No. 4:

REQUEST:

- **Are there disadvantages?**

RESPONSE:

We feel that there are many disadvantages. As previously stated, member relations and added expense are major concerns. The greatest disadvantage is that the ability for our experienced employees to make site-specific decisions about what course of action should be followed would be taken away from us. A ROW standard created by the PSC could also come into conflict at some locations with other governmental agencies such as the Corps of Engineers or the United States Forest Service. We must work closely and harmoniously with agencies such as these, because at many places we are on their property by their permission.

Perhaps the greatest disadvantage to a strict ROW standard is that it could create a situation where a new member could not obtain service because an adjacent property owner would not give right-of-way for us to build a new line. Even if it could be resolved in the court system, it is not likely that it could be resolved very quickly, and strained relations with the general public can be long lasting and hard to heal

WITNESS RESPONSIBLE: CAROL WRIGHT



United States Department of Agriculture
Rural Development

Rural Business--Cooperative Service • Rural Housing Service • Rural Utilities Service
December 13, 2006 Washington, DC 20250

SUBJECT: OPERATIONS AND MAINTENANCE SURVEY

TO: ALLEN ANDERSON, HEAD COACH & CEO
SOUTH KENTUCKY RECC

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 December 13, 2006.

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 and you have an effective O & M program supported by proper records.

We observed several telephone poles left standing next to electric poles which need to be removed. According to your staff cable TV attachments require constant follow-up to ensure code compliance.

A more aggressive right-of-way clearing program has been implemented. I recommend continuing this program.

The report of idle services should be reconciled with billing records and adjusted accordingly.

A handwritten signature in cursive script, appearing to read "Mike Norman".

MIKE NORMAN
RUS FIELD REPRESENTATIVE

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0025. The time required to complete this information collection 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.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE REVIEW RATING SUMMARY						BORROWER DESIGNATION KY 54	
						DATE PREPARED December 13, 2006	
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							
1. Substations (Transmission and Distribution) (Rating)				4. Distribution - Underground Cable (Rating)			
a Safety, Clearance, Code Compliance				a Grounding and Corrosion Control			
NA				3			
b Physical Conditions: Structure, Major Equipment, Appearance				b Surface Grading, Appearance			
NA				3			
c Inspection Records - Each Substation				c Riser Pole, Hazards, Guying, Condition			
NA				3			
d Oil Spill Prevention				NA			
				5. Distribution Line Equipment: Conditions and Records			
2. Transmission Lines				a Voltage Regulators			
a Right-of-Way, Clearing, Erosion, Appearance, Intrusions				3			
NA				b Sectionalizing Equipment			
b Physical Condition, Structure, Conductor, Guying				3			
NA				c Distribution Transformers			
c Inspection Program and Records				3			
				d Pad Mounted Equipment			
				Safety: Locking, Dead Front, Barriers			
				3			
				Appearance, Settlement, Condition			
				3			
				Other			
3. Distribution Lines - Overhead				e Kilowatt-hour and Demand Meter			
a Inspection Program and Records				3			
b Compliance with Safety Codes:				Reading and Testing			
Clearances				3			
Foreign Structures				2			
Attachments				2			
c Observed Physical Condition from Field Checking:							
Right-of-Way				2			
Other							

PART II. OPERATIONS and MAINTENANCE

6. Line Maintenance and Work Order Procedures (Rating)							8. Power Quality (Rating)
a Work Planning & Scheduling							a General Freedom from Complaints
3							3
b Work Backlogs:							9. Loading and Load Balance
Right-of-Way Maintenance							a Distribution Transformer Loading
3							3
Poles							b Load Control Apparatus
3							NA
Retirement of Idle Services							c Substation and Feeder Loading
2							3
Other							
7. Service Interruptions							10. Maps and Plant Records
a. Average Annual Hours/Consumer by Cause (Complete for each of the previous 5 years)							a Operating Maps, Accurate and Up-to-Date
							3
PREVIOUS	POWER	MAJOR	SCHEDULED	ALL	TOTAL		b Circuit Diagrams
5 YEARS	SUPPLIER	STORM		OTHER			3
(Year)	a.	b.	c.	d.	e.	(Rating)	c Staking Sheets
2001	0.29	0.53	0.13	1.89	2.84	3	3
2002	0.44		0.11	1.68	2.23	3	
2003	0.07		0.07	1.68	1.82	3	
2004	0.12	1.23	0.01	2.81	4.17	3	
2005	0.09	0.26	0.12	2.06	2.53	3	
b Emergency Restoration Plan							3

PART III. ENGINEERING

11. System Load Conditions and Losses (Rating)				13. Load Studies and Planning (Rating)			
a Annual System Losses				a Long Range Engineering Plan			
6.10%				3			
b Annual Load Factor				b Construction Work Plan			
43.0%				3			
c Power Factor at Monthly Peak				c Sectionalizing Study			
95+%				3			
d Ratios of Individual Substation Annual Peak kW to kVA				d Load Data for Engineering Studies			
3				3			
				e Load Forecasting Data			
				3			
12. Voltage Conditions							
a Voltage Surveys				3			
b Substation Transformer Output Voltage Spread				3			

PART IV. OPERATION AND MAINTENANCE BUDGETS						
YEAR	For Previous 2 Years		For Present Year	For Future 3 Years		
	2004	2005	2006	2007	2008	2009
	Actual \$ Thousands	Actual \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands
Normal Operation	3,011,165	3,044,135	3,246,422	3,343,815	3,444,129	3,547,453
Normal Maintenance	4,449,750	4,546,438	5,444,251	5,607,579	5,775,806	5,949,080
Additional (Deferred) Maintenance						
Total	7,460,915	7,590,573	8,690,673	8,951,394	9,219,935	9,496,533

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

15 Date Discussed with Board of Directors 1/11/2007 (Date)

EXPLANATORY NOTES

ITEM NO.	COMMENTS
3b	Telephone poles left standing close to the electric pole should be removed Cable TV attachments require constant monitoring and follow-up to ensure code requirements are met
3c	Several problem trees were observed in residential areas.
6b	The report of idle services should be reconciled with billing records and adjusted

	TITLE	DATE
RATED BY: <i>Steve Conover</i>	ENGINEERING TEAM LEADER	12/13/06
REVIEWED BY: <i>Allen Anderson</i>	HEAD COACH & CEO	12/13/06
REVIEWED BY: <i>Mike ...</i>	RUS GFR	12/13/06



United States Department of Agriculture
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service
December 11, 2003 Washington, DC 20250

SUBJECT: OPERATIONS AND MAINTENANCE SURVEY

TO: ALLEN ANDERSON, HEAD COACH & CEO
SOUTH KENTUCKY RECC

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 December 11, 2003.

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 and you have an effective O & M program supported by proper records. Progress was noted in several areas including right-of-way clearing and implementation of a GIS mapping system. A new emergency restoration plan has been implemented in 2003.

There are still numerous telephone poles remaining close to the electric poles following pole change-outs. The old telephone poles need to be removed. The report of high idle services has been reduced and further follow-up in the field will continue to reduce idle services.

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

MIKE NORMAN
RUS Field Representative

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 RURAL UTILITIES SERVICE REVIEW RATING SUMMARY		BORROWER DESIGNATION KY 54						
		DATE PREPARED 12/11/2003						
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								
1. Substations (Transmission and Distribution)		4. Distribution - Underground Cable						
a Safety, Clearance, Code Compliance		a Grounding and Corrosion Control						
b Physical Conditions: Structure, Major Equipment, Appearance		b Surface Grading, Appearance						
c Inspection Records Each Substation		c Riser Pole: Hazards, Guying, Condition						
d Oil Spill Prevention								
2. Transmission Lines		5. Distribution Line Equipment: Conditions and Records						
a Right-of-Way: Clearing, Erosion, Appearance, Intrusions		a Voltage Regulators						
b Physical Condition: Structure, Conductor, Guying		b Sectionalizing Equipment						
c Inspection Program and Records		c Distribution Transformers						
		d Pad Mounted Equipment						
		Safety: Locking, Dead Front, Barriers						
		Appearance: Settlement, Condition						
		Other						
3. Distribution Lines - Overhead		e Kilowatt-hour and Demand Meter						
a Inspection Program and Records		Reading and Testing						
b Compliance with Safety Codes:								
Clearances								
Foreign Structures								
Attachments								
c Observed Physical Condition from Field Checking:								
Right-of-Way								
Other								
PART II. OPERATIONS and MAINTENANCE								
6. Line Maintenance and Work Order Procedures		8. Power Quality						
a Work Planning & Scheduling		a General Freedom from Complaints						
b Work Backlogs:								
Right-of-Way Maintenance								
Poles								
Retirement of Idle Services								
Other								
7. Service Interruptions		9. Loading and Load Balance						
a. Average Annual Hours/Consumer by Cause (Complete for each of the previous 5 years)		a Distribution Transformer Loading						
PREVIOUS	POWER	MAJOR	SCHEDULED	ALL	TOTAL		b Load Control Apparatus	
5 YEARS	SUPPLIER	STORM	c.	d.	e.	(Rating)	c Substation and Feeder Loading	
(Year)	a.	b.						
1998	2.13	22.92	0.17	1.14	26.36	2		
1999	0.200	0.27	0.16	1.48	2.11	3		
2000	0.06	0.53	0.25	1.98	2.82	3		
2001	0.29	0.53	0.13	1.89	2.84	3		
2002	0.44		0.11	1.68	2.23	3		
b Emergency Restoration Plan						3		
							10. Maps and Plant Records	
							a Operating Maps: Accurate and Up-to-Date	
							b Circuit Diagrams	
							c Staking Sheets	
PART III. ENGINEERING								
11. System Load Conditions and Losses							13. Load Studies and Planning	
a Annual System Losses		6.17%				3	a Long Range Engineering Plan	
b Annual Load Factor		47.0%				3	b Construction Work Plan	
c Power Factor at Monthly Peak		95+%				3	c Sectionalizing Study	
d Ratios of Individual Substation Annual Peak kW to kVA						3	d Load Data for Engineering Studies	
							e Load Forecasting Data	
12. Voltage Conditions								
a Voltage Surveys						3		
b Substation Transformer Output Voltage Spread						3		

PART IV. OPERATION AND MAINTENANCE BUDGETS						
YEAR	For Previous 2 Years		For Present Year	For Future 3 Years		
	2001	2002	2003	2004	2005	2003
	Actual \$ Thousands	Actual \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands
Normal Operation	3,115,771	2,789,190	2,872,176	2,958,341	3,047,092	2,026,862
Normal Maintenance	3,790,455	4,049,104	4,123,432	4,247,135	4,374,549	4,462,478
Additional (Deferred) Maintenance						
Total	\$6,906,226	\$6,838,294	\$6,995,608	\$7,205,476	\$7,421,641	\$6,489,340

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

15. Date Discussed with Board of Directors 1/8/2004 (Date)

EXPLANATORY NOTES

ITEM NO.	COMMENTS
3b.	Telephone poles left standing next to electric poles need to be removed after the joint-use facilities have been transferred. Cable TV attachments require constant follow-up to ensure contract compliance.
3c.	The right-of-way clearing cycle has improved. Several trees were observed in residential yards close to the transformer pole.
6b.	Data from the new mapping system was used to determine and report fewer idle services. Attempts to further remove idle services have been incorporated in the pole inspection program.
7	There was a severe snow storm in 1998.

	TITLE	DATE
RATED BY: <i>Steve Conover</i>	ENGINEERING TEAM LEADER	12/11/2003
REVIEWED BY: <i>Allen Anderson</i>	HEAD COACH & CEO	12/11/2003
REVIEWED BY: <i>Mike...</i>	RUS GFR	12/11/2003

USDA - RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

KY0054

PERIOD ENDED

December, 2006

INSTRUCTIONS - See RUS Bulletin 1717B-2

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
Distribution Plant	128,004,180	10,862,080	2,250,837		136,615,423
General Plant	11,068,250	2,793,596	1,117,172		12,744,674
Headquarters Plant	5,051,327	2,043,352	2,536		7,092,143
Intangibles	0				0
Transmission Plant	0				0
All Other Utility Plant	0				0
Total Utility Plant in Service (1 thru 6)	144,123,757	15,699,028	3,370,545		156,452,240
Construction Work in Progress	3,222,952	(1,038,575)			2,184,377
TOTAL UTILITY PLANT (7 + 8)	147,346,709	14,660,453	3,370,545		158,636,617

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)
Electric	1,622,957	3,862,637	32,632	3,531,688	8,686	(22,499)	1,955,353
Other	90,544	229,171		11,684	189,633	(2,133)	116,265

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHER (d)	
Present Year	.17	.02	.19	2.73	3.11
Five-Year Average	.44	1.32	.11	2.31	4.18

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

Number of Full Time Employees	158	4. Payroll - Expensed	4,766,311
Employee - Hours Worked - Regular Time	337,765	5. Payroll - Capitalized	2,667,877
Employee - Hours Worked - Overtime	19,245	6. Payroll - Other	716,070

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
Capital Credits - Distributions	a. General Retirements	0	12,737,476
	b. Special Retirements	133,279	2,238,615
	c. Total Retirements (a + b)	133,279	14,976,091
Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	93,058	
	c. Total Cash Received (a + b)	93,058	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

AMOUNT DUE OVER 60 DAYS	\$ 407,206	2. AMOUNT WRITTEN OFF DURING YEAR	\$ 279,160
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FINANCIAL AND STATISTICAL REPORT

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	120,066,034	9,625,843	1,687,697	0	128,004,180
General Plant	10,403,609	719,107	54,466	0	11,068,250
Headquarters Plant	5,058,026	16,461	4,904	(18,256)	5,051,327
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)	135,527,669	10,361,411	1,747,067	(18,256)	144,123,757
Construction Work in Progress	1,958,630	1,264,322			3,222,952
TOTAL UTILITY PLANT (7 + 8)	137,486,299	11,625,733	1,747,067	(18,256)	147,346,709

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)
Electric	1,125,877	3,348,521	20,076	2,862,458	3,730	(5,329)	1,622,957
Other	108,183	267,024	0	11,560	268,436	(4,667)	90,544

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 (e)
	Power Supplier (a)	Extreme Storm (b)	Prearranged (c)	All Other (d)	
Present Year	0.09	0.27	0.12	2.06	2.54
Five-Year Average	0.46	1.42	0.10	2.14	4.12

Part H. Employee-Hour and Payroll Statistics

	Amount
Number of Full Time Employees	159
Employee - Hours Worked - Regular Time	328,994
Employee - Hours Worked - Overtime	20,175
Payroll - Expensed	4,287,496
Payroll - Capitalized	2,359,540
Payroll - Other	842,710

USDA - RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

Kentucky 54 Wayne

Attachment C

PERIOD ENDED

December 2004

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INSTRUCTIONS - See RUS Bulletin 1717B-2

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	113,447,865.35	7,957,838.76	1,339,669.54		120,066,034.57
2. General Plant	10,175,942.38	1,109,256.00	1,882,189.26		10,403,009.12
3. Headquarters Plant	4,943,977.60	338,011.94	223,963.53		5,058,026.01
4. Intangibles					
5. Transmission Plant					
6. All Other Utility Plant					
7. Total Utility Plant in Service (1 thru 6)	128,567,785.33	9,405,106.70	2,445,822.33		135,527,069.70
8. Construction Work in Progress	629,686.33	1,328,943.49			1,958,629.82
9. TOTAL UTILITY PLANT (7 + 8)	129,197,471.66	10,734,050.19	2,445,822.33		137,486,299.52

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	1,036,174.58	2,338,983.81	27,949.91	2,213,111.84	216,808	61,951.35	1,125,877.03
2. Other	128,138.53	220,353.63		137,851.3	235,204.22	8,619.70	108,182.51

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHER (d)	
1. Present Year	.12	1.23	.01	2.81	4.17
2. Five-Year Average	.45	1.47	.13	2.13	4.18

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	155	4. Payroll - Expensed	4,493,200.43
2. Employee - Hours Worked - Regular Time	329,633.75	5. Payroll - Capitalized	2,116,637.90
3. Employee - Hours Worked - Overtime	28,409.50	6. Payroll - Other	935,988.26

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	672,160.02	12,004,074.05
	b. Special Retirements	142,327.87	1,864,262.98
	c. Total Retirements (a + b)	814,487.89	13,868,337.03
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	- 0 -	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	73,752.73	
	c. Total Cash Received (a + b)	73,752.73	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS	\$ 218,396.68	2. AMOUNT WRITTEN OFF DURING YEAR	\$ 151,925.80
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5500 24
- Collections
= Net

USDA - RUS

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

Kentucky 54 Wayne

Attachment C

PERIOD ENDED

December 2003

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INSTRUCTIONS - See RUS Bulletin 1717B-2

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	107,120,267.70	7,535,676.04	1,208,078.39		113,447,865.35
2. General Plant	9,116,876.73	1,286,760.68	227,695.03		10,175,942.38
3. Headquarters Plant	3,082,626.85	1,865,735.75	4,385.00		4,943,977.60
4. Intangibles					
5. Transmission Plant					
6. All Other Utility Plant					
7. Total Utility Plant in Service (1 thru 6)	119,319,771.28	10,688,172.47	1,440,158.42		128,567,785.33
8. Construction Work in Progress	233,431.75	396,254.58			629,686.33
9. TOTAL UTILITY PLANT (7 + 8)	119,553,203.03	11,084,427.05	1,440,158.42		129,197,471.66

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	846,103.54	2,287,882.58	30,452.24	2,124,180.35	7,044.09	2960.66	1,036,174.58
2. Other	142,801.23	245,258.22		9106.93	249,657.50	< 1156.49 >	128,138.53

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHER (d)	
1. Present Year	.0747	0	.0684	1.6800	1,8231
2. Five-Year Average	.4689	1.286	.1597	1,8580	3,7726

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	157	4. Payroll - Expensed	4,198,835.92
2. Employee - Hours Worked - Regular Time	327,634.25	5. Payroll - Capitalized	2,043,801.35
3. Employee - Hours Worked - Overtime	28,403.25	6. Payroll - Other	889,253.68

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	1,402,820.46	11,331,914.03
	b. Special Retirements	139,291.61	1,721,935.11
	c. Total Retirements (a + b)	1,542,112.07	13,053,849.14
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	82,542.61	
	c. Total Cash Received (a + b)	82,542.61	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS \$	200,637.89	2. AMOUNT WRITTEN OFF DURING YEAR \$	110,777.50
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SJ00 24
- Collections
= Net

INSTRUCTIONS-See RUS Bulletin I717B-2

Part E. Changes in Utility Plant

PLANT ITEM	Balance Beginning of Year	Additions	Retirements	Adjustments and Transfers	Balance End of Year
Distribution Plant	101,238,865	7,088,807	1,207,404	0	107,120,268
General Plant	8,884,470	1,175,743	943,337	0	9,116,876
Headquarters Plant	2,930,662	153,459	1,494	0	3,082,627
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)	113,053,997	8,418,009	2,152,235	0	119,319,771
Construction Work in Progress	480,198	(246,766)			233,432
TOTAL UTILITY PLANT (7 + 8)	113,534,195	8,171,243	2,152,235	0	119,553,203

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	591,647	1,989,017	35,852	1,878,414	13,246	121,248	846,104
2 Other	191,596	205,668	0	8,381	240,855	(5,227)	142,801

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 (e)
	Power Supplier (a)	Extreme Storm (b)	Prearranged (c)	All Other (d)	
1 Present Year	0.44	0.00	0.11	1.68	2.23
2 Five-Year Average	0.88	5.87	0.18	1.75	8.68

Part H. Employee-Hour and Payroll Statistics

	- Amount
1 Number of Full Time Employees	158
2 Employee - Hours Worked - Regular Time	328,736
3 Employee - Hours Worked - Overtime	25,605
4 Payroll - Expensed	4,168,661
5 Payroll - Capitalized	1,790,502
6 Payroll - Other	803,560

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

APPLICATION FOR ELECTRIC SERVICE

DATE: _____

NAME: _____ OR _____
Applicant Co-Applicant

ADDRESS: _____ PHONE: _____

MEMBER NUMBER: _____

The Applicant (whether one or more) hereby applies for membership in the South Kentucky Rural Electric Cooperative Corporation (Hereinafter called the Cooperative) and the Applicant and the Cooperative agree as follows:

1. The Applicant agrees to comply with and be bound by the provisions of the by-laws, rules, and regulations of the Cooperative as may be adopted from time to time.
2. This application shall serve as a Certificate of Membership.
3. This application shall serve as a Certificate of Deposit when payment of a deposit is recorded below. Such deposit plus interest may be applied to the Applicant's account if the Cooperative deems it is no longer needed or upon final settlement of the member's account.
4. The Applicant does hereby grant to the Cooperative, in connection with the provisions of the service herein, a Right-of-Way Easement over the property at which the Applicant may receive service from the Cooperative, to place, construct, operate, repair, maintain, relocate, and replace thereon and in or upon all streets, roads, or highways abutting said lands distribution line and to cut and trim all dead, weak, leaning, or dangerous trees that are tall enough to strike the wires in falling. The minimum Right-of-Way width granted shall be 15 feet on either side of said line.
5. Patronage dividend or refund accumulated in the amount needed by the Cooperative each year is to be used for subscription to the *Kentucky Living Magazine*.
6. Security lights are to be maintained and repaired by the Cooperative at Cooperative expense. Vandalism of a Security Light may require payment by Consumer, see Tariff for Outdoor Lights. When repairs or maintenance are needed, the Applicant agrees to notify the Cooperative during regular office hours. Such repairs or maintenance will be made during the regular working hours and within a reasonable length of time.
7. If there is more than one Applicant, the membership interest shall be held jointly in survivorship.

The acceptance of this application by the Cooperative shall constitute an agreement between the Applicant and the Cooperative for electric service. This contract shall continue in force from the date service is made available by the Cooperative to the Applicant, and hereinafter providing the Applicant remains in compliance with the provisions of the by-laws and rules and regulations of the Cooperative; or until such time as the Applicant requests cancellation of the contract, in which case the Cooperative has three working days to comply with the Applicant's request.

MEMBERSHIP \$ _____

CREDIT LETTER, SURETY BOND, OR PROMISSORY NOTE \$ _____
(Circle Applicable)

DEPOSIT \$ _____

Name of Holder

Signature of Applicant

Social Security Number

Signature of Co-Applicant, if any

Social Security Number

If Other than Individual, Signed By

Title of Signee

Partnership: _____ Corporation: _____ Other: _____

By: _____

Signature, SKRECC Representative

