RICHARDSON, GARDNER, BARRICKMAN & ALEXANDER

ATTORNEYS-AT-LAW 117 E. WASHINGTON STREET GLASGOW, KENTUCKY 42141-2696 E-MAIL: attorneys@rgba-law.com

BOBBY H. RICHARDSON WOODFORD L. GARDNER, JR. UHEL O. BARRICKMAN (1920-2005) T. RICHARD ALEXANDER II

JOHN B. GARDNER

Mr. Jeff Derouen, Executive Director Kentucky Public Service Commission 211 Sower Boulevard P. O. Box 615 Frankfort, KY 40602

February 18, 2009

(270) 651-8884 (270) 651-2116 FAX (270) 651-3662



FEB 18 2009

PUBLIC SERVICE COMMISSION

Re: Application of Farmers Rural Electric for an Adjustment of Rates Case No. 2008-00030

Dear Mr. Derouen:

Please find enclosed the original and eight (8) copies of the responses to the Attorney General's "Initial Request for Information" dated February 4, 2009.

Please contact me at (270) 651-8884 or William T. Prather at (270) 651-2191 with any questions regarding this filing.

Respectfully submitted, RICHARDSOV, GARDNER, BARRICKMAN & ALEXANDER

Woodford L. Gardner, Jr. Counsel for Farmers Rural Electric Cooperative

Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

FEB 18 2009

In the Matter of adjustment of Rates

Of Farmers Rural Electric Cooperative

PUBLIC SERVICE

Corporation

Case No. 2008-00030

APPLICANT'S RESPONSES TO

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

The applicant, Farmers Rural Electric Cooperative Corporation, makes the following responses to the "Attorney General's Initial Request for Information", as follows:

- 1. The witnesses who are prepared to answer questions concerning each request are William T. Prather, Alan Zumstein, and Jim Adkins.
- 2. William T. Prather, President and CEO of Farmers Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
- 3. The responses and Exhibits are attached hereto and incorporated by reference herein.

h

Woodford L. Gardner, Jr. Richardson, Gardner, Barrickman & Alexander Attorneys-At-Law 117 E. Washington Street Glasgow, Kentucky 42141 Attorney for Farmers Rural Electric Cooperative Telephone: 270-651-8884 The undersigned, William T. Prather, as President & CEO of Farmers Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: February 18, 2009

FARMERS RURAL ELECTRIC COOPERATIVE

Jillinon I.t

WILLIAM T. PRATHER, PRESIDENT & CEO

Subscribed, sworn to, and acknowledged before me by William T. Prather, as President & CEO for Farmers Rural Electric Cooperative Corporation on behalf of said Corporation the 18th day of February, 2009.

Juske mda

Notary Public, Kentucky State At Large

My Commission Expires: 7-30-2011

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

Original and Eight Copies

Mr. Jeff Derouen, Executive Director Kentucky Public Service Commission 211 Sower Boulevard Frankfort, Kentucky 40601

Copy Hon. Lawrence W. Cook Assistant Attorney General 1024 Capital Center Drive, Suite 200 Frankfort, Kentucky 40601

This 18th day of February, 2009

ATTORNEY FOR

FARMERS RURAL ELECTRIC COOPERATIVE

Item 1 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

1. Exhibit. D, page 2 of 2 shows no present customer charges for Schedule R and Schedule C1. Please review all of the present and proposed rates shown on page 2 of 2, make any necessary corrections, and provide a revised, corrected Exhibit D.

Response

There was no customer charge for these schedules, however, this is included in the first 50 kwh for each rate class.

Item 2 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

2. Please provide the portion of the 13-month average prepayment balance of \$178,892 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.

Response

These should have been removed, this was an oversight only.

September, 2007	38,548
October	35,336
November	32,124
December	28,912
January, 2008	25,700
February	22,488
March	19,276
April	16,064
May	12,852
June	9,640
July	6,428
August	3,216
September	39,721

, -

Item 3 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 3. With regard to Exhibit K, page 2, please provide the following information:
 - a. As shown on Exhibit S, page 2, the pro forma adjusted depreciation reserve balance of \$17,525,311 on Exhibit K, page 2 should be \$17,724,464. Please confirm this.
 - b. Provide corrected Exhibit K, pages 1 and 2 as a result of the corrected depreciation reserve number referenced in part (a) above.

Response

3.a. Yes.

3.b. Attached.

1 2			Exhibit K page 1 of 7
3			Alan Zumstein
4		Electric Cooperative	
5	Case No.	2008-00030	
6	Computation	of Rate of Return	
7	Septeml	ber 30, 2008	
8			
9			
10		Actual	Adjusted
11		Test Year	Test Year
12			
13	Net margins	(\$1,162,418)	\$2,032,481
14			_
15	Non-cash patronage dividends	-	0
16		1 0 47 0 47	2 0 2 2 4 9 1
17	Interest on long-term debt	1,847,047	2,032,481
18 19	Total	684,629	4,064,962
20	10(41		
21	Net rate base	49,551,318	49,368,114
22			
23	Rate of return	<u>1.38%</u>	<u>8.23%</u>
24			
25	Equity Capitalization	49,890,786	53,085,685
26			
27	Rate of return	<u>1.37%</u>	<u>7.66%</u>
28			
29			
30			
31			

.

32

l					Exhibit K
2				** ** .	page 2 of 7
3					ness: Alan Zumstein
4		Farm	ers Rural Ele	ctric Cooperat	ive
5			Case No. 2	008-00030	
6			Determination	of Rate Base	
7			September	r 30, 2008	
8					
9				Actual	Adjusted
10				<u>Test Year</u>	Test Year
11	Gross rate b	base:			
12					
13	Total electr	ic plant		\$65,866,597	\$65,866,597
14	Material an			498,611	498,611
15	``	9	for test year)		
16	Prepayment		2	178,892	178,892
17	•	-	for test year)		
18	Working ca	-			
19		of operating of	expense	916 020	921 099
20	less cos	t of power		816,039	831,988
21				67,360,139	67,376,088
22 23	Deductions	from rate ba	Se.	07,500,157	07,570,000
23 24		ated depreci		17,525,311	17,724,464
24		er advances	ation	283,510	283,510
26	Companie				
27	Net rate bas	se		\$49,551,318	\$49,368,114
28					
29			Material	Prepayments	
30					
31	September	2007	473,108	92,581	
32	October		668,965	62,348	
33	November		585,533	207,953	
34	December		583,257	175,990	
35	January	2008	595,587	307,782	
36	February		528,460	268,149	
37	March		526,252	239,299	
.38	April		403,672	206,647	
39	May		416,504 434,818	191,584 201,794	
40	June		4.34,818	165,786	
41	July August		451,088	127,462	
42	September		435,831	78,220	
43 44	September		тээ,оэт	10,440	
44 45	Average		498,611	178,892	
45	1 1 OTUBO			, _	
40					
• /					

•

.

Item 4 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

4. For each of the income statement accounts listed in the trial balance on Exhibit Y, pages 5 through 8, please provide a schedule showing a side-by-side comparison of actual annual amounts for the test year ended 9/30/08 and the three years prior to the test year.

Response See PSC - 2 - 13.b.

Item 5 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

5. The first column of Exhibit 13, page 1 shows the number of pole attachments used in the quantification of the CATV Pole Attachments revenue adjustment. For each type of pole attachment listed, please provide the actual number in the test year and in the 3 years prior to the test year.

Response

There have been no changes in the number of attachments.

	Test <u>Year</u> <u>20</u>		<u>2006</u>	2005	
2 party pole	3,790	3,790	3,790	3,790	
2 party anchor	465	465	465	465	
3 party pole	2,770	2,770	2,770	2,770	

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

6. The first column of Exhibit 14, page 1 shows the number of non-recurring charges used in the quantification of the non-recurring charges revenue adjustment. For each type of non-recurring charge listed, please provide the actual annual number in the test year and in the 3 years prior to the test year.

<u>)5</u>
658
550
457
82
356
6 5 4

Item 7 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

7. Please expand the year-end customer annualization adjustment on Exhibit 17 by also including Schedule RM-Off-Peak Marketing, Schedule SL – Street Lighting, and Schedule OL – Security Lights in the net revenue annualization calculations. Provide this information in the same detail and format as shown on Exhibit 17.

Response

Attached.

AG-1-7

Exhibit 17 page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 End of Test Year Customer Adjustment

1 2

3

4

5

60

5	Case No. 2008-00050								
6		End of	Test Year Cus	stomer Adjustn	nent				
7 8 9		Sch R Residential	Sch C1 Small	Sch C2 Small	Sch D Large	Sch E Large	Sch RM Off-Peak	Sch SL Street	Sch OL Outdoor
10		Service	Commercial	<u>Commercial</u>	<u>Commercial</u>	Industrial	<u>Mktg - kwh</u>	<u>Light</u>	Light
11 12 13	September, 2007 October	20,798 20,800	1,475 1,474	85 85	5 5	3 3	3,133	31	7,779
13	November	20,000	1,471	84	5	3	3,681 115,713	31 31	7,782 7,769
15	December	20,886	1,450	84	5	3	330,758	31	7,769
16	January, 2008	20,855	1,476	85	5	3	420,722	31	7,784
17	February	20,885	1,472	84	5	3	470,678	32	7,795
18	March	20,901	1,476	85	5	3	407,782	32	7,805
19	April	20,956	1,490	85	5	3	239,629	32	7,792
20	May	21,210	1,488	84	5	3	106,212	32	7,901
21	June	21,513	1,566	85	· 5	3	18,088	32	7,952
22	July	21,420	1,497	86	5	3	907	32	7,943
23	August	21,363	1,511	84	5	3	667	32	7,914
24	September	21,374	1,524	88	5	3	648	32	7,908
25	ocptember	21,011	1,024	00	5	5	040	JZ	7,500
26 27	Average	21,069	1,490	85	5	3	162,971	32	7,838
28 29	Increase	<u>305</u>	<u>34</u>	<u>3</u>	Q	<u>0</u>	<u>(162,323)</u>	<u>0</u>	<u>70</u>
30	Test year base revenue	23,057,167	2,287,799	2,660,838	3,300,483	3,526,827	88,060	57,029	686,876
31 32	kwh useage	315,954,130	29,660,481	36,220,745	52,712,400	67,173,000	2,115,485	446,100	7,065,984
33 54	Average per kwh	0.07298	0.07713	0.07346	0.06261	0.05250	0.04163	0.12784	0.09721
35 36	Total billings	253,104	17,895	1,019	60	36	2,115,485	380	94,118
37 38	Average monthly kwh use	1,248	1,657	35,545	878,540	1,865,917	176,290	1,174	75
39 40 41 42	Increase in consumers, times times average rate, times equals additional revenues	12 months,							
43 44	Increase in revenues	333,417	52,161	94,004	0	0	(6,757)	0	6,130
45 46 47 48 49	Increase in consumers, times times average cost per kwl times 12 months, equals additional power co	h purchased,							
50 51	Increase in power cost	226,072	33,462	63,318	0	0	(4,819)	0	3,120
52 ວາງ	Net increase	107,345	18,699	30,686	0	0	(1,938)	0	3,010
54 55	Adjustment =	157,803							
56 57 58 59	Base power cost Kwh purchased Cost per kwh purchased			26,505,088 535,659,373 0.04948					

·

Item 8 Page 1 of 1 Witness: Alan Zumstein Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

8. Please provide the reasons for the increases in the test year over the year prior to the test year for the following distributions accounts:

a. Account 586 – Meter: increase of \$130,000 (134%)

- b. Account 593 Maintenance of Overhead: increase of \$224,000 (26.1%)
- c. Account 593.20 Maintenance of ROW: increase of \$297,000 (42.1%)

Response

8.a. Credits for installation of meters thru the special equipment have decreased by over \$95,000 (which results in an increase in expense).

8.b. Increase use of contractor to perform general maintenance of line work.

8.c. Increase us of contractor to perform right of way clearing.

Item 9 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 9. In the same format and detail as per Exhibit 11, pages 3 through 9, provide a detailed listing and description of all of the expense items making up the following expense accounts.
 - a. Account 908 Customer Assistance Expense
 - b. Account 908.30 ETS expense
 - c. Account 908.60 Energy Conservation/Expense Button Up
 - d. Account 909 Public Safety Awareness
 - e. Account 912 Marketing Expense

Response

response	<u>908.00</u>	<u>908.30</u>	<u>908.60</u>	<u>909.00</u>	<u>912.00</u>
Employee labor	32,803	8,088	30,779	4,015	
Accrued vacation	3,280	722	2,772	388	
Health insurance	18,400	3,260	11,204	1,527	
Payroll taxes	3,154	735	3,005	467	
Workers compensation	1,436	354	1,464	236	
Life and disability	713	197	625	72	
401(k)	285	76	306	47	
R & S retirement	5,391	1,355	5,085	668	
Employee assistance	7	3	16	4	
MHRA membership					136
Material issued		981	3,263		
Supplies and small tools		200		111	
ETS repairs		(1,320)			
Postage	3,064				
National code books	261			62	
Button up payments			19,026		
Stores expense		108	438		
Educational programs				317	
Transportation clearing	4,642	740	8,759	1,030	
	73,436	15,499	86,741	8,944	136

In addition, to the extent that any of the above expense items involve advertising or marketing campaigns, brochures, bill-inserts, etc., please provide copies of these documents.

None noted.

` `

Item 10 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 10. With regard to the depreciation expenses shown in Exhibit 3, please provide the following information:
 - a. When is the last time that Farmers had a depreciation study performed?
 - b. Please indicate since when the coop's current composite distribution depreciation rate of 3.24% has been in effect and in which rate case this rate was approved by the Commission.
 - c. What is the basis for the composite depreciation rate of 3.24%.
 - d. What is the basis for the depreciation rates for the Meters accounts 370.01 through 370.05?
 - e. What is the basis for the depreciation rates listed in Exhibit 3, page 3 for all of the General Plant items?

Response

- 10.a. Farmers has never had a depreciation study performed.
- 10.b. This has always been the depreciation rate used by Farmers.
- 10.c. This rate has always been used by Farmers.

10.d. Farmers has used the same rate and methodology used by other cooperative for automated meter reading devices, which is over a 15 year period.

10.e. This is the rate that Farmers has always used for these plant items.

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

11. For each distribution plant accounts shown on exhibit 3, page 3, provide the equivalent rates for the RUS Low and High range. In addition, if any of Farmers' depreciation rates listed on Exhibit 3, page 3 falls outside the RUS Low and High range, explain why this is not in violation of RUS Bulletin 183-1.

Response

These rates have been in effect since the inception for Farmers. The bulletin allows for changing rates within the range without a study. Since Farmers is not proposing to change rates, it does not require a study to maintain the current rates.

		Current	nt <u>RUS Rate</u>	
		Rate	Low	<u>High</u>
342	Fuel producers	3.24%	-	-
344	Generators	3.24%	-	-
345	Electronic equip	3.24%	-	-
362	Station equip	3.24%	3.00%	4.00%
364	Poles, towers, & fixtures	3.24%	3.00%	4.00%
365	Overhead conductors & devices	3.24%	2.30%	2.80%
367	Underground conductor & devices	3.24%	2.40%	2.90%
368	Line transformers	3.24%	2.60%	3.10%
369	Services	3.24%	3.10%	3.60%
370	Meters	3.24%	2.90%	3.40%
370.01	Meters, 1-Ph TWACS	6.67%	2.90%	3.40%
370.02	Meters, Receiver equip	6.67%	2.90%	3.40%
370.03	Meters, transformers	6.67%	2.90%	3.40%
370.04	Meters, computer equip	20.00%	-	-
370.05	Meters, control links	14.40%	-	-
371	Installations on customer premises	3.24%	2.90%	34.00%
373	Street lighting	3.24%	3.90%	4.40%

Item 12 Page 1 of 1 Witness: Alan Zumstein Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

12. With regard to Exhibit 6, page 1, explain why there was no test year FAS 106 expense booked in the test year.

Response Farmers adopted its board policy effective January 1, 2008.

Item 13 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 13. The trial balance in Exhibit Y (on page 8 of 8) shows Employee Training/Educational Programs test year expenses of \$256,399 in account 926.00. In this regard, please provide the following information:
 - a. In which line item are these expenses reflected in Exhibit S, page 1?
 - b. Provide a detailed breakout and description of each expense item making up the total expense amount of \$256,399 in the same format and detail as per Exhibit 11.
 - c. Explain how much of the \$256,399 includes Farmers' test year FAS 106 and R&S plan expenses that are shown in Exhibits 6 and 7.

Response

13.a. Exhibit S, line 24, for Administrative and general expenses.

13.b. See PSC-2-18.

13.c. No FAS 106 expenses. R&S plan expenses of \$11,481.

Item 14 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

14. With regard to rate case expenses, please provide the actual expenses incurred to date for the current rate case, in total and broken out by expense component per Exhibit 12.

Response				
	January	February	March	Total
External Costs:				
Attorney				0
Consulting	37,366			37,366
Advertising	3,421			3,421
Supplies	9,059			9,059
Subtotal	49,846	0	0	49,846
Internal Costs:				
Labor and benefits	1,145			1,145
Total	50,991	0	0	50,991
Item 15 Page 1 of 1 Witness: Alan Zumstein

.

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

15. With regard to Farmers' number of employees, please provide the number of employees (in total and broken out between salaried, hourly, and summer/part-time) for each month from January 2007 through January 2009, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.

	Part-Time	Salary	<u>Other</u>	<u>Total</u>
January, 2007	6	8	59	73
February	6	8	60	74
March	6	8	60	74
April	6	8	60	74
May	6	8	60	74
June	6	8	60	74
July	4	8	56	68
August	4	8	57	69
September	4	8	57	69
October	4	8	57	69
November	4	8	57	69
December	4	8	57	69
January, 2008	4	8	57	69
February	4	8	56	68
March	4	8	56	68
April	4	8	56	68
May	5	8	56	69
June	6	8	55	69
July	6	8	54	68
August	6	8	54	68
September	6	8	54	68
October	6	8	53	67
November	5	8	53	66
December	4	8	54	66
January, 2009	4	8	55	67

-

Item 16 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

16. Please provide the actual number of hours worked by Farmers' Summer and Part Time employees (in total and, if applicable, by employee number) in the three years prior to the test year.

2007	
Employee Number	Hours
6	240
16	556
122	145
174	862
177	653
178	224
	2,680
2006	
Employee Number	Hours
6	342
16	525
122	216
174	1,228
177	147
178	224
	2,682
2005	
2005	Hours
Employee Number	325
6	
16	646
122	328
174	225
	1,524

Item 17 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

17. The normalized wages assume that each employee is getting paid for 40 hours per week or 2,080 hours per year. Since the normalized wages reflected in this case assume that the employees are getting paid for each day in the year except weekends, explain why Farmers is assuming additional payments to its employees for vacation and sick days. [Note; even though Farmers has a policy that employees get awarded for an extra vacation day when safety goals are met, this is already accounted for by the fact that the normalized payroll in this case assumes that each employee gets paid for each day in the year, except weekends].

Response

Awarding the extra day for safety provides several benefits to both Farmers management and the rate payers. Encouraging employees to be safe assists in having full crews and employees, which improves productivity. When employees are hurt, other employees have to fill in for them, or additional employees have to be hired. When other employees fill in the position, or additional employees hired, there is a learning curve that takes time and money for training.

In addition, workers compensation rates are reduced as time off for injuries is reduced.

Item 18 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

18. The normalized payroll expense in Exhibit 1 includes annualized payroll expenses totaling \$129,391 for employees #113 and #125. Exhibit 7, page 1 indicates that these represent "employees that are quasi retired" for which Farmers does not provide an R&S plan contributions. Please explain exactly what it means that these 2 employees are "quasi retired," and explain why their annualized payroll should be included for rate making purposes in this case.

Response

These are employees that are eligible for retirement, have taken their retirement out of the plan, and are continuing to work for Farmers. However, employees that are "quasi retired" no longer get to participate in the R&S plan.

Item 19 Page 1 of 1 Witness: Alan Zumstein Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

19. Re. Exhibit 1, page 11: Please confirm that the average annual overtime hours for the test year and the three years prior to the test year amount to 10,270 hours. If you do not agree, provide the correct number.

Response This is the average.

Item No. 20 Page 1 of 1 Witness: Jim Adkins

FARMERS RECC CASE NO. 2008-00030

RESPONSE TO ATTORNEY GENERAL'S INITIAL DATA REQUEST

Question:

Exhibit 9, page 2 shows that the requested Professional Services expenses include \$738 for Jim Adkins fee for "Board presentation re: rates." Please explain in detail the nature and purpose of this Board presentation and explain whether the presentation is associated with the eventual filing of the current rate case.

Response:

The nature and purpose of this board presentation was to present and discuss the rate-making process for a rural electric cooperative in Kentucky. Most of the management, board members and many of the employees that would be working on a rate application had not been through the rate application process. Farmers had not filed a rate application with the Commission since the mid 1980s.

Discussion focused on the development of the application including test year adjustments, revenue requirements, cost of service studies and rate design. Other items of discussion included the process before the Commission including responding to interrogatories, intervention, hearings, advertising etc.

Finally, the fee listed above also included a meeting with Commission Staff and an attorney from the Office of the Attorney General on Farmers load situation with the Rural Development Utilities Program ("RDUP") and the potential for coordinating Farmers application with East Kentucky Power "Cooperative ("EKPC's") upcoming rate application.

Item 21 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 21. With regard to Exhibit 9, page 2 (Professional Services Fees), please provide the following information:
 - a. Explain the \$868 expenses for "bankruptcy advice." In addition, explain whether this represents a non-recurring expense. If not, explain why not.
 - b. Explain the nature and purpose of the \$6,660 fees to Mary Garmon. In addition, explain whether this represents a non-recurring expense. If not, explain why not.
 - c. Explain the nature and purpose of the total expense of \$4,880 paid to Commence Logic, LLC. In addition, explain whether this represents a non-recurring expense. If not, explain why not.

Response

21.a. Gilbert Hamburg is a bankruptcy attorney. He was selected to review several cases to determine Farmers options under bankruptcy. This applied to Farmers customers in general as the current economy has lent itself to more bankruptcy filings in the future. Farmers surely hopes this is not a recurring expense, but with the economy as it is, it will be a recurring expense.

21.b. This is for employee training in communication with and among employees and with the customers of Farmers. With the pending rate application and economy, it is more important now than ever to communicate the proper information. Farmers expects this will continue into the future as Farmers has never had structured training for its employees.

21.c. Commerce Logic has assisted in the preparation of the web page and obtaining license and permits to continue to use the web site. Farmers expects this to continue as more and more consumers will rely on the web page for information, bill paying and other uses.

Item 22 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

22. With regard to the company's response to 21(a) above, is or has FRECC contemplated filing for bankruptcy? If so, why? If not, explain the purpose of the \$868 expense for "bankruptcy advice." Provide a detailed response.

Response

No. This expense is for information pertaining to Farmers customers filing bankruptcy.

Item 23 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 23. As shown in Exhibit 11, page 3, Account 930.10 includes General Advertising expenses of \$97,159 for KAEC KY Living Magazine. As shown in Exhibit 11, pages 7-9, Account 930.23 includes Public Relations expenses of \$16,328 for KAEC KY Living Magazine and \$1,725 for Shandra Crosby KY Living insert article. In this regard, please provide the following information:
 - a. Provide a detail description of the nature and purpose of the \$97,159 KY Living Magazine advertising expenses in Account 930.10. If these involve any advertising campaigns, please provide copies of representative campaign documents.
 - b. Provide a detail description of the nature and purpose of the \$16,328 KY Living Magazine public relations expense in Account 930.23. If these involve any advertising or public relations campaigns, please provide copies of representative campaign documents.
 - c. Provide a detail description of the nature and purpose of the \$1,725 KY Living Magazine insert article expenses in Account 930.23. In addition, provide copies of these insert articles.

Response

23.a. Farmers allocates the cost of the KY Living magazine on a predetermined basis. The allocation is not done based on the month to month content of the magazine. As such, there are no advertising campaigns.

23.b. Farmers allocates the cost of the KY Living magazine on a predetermined basis. The allocation is not done based on the month to month content of the magazine. As such, there are no advertising campaigns.

23.c. Farmers believes that articles included in the KY Living magazine should be well-written and present the content a precisely as possible. Shandra Crosby is a professional writer who accomplishes these tasks for Farmers. A copy of the articles is attached and are highlighted as to the articles written by Ms. Crosby.

ê

PAGE 1 Farmers RECC is Celebrating 70 Years of Service to You Our Member-Owners

A legacy of dedication

Rural electrification is indeed one of America's greatest success stories. As Farmers RECC celebrates its 70th anniversary this month, we pay tribute to rural people around the nation who banded together seven decades ago to form their own electric supplier to bring light to the countryside.

The cooperative way of business that formed Farmers Rural Electric and 1,000 other electric cooperatives still thrives today, and together, we serve 30 million people across America.

As a member of an electric cooperative system, you are part of an important network of power and people. Each of you has a proud responsibility as a member-owner of Farmers RECC. This unique consumer involvement, which cannot be found in any other form of business, always has been and will continue to be the strength of our foundation.

As we mark seven decades of service, we salute not only the consumers who drive our business, but the employees, past and present, who have committed their work lives and their expertise to make Farmers RECC the special place it is.

Electric utility work is in a class all its own. When a lightning, ice or snowstorm shuts down many businesses, ours reaches a new level of intensity. When most people are inside their homes taking shelter from the elements, our employees are out in their midst, many times for days on end, working to restore electric service to consumers. We have office workers who are willing to stay after quitting time, or come in when they don't have to in order to help with a particular goal or challenge. We have line workers who repeatedly are called out of bed at 2 a.m. to work for hours to get somebody's lights back on. When outages occur, all our employees, current and retired, are willing to pitch in to help however they can.

Our employees pride themselves on a strong, committed work ethic and a solid personal ethic as well. These are not qualities that can be mandated by a CEO. It is a way of life that has evolved over many years.

We appreciate this opportunity to salute and thank each member and each employee for contributing to the great legacy of Farmers Electric Cooperative. Because of your cooperative commitment, Farmer's value to the areas it serves goes far beyond providing electric power.



Delivering electric power to your home or business has been the heart of our existence for seven decades. Through every change this fast-paced industry experiences, our commitment to you will stay the same. And because of this commitment to you, we constantly seek new opportunities to ensure we provide you with the best service possible.

We are proud to unveil a new Farmers RECC logo, which we believe more accurately reflects our vision for a productive future. We believe the image projects progressive motion, while pledging sound stability.

Indeed, Farmers Rural Electric Cooperative refuses to sit still. We refuse to settle back into a cozy and convenient routine. We will not be satisfied, content or comfortable because we are always looking for ways to improve.

The electric power industry is as dynamic as it is essential, and that means continual change. Through it all, our responsibility is to you, our member-owners.

Certainly, there will never be a time when we can stay where we are and still be the best for you. At the same time, we will never change our spirit of allegiance to you, our member-owners, or to the communities we call home.

Insert a picture from last year (I hope you have one)

Attention, high school juniors!

Spend a week in D.C. - free!

If you're a high school junior and a member of Farmers RECC, you have the chance of a lifetime.

Applications for the 2008 Rural Electric Youth Tour to Washington, D.C., are now being accepted at all Farmers RECC offices.

The program is open to high school juniors who attend a public or private school in the Farmers service area, who maintain a 3.0 GPA, and whose parent(s) or guardian(s) has an active Farmers RECC account in good standing (excluding security lights).

Applications are available in your local high school guidance counselor's office, at any Farmers RECC office, or on our website at <u>www.farmersrecc.com</u>. The deadline for entering is March 14, 2008

PAGE 3 College Scholarships from Farmers RECC

Farmers RECC will honor seven high school graduating seniors with \$1000 scholarships to colleges, universities, or trade schools for assistance in attaining advanced degrees. The grants may be used for tuition and/or books.

Farmers RECC is pleased to present a 2007 scholarship award recipient from Metcalfe County, Miss Whitney Bailey. Whitney currently attends the Bowling Green Technical College, where she is studying Radiography and Sonography. Whitney's professional goal is to become a medical radiographer.

Applications for scholarships are available in your local high school guidance counselor's office or may be picked up at any Farmers RECC office.



PAGE 4



(Can you remove the old logo and phone number?)

The entire Farmers RECC system is undergoing a major upgrade that takes metering to a whole new level.

The Advanced Metering Infrastructure (AMI) system being installed will reduce operating costs, improve service and expand customer benefits.

During the meter change-out process, our employee's will need to access members' property and a short outage will occur as the old meter is replaced with the new AMI equipped meter.

We apologize for any inconvenience that this may cause our consumers.







Ronnie Smith is named as a new Director of Farmers RECC LONGTIME FARMERS MEMBER EXCITED TO SERVE

Member concerns are a priority for new Farmers RECC director Ronnie Smith. The longtime Farmers member was named to fill the seat of the late Fraser Hodges.

Smith, 53, retired last year after 30 years teaching agriculture at Metcalfe County High School, then in August, began a new job as the high school's administrative manager.

"I am very excited to have the opportunity to serve as a director for Farmers RECC," Smith said. "I had the greatest respect for Mr. Fraser Hodges and I can only wish that I can be the director that he was."

Serving District III, Smith said he is honored to be part of the decision-making process of a member-focused entity. "The fact that individuals have a voice and ownership in something makes it unique," Smith said. "Any member who has questions should feel comfortable asking questions. I represent the members and, therefore, consider the questions and concerns of members to be a priority."

Smith is a member of the Metcalfe County Agriculture Council and is a Metcalfe County Future Farmers of America alumnus. He is a member of the Center Church of Christ. A Farmers member since 1976, Smith and wife Diana have two children, Justin Smith and Angela Powell, and a granddaughter, Kylie Powell.

"I would hope to be part of a progressive co-op that continues to place an emphasis on providing a quality product for its members," Smith said.



"I am very excited to have the opportunity to serve as a director for Farmers RECC ... I had the greatest respect for Mr. Fraser Hodges and I can only wish that I can be the director that he was."

CONTACT US



Corporate Office 504 South Broadway Glasgow, KY 42141 Phone (270) 651-2191 Fax (270) 651-7332 www.farmersrecc.com

William T. Prather, President and CEO

Woodford L. Gardner Jr., Attorney

Board of Directors

Freddie D. Button Randy London C. F. Martin Jr. Ronnie Smith Randy Sexton Paul C. Hawkins Neil Pendygraft

Munfordville Service Center 401 Main Street Munfordville, KY 42765 Phone (270) 524-5030 Fax (270) 524-5040

CALL (270) 651-2191

When calling from these exchanges:Cave City (773)Edmonton (432)Fountain Run (434)Gamaliel (457)Hiseville (453)Lucas (646)Park City (749)Temple Hill (427)Summer Shade (428)Greater Glasgow (678) (659) (651)

CALL (270) 524-5030

When calling from these exchanges:Canmer (528)Center (565)Horse Cave (786)Munfordville (524)

CALL (800) 253-2191

When calling from these exchanges:Bonnieville (531)Buffalo (325)Magnolia (324)and other exchanges not listed above.

Farmers RECC provides reasonably priced, dependable electricity to more than 25,300 total services in place over some 3,440 miles of line in Barren, Hart, Metcalfe, Adair, Edmonson, Green, Grayson, and Larue counties.

Jerry W. Carter, Editor



With storm season approaching, remember the following safety tips

BE PREPARED BEFORE AN OUTAGE OCCURS

If your power goes off, call Farmers RECC after the storm has passed. Do not call during a lightning storm–you could be injured or killed from lightning going through phone lines.

Before an outage occurs, you need to look at your electric bill and make sure we have your correct phone number so our customer service representatives can take your report.

Keep in mind that cordless phones do not work during an outage.

Always keep a regular phone on hand to use if the power goes out.

Keep flashlights, battery-powered lanterns, and extra batteries handy. For safety reasons, always try to avoid using light sources, such as candles, that require a flame.

Ideal foods to keep on hand in case of a power outage are non-perishables like peanut butter, canned meat, canned fruits and vegetables, bread, and soups. Don't forget the manual can opener.

If you have a generator at home, equip it with a double-throw switch that will disconnect your home circuit from the utility circuit. This prevents power from going back on lines and possibly injuring our linemen.

Never touch a downed power line. Always assume a downed power line is energized and dangerous.

Don't try to assist our power restoration crews. Curious bystanders and heavy traffic can hamper our efforts to fix outages.

Don't attempt to clear trees off power lines. This act can potentially cause more damage and prolong an outage. It's also very dangerous!



Your member discount program MORE DISCOUNTS IN MORE PLACES

Farmers RECC's member discount program is growing, with more businesses joining each month.

The Co-op Connections Card may be used at hundreds of locations in our communities, across Kentucky, and throughout the nation to save money on everything from meals to hotel stays to dental care and everything in between.

To find out if a retailer is participating, look for the Co-op Connections sticker in the window or near the cash register. Check our Web site regularly at www. farmersrecc.com. If you do not have access to the Internet, contact Farmers RECC to request an updated list.



If you are a Farmers RECC member and do not have a Co-op Connections Card,

call us at (800) 253-2191 and the cards will be mailed to you, or stop by either the Glasgow or Munfordville Farmers RECC offices and pick one up.

To use your Co-op Connections Card, all you need to do is carry the card with you and present it at participating retailers, not only in our area, but across the nation.

The Co-op Connections Card–another way Farmers RECC is investing in its members and their local communities.

Which would you rather do without: One lunch or electricity for a day?



For about the cost of a fast-food lunch at your favorite restaurant, most of our members get all the convenience and comfort of electricity for a day.

Which would you rather give up? Lunch?

Or your heating, cooling, hot water, entertainment, clean clothes, lights, and home-cooked meals?

It might not be a fair question, but it makes us pause to think about the great value of electricity in our lives.



Farmers RECC employees awarded for United Way giving FIRST-TIME CAMPAIGN A SUCCESS

Farmers RECC has received the United Way of Southern Kentucky's Pioneer Award for a first-time campaign.

With employees able to commit amounts through automatic payroll deduction into designated county United Way programs, the Farmers campaign generated a great deal of interest.

"We have so many employees who live in different counties and they appreciated the opportunity to designate which county their donation would benefit," said Jennifer Jordan, a Farmers customer service representative who coordinated the program. "They could also choose specific agencies to help within their counties and that was an attractive option as well."

Jordan said the co-op is already looking toward next year's giving program. "We felt like we did very well for a first-time effort," she said. "There were no incentives this time; everybody just gave from the heart."

3A

The Rising Cost of Electricity why are we using more power?

The cost of electricity has been rising nationwide in recent years and one reason is because Americans are consuming more electricity. In fact, today's average Farmers RECC household uses about 1,200 kilowatt-hours of electricity each month, compared to about 950 kilowatt-hours in 1990. That's a 26 percent increase.

What's happened in the past couple of decades that we are using so much more power?

For starters, houses built today tend to be bigger, so there is more square footage to heat and cool. Consumer appliances such as microwaves and air conditioners are more prevalent than they used to be.

Some appliances, especially televisions, not only are more numerous, but they tend to be a whole lot bigger.

Computers, printers, and a whole gamut of re-chargeable items such as mobile phones and iPods were unknown in households 20 years ago, but are common today.

While per-capita consumption of electric-

ity has been increasing, the population has grown. That means more houses and apartments for people to live in, as well as offices, factories, and stores for them to work in, all of which use more electricity.

All of these factors have been driving up the demand for electricity. For East Kentucky Power Cooperative, which supplies power to Farmers RECC, demand for electricity is increasing at a rate that is like adding a new town with 10,000 houses every year.

To satisfy growing demand for electricity, power suppliers must build new, expensive power plants. Driven by a global construction market, the cost of building those plants has increased dramatically. The cost of structural steel rose 26 percent between 2003 and 2006.

Electricity is a Good Value

For the consumer, electricity remains a bargain. Below are selected consumer items and their average annual cost increases (unadjusted for inflation) over the last 20 years. Even as consumer reliance on electricity increases, the overall cost has increased less than the rate of inflation.



There are steps you can take to reduce your electricity consumption.

Farmers RECC offers a range of Touchstone Energy Living products and programs designed to make your home more energy efficient and more comfortable.

Energy-savings tips are regularly communicated in our newsletter and on our Web site. Free energy audits are available upon request to our members. Call us at (800) 253-2191 to learn more about how you can reduce your electricity consumption and help us keep overall demand in check.

Statement of Non-discrimination

Farmers RECC is the recipient of Federal financial assistance from the U. S. Department of Agriculture (USDA). The USDA prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means from communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W. Washington, D.C. 20250-9410, or call toll free (866) 632-9992 (voice) or (800) 877-8339 (TDD) or (866) 377-8642 (relay voice users). USDA is an equal opportunity provider and employer.





Imagine making a world of difference IT'S POSSIBLE WITH ENVIROWATTS

EnviroWatts is the brand name for the renewable electricity generated from Kentucky's five landfill gas-to-electric power plants. As landfill garbage decays, it continuously creates methane gas. Instead of flaring that methane into the atmosphere, the gas is captured and used as fuel to generate renewable power.

EnviroWatts are sold in 100 kWh blocks. Each block you buy would add \$2.75 to your monthly Farmers RECC bill for one year.

Joining is completely voluntary, but one block of EnviroWatts makes a difference. It has the annual equivalence of:

• Reducing foreign oil imports by two barrels

• Planting an acre and a half of trees

 Offsetting the use of 1,200 pounds of coal.

actual flow of electrons, participation in the Farmers RECC EnviroWatts program ensures that energy from our renewable plants flows into the electrical grid. That replaces an equal amount of nonrenewable generation from other sources.

EnviroWatts is a positive choice. It is a little step that helps to improve and preserve the environment for future generations.

Web sites like stopglobalwarming.org have carbon calculators that offer dozens of suggestions for cutting emissions around your house. For example, moving a thermostat down two degrees in the winter and up two degrees in the summer will save 2,000 pounds of carbon dioxide and approximately \$98 a year. If every household in America replaced just three bulbs with energy-efficient fluorescent bulbs, we would all save \$60 a year and



collectively keep a trillion pounds of CO₂ out of the atmosphere.

Using a renewable energy source, methane gas from landfill sites, the EnviroWatts program produces an environmentally friendly energy. This helps conserve fossil fuels and makes the world a little cleaner and a little greener. For more information on our EnviroWatts program, contact us at (270) 651-2191 or simply fill in the blanks on the following form and send to Farmers RECC, P.O. Box 1298, Glasgow, KY 42142, visit us on our Web site www.farmersrecc. com, or simply drop by our offices and request a form.

While it is impossible to track the

I want to participate in the EnviroWatts program using environmentally friendly energy sources. Please sign up my home or business for EnviroWatts!

Ŧ	this agreement will remain in place until I send Farmers RECC a wi 1 to: EnviroWatts, Farmers RECC, P.O. Box 1298, Glasgow, KY 42142	ritten request to discontinue.
Name:		
Address:		
City:	State:	Zip:
Phone:	Account:	
E-Mail:		

CONTACT US



Corporate Office 504 South Broadway Glasgow, KY 42141 Phone (270) 651-2191 Fax (270) 651-7332 www.farmersrecc.com

William T. Prather, President and CEO

Woodford L. Gardner Jr., Attorney

Board of Directors

Freddie D. Button Randy London C. F. Martin Jr. Ronnie Smith Randy Sexton Paul C. Hawkins Neil Pendygraft

Munfordville Service Center 401 Main Street Munfordville, KY 42765 Phone (270) 524-5030 Fax (270) 524-5040

CALL (270) 651-2191

When calling from these exchanges:Cave City (773)Edmonton (432)Fountain Run (434)Gamaliel (457)Hiseville (453)Lucas (646)Park City (749)Temple Hill (427)Summer Shade (428)Greater Glasgow (678) (659) (651)

CALL (270) 524-5030

When calling from these exchanges:Canmer (528)Center (565)Horse Cave (786)Munfordville (524)

CALL (800) 253-2191

When calling from these exchanges:Bonnieville (531)Buffalo (325)Magnolia (324)and other exchanges not listed above.

Farmers RECC provides reasonably priced, dependable electricity to more than 25,300 total services in place over some 3,440 miles of line in Barren, Hart, Metcalfe, Adair, Edmonson, Green, Grayson, and Larue counties.

Jerry W. Carter, Editor



An energy quiz for politicians THREE KEY QUESTIONS TO CONSIDER

Pressure is mounting for Congress to do something about climate change. And while political debates in Washington, D.C., may seem far away, the outcome of environmental legislation will affect Farmers RECC.

Our nation faces a looming energy crisis, with demand for electricity ready to outstrip supply. Unless a lot more power plants are placed into service soon, consumers could experience brownouts and even rolling blackouts in the not-too-distant future. Building this generation will be the most expensive in history, coming as prices



William T. Prather President & CEO

for fossil fuels and construction materials are shooting upward.

Additional costs to reduce greenhouse gas emissions will strain the pocketbooks of consumers even further.

Unfortunately, many members of Congress, as well as state legislators, mistakenly believe we can solve all these problems through efficiency and by renewable energy. While we certainly need more energy-efficiency programs and "green power," they will not be enough to ensure that you continue to receive a safe, reliable, and affordable supply of electricity.

In this election year in particular, it's important that all of us have a clear idea of these issues affecting Farmers RECC. Here are three key questions to consider. They are questions I will be asking of elected officials and political candidates as I join with other electric co-op leaders at state and national gatherings during the next several months:

1 Our nation's electricity needs will soon go well beyond what renewables, conservation, and efficiency can provide. What is your plan to make sure we have the electricity in the future?

2 What are you doing to fully fund the research required to make emissions-free electric plants an affordable reality?

3 Balancing electricity needs and environmental goals will be difficult. How much will this increase electric bills and what will you do to make it affordable?

You can help your elected officials "get it right" by asking these questions. The electric bill you save will be your own.

Bylaws – Nomination of Directors ARTICLE IV – BOARD OF DIRECTORS

SECTION 5. NOMINATIONS

It shall be the duty of the Board of Directors to select and appoint not less than fifty (50) days nor more than ninety (90) days before the Annual Meeting of the members a Nominating Committee consisting of not less than five (5) nor more than eleven (11) members of the Cooperative.

The members chosen by the Board shall be selected so as to give, as far as possible, equitable representation on the Nominating Committee considering the geographical areas served by the Cooperative. No officer or member of the Board shall be appointed a member of the Nominating Committee.

It shall be the responsibility of the Nominating Committee to select candidates to run for office of Director to fill the vacancies caused by the expiration of Directors' terms. The Nominating Committee shall prepare and post its nominations in a conspicuous manner in the lobby of the Cooperative's Headquarters Building not less than forty-five (45) days prior to the date set for the Annual Meeting, at which the results of the election of Directors shall be announced.

Any fifty (50) or more qualified members may, by written or printed petition, make other nominations from the membership for the office of Director, not exceeding the number of directors to be elected in any one calendar year, by personally affixing their signatures and addresses to the petition or petitions. In no event shall a member or members sign a petition or petitions for more than the number of directors to be elected in any one calendar year. In the event a member or members do sign a petition or petitions for more candidates than there are directors to be elected in any one calendar year, then their signatures shall be invalid on all petitions signed by them.

Petition or petitions by qualified members nominating candidates for the office of Director shall be filed at the headquarters office of the Cooperative during the regular office hours of the Cooperative, but in any event not later than thirty (30) days prior to the date set for the Annual Meeting.

A certification date of seventy (70) days prior to the Annual Meeting shall be established on which it shall be determined whether a member is in good standing and qualified for the purposes of signing nominating petitions and/or voting in the election of directors.

A "Member in good standing" is any member of the Cooperative who is in compliance with the bylaws, rules and regulations of the Cooperative and the rules and orders of the Kentucky Public Service Commission and who is not delinquent in payment of his account as billed by the Cooperative more than 30 days from date of billing. The Board of Directors shall have the duty of naming a Provost who shall be in charge of the election of directors. The Provost shall have responsibilities and duties regarding nominating petitions and the counting of votes.

In case the Committee on Nominations selects only one nominee for each forthcoming vacancy on the Board of Directors, and should no candidates be nominated from the membership by written or printed petition within the prescribed time, as set forth in Article IV, Section 5 of these Bylaws, the Provost shall then certify to the Secretary of the Board that no petition has been filed within the prescribed time and that the candidates nominated by the Committee on Nominations are therefore officially without opposition. The Provost will so announce at the Annual Membership Meeting, and the nominees shall be deemed elected to the Board by acclamation without the necessity of mailing official ballots through the United States mail and following the mail-ballot election procedures set forth in these Bylaws. (Amended November 29.2001)

NOTE: The preceding section of Farmers Rural Electric Cooperative Corporation's Bylaws is only a summary. Should you desire a complete copy or additional information concerning the Bylaws, please contact the cooperative's office.

Farmers Rural Electric Cooperative Corporation NOTICE OF ANNUAL MEETING

The Annual Meeting of Farmers Rural Electric Cooperative will be Thursday evening, July 10, 2008, at the Convention Center located at Cave City, Kentucky. Registration will begin at 6:00 p.m., CDT.

The cooperative's Annual Membership Meeting will be held for the purpose of presenting reports on the previous year, announcing the results of the election of directors, and the transacting of such business as may properly come before the meeting.

An informative program has been planned for this occasion. You are cordially invited to attend.

In regard to the election of directors, please note the following:

1. Nominations for directors by the Committee on Nominations will be posted in the lobby of the office of the cooperative by May 26, 2008.

2. Also, directors may be nominated by petition. Such petition shall be filed at the cooperative during regular office hours by June 10, 2008.

Randy Sexton	Freddie D. Button	Paul C. Hawkins	C.F. Martin Jr.	Ronnie Smith
Chairman	Vice Chairman	Secretary-Treasurer	Director	Director
Noil Do	ndygraft Randy	London Woodford (Gardner. Ir. Bill Prat	her
		ector Attor	말 집에 있는 것 같은 것 같	

3A

Automated Meter Infrastructure HELPING TO INCREASE SERVICE RELIABILITY

Farmers RECC is finishing the process of installing automated meters to our entire cooperative system. The transition from electromechanical meters to digital electronic meters will help us move from the concept of being a "Consumer Read" co-op to an "Automated Meter Infrastructure." Automated Meter Infrastructure" or "AMI" is a method of using communications technology to transmit meter data to a central location. The AMI meter transmits data via power lines to the substation. The data then travels by telephone line from the substation to Farmers RECC headquarters. The AMI system will make the cooperative run more efficiently. It will also improve members' customer service experience and allow the cooperative to increase service reliability. Automated meter reading eliminates the need for the customers to read their own meter, allows for current billing, and gives Farmers the opportunity to develop cycle billing.

In the past you have helped us to bill your account by sending your monthly meter readings. As an example, if you gave us a reading that was taken from your meter on March 1, the billing would be for February usage and would bill at the end of March. The bill would be due and payable by April 15. With the help of automated meter reading, there is no need to delay until the end of March to bill. We will be able to read your meter on demand from the office each month and bill soon after.

When we eliminate the process of customer readings each month, we eliminate the confusion of billing so far behind. The month delay that was created by waiting for consumers' readings goes away over a period of time. Last December, automated meter reading was implemented for approximately 5,500 of our custom-

Changing our bill look



ers. They are now billed for current energy use and have no further need to read their own meter. Beginning this month, with the help of automated meter reading, we will begin the process of bringing approximately 20,000 more members to the point of billing them for current energy use. By controlling the dates the meters are read, we can control the billing dates and adjust them over a period of several months to bring the billing to current status.

With the onset of automated meter reading, Farmers is given the opportunity to develop cycle billing for our members. In the history of Farmers RECC, we have always billed all our member accounts at the same time at the end of the month. Automated meter reading allows us to divide the cooperative system of approximately 25,000 members into four (4) billing cycles and bill one (1) cycle each week. Bills will no longer always be due without penalty on the 15th of each month. The billing and due dates will vary because the meter reading dates will fluctuate. **To avoid penalty, please check your statement carefully and pay your bill each month by the due date indicated**.

The electric power industry is essential to all of us and the employees of Farmers RECC are dedicated to working hard to meet the needs of our customers. As we progress through the coming changes, please know that we are constantly looking for better ways to provide you, our member-owners, with the best service possible.



JUNE 2008

A Touchstone Energy[®] Cooperative 🚿

2008 ANNUAL MEETING THURSDAY, JULY 10

Cave City Convention Center Cave City, KY

Registration: 6:00 p.m.

Business meeting: 7:00 p.m.

FREE!

Energy-saving lightbulbs for members who attend!

free health fair · door prizes · exhibits

scholarship pageant • entertainment

.25 cent hot dogs and .10 cent soft drinks

FEATURED ENTERTAINER MIKE SNIDER & THE MIKE SNIDER STRING BAND





SPECIAL GUEST LOCAL GOSPEL GROUP THE MCCUBBINS FAMILY



CONTACT US



Corporate Office 504 South Broadway Glasgow, KY 42141 Phone (270) 651-2191 Fax (270) 651-7332 www.farmersrecc.com

William T. Prather, President and CEO

Woodford L. Gardner Jr., Attorney

Board of Directors

Freddie D. Button Randy London C. F. Martin Jr. Ronnie Smith Randy Sexton Paul C. Hawkins Neil Pendygraft

Munfordville Service Center 401 Main Street Munfordville, KY 42765 Phone (270) 524-5030 Fax (270) 524-5040

CALL (270) 651-2191

When calling from these exchanges:Cave City (773)Edmonton (432)Fountain Run (434)Gamaliel (457)Hiseville (453)Lucas (646)Park City (749)Temple Hill (427)Summer Shade (428)Greater Glasgow (678) (659) (651)

CALL (270) 524-5030

When calling from these exchanges:Canmer (528)Center (565)Horse Cave (786)Munfordville (524)

CALL (800) 253-2191

When calling from these exchanges:Bonnieville (531)Buffalo (325)Magnolia (324)and other exchanges not listed above.

Farmers RECC provides reasonably priced, dependable electricity to more than 25,300 total services in place over some 3,440 miles of line in Barren, Hart, Metcalfe, Adair, Edmonson, Green, Grayson, and Larue counties.

Jerry W. Carter, Editor



Local Juniors Win 2008 Washington Youth Tour

Four deserving high school juniors from the Farmers Rural Electric service territory will travel by bus to Washington, D.C. as part of the National Rural Electric Youth Tour the week of June 13-20.

This year's winners are Cody Zimmerman, son of Mike and Faith Kise of Barren County High School: Allyn Hensley, daughter of Boston and Vickie Hensley, of Hart County High School: Lindsay Highbaugh, daughter of Timothy and Sarah Highbaugh, of Hart County High School: and Kellie Slinker, daughter of Kevin and Kathy Slinker, of Metcalfe County High School. These high school juniors will travel with approximately 75 other high school juniors from across Kentucky as part of the National Rural Electric Youth Tour.

The students were selected on the basis of academic standing, and their parent or guardian must be a member of and receive electric service from Farmers RECC. In addition, each student was required to complete an application form, receive a favorable report from their guidance counselor and English teacher, complete an essay, and agree to abide by the terms and conditions as specified by Farmers Rural Electric.

When the four Farmers winners go to Washington, D.C., they will join a delegation of 1,500 high school juniors in 46 states. While in Washington the students will take a boat ride on the Potomac and tour the area's historic sites and museums around the nation's capital. In addition they will learn about the congressional process and visit their legislators on Capital Hill. Through the Youth Tour, the students become acquainted with the governmental process and gain an understanding of the cooperative way of business.

Prior to the Washington Youth Tour, the students traveled to Frankfort as part of the Kentucky Rural Electric Youth Tour. While in Frankfort the students toured the Governor's Mansion, the State Capital, the Kentucky Vietnam Veterans Memorial, and learned more about the operation of state government at the Kentucky History Center.

The Youth Tour gives public recognition to deserving young people in our service territory. It is an honor for Farmers RECC to recognize the talented youth in our area.

Farmers Rural Electric is a not for profit corporation formed in 1938 for the purpose of providing low-cost, dependable and reliable electric power to it's member-owners. Farmers RECC serves more than 23,000 consumers in Barren, Hart, Metcalfe, Grayson, Adair, Edmonson, Green, and Larue counties.



Kentucky Living + June 2008

MEMBER NEWS

2008 Miss Farmers RECC Scholarship Pageant

Year after year, the Miss Farmers RECC pageant continues to be the focal point and perhaps the most enjoyable part of our annual membership meeting.

Year after year, the tension mounts as young ladies from across the cooperative's service area wait for the night they will walk across the stage and compete for the coveted title of Miss Farmers RECC.

Year after year, the pageant continues to be a wonderful and memorable experience for the young ladies who participate. New friendships are made, valuable lessons are learned, and a certain measure of pride and confidence is gained as everyone is a winner in her own right.

The Miss Farmers RECC pageant is a wellestablished, well-organized, and highly publicized event that is perhaps the longest running continuous pageant in the area. In fact, the first such pageant was held in 1950 and has been a very successful annual event since that time –some 50-plus years now.

The 2008 Miss Farmers RECC Scholarship Pageant will be held on Thursday, July 10, at the Cave City Convention Center in Cave City. Farmers RECC offers the scholarship awards to enhance and promote the educational opportunities and resulting careers of young ladies from the cooperative's service area.

These scholarship awards are a one-time grant and will be paid to the accredited educa-

tional institution (college or university) for those e x p e n s e s directly related to educational materials, including



tuition, text books, etc. Adequate proof of enrollment is required for payment.

\$1,750 in college scholarships will be awarded during this year's pageant:

Miss Farmers

RECC will receive a \$1,000 scholarship award

• First Runner-Up will receive a \$500 scholarship award

• Second Runner-Up will receive a \$250 scholarship award

Participation Requirements

1. Participants must be either a high school junior, senior, or graduate between the ages of 16 and 21 years.

2. Participants must be enrolled in or planning to enroll as a full-time student in an accredited college, university, or voc-tech center.

3. Participants must reside in Farmers RECC's service area, and their parents or legal guardian must be a member of and receive electric service from the cooperative at their principal place of residence.

 Participants must be of good moral character, single, never been married, having never been pregnant, and not currently pregnant.

5. Participants must have a good academic record, a good personal record, having never

been convicted
of any crime, and
having no criminal
charge(s) pending.
6. Participants
must submit verification of their
grade-point average by submitting a



transcript and will participate in a three-minute personal interview with the judges beginning at 4:00 p.m. on July 10.

 Scholarships are one-time grants payable to the college, university, or voc-tech center for expenses directly related to education and/or training.

8. Participants will make two appearances on stage at the annual membership meeting. One appearance requires an evening gown and one requires a one-piece swimsuit.

 Participants are judged on beauty, poise, grace, personal appearance, personality, scholastic standing, interview skills, character, GPA, and leadership ability.

10. The pageant winner must be willing to represent Farmers RECC at various functions throughout the year should such opportunity arise.

11. Should the winner be unable to complete the requirements of Miss Farmers RECC, then the First Runner-Up will serve in her place.

12. Members of the immediate family of the employees, manager, directors, and legal counsel of Farmers RECC are prohibited from participating. The pageant is also closed to previous first-place winners and cooperative employees.

For details and additional information, contact: Linda Foushee, Scholarship Pageant chair, at (270) 651-2191.

3A

MEMBER NEWS

2008 Miss Farmers RECC Scholarship Pageant PARTICIPANT'S VERIFICATION & ENTRY FORM



informatio	I hereby certify that I wish to participate in the 2008 Miss Farmers RECC Scholarship Pageant and the information provided to Farmers RECC is true and correct. I further certify I have read, understand, and hereby agree to abide by the terms, conditions, and other requirements as a participant in the pageant.			
		at I do meet the requirements as specified herein to participate in this year's pageant.		
Participant		Date		
Parent/Guardian	۱	Date		
FRECC Account 1	Number	Telephone Number		
Address		City		
		Box 1298, Glasgow, KY 42142-1298. For more information, call r at Farmers Rural Electric, 651-2191 or (800) 253-2191		

An informal luncheon will be held on Saturday, June 30 - noon - at Bolton's Landing restaurant in Glasgow. Please bring transcript of grades to luncheon! Details regarding rehearsals will be given at this time. Deadline to enter is Saturday, June 30th!!





AUG. 2008

A Touchstone Energy* Cooperative 🔊

A MESSAGE FROM YOUR PRESIDENT AND CEO

The technology of leadership ONE PIECE OF THE ELECTRIC PUZZLE

Right now, there are a lot of "whatifs" surrounding electric power. As a nation, we need to add more generating resources to meet growing electric consumption.

As your local provider of safe, affordable, and reliable power, it's Farmers RECC's job to make prudent, longterm energy decisions that will benefit



you and the communities we serve for decades to come. But today those decisions are mixed up with politics like never before. Every question of supplying power is being impacted by the debate surrounding how best to meet climate change goals. Policy limiting carbon dioxide emissions is becoming more likely, although specifics are still up in the air.

Massive investments in new technology will be required—and soon—to find a balance in meeting both our energy and climate change goals. The Electric Power Research Institute estimates it will take a research invest-

> ment of \$1.4 billion a year from now until 2030 to develop new technology such as carbon capture and storage for our power plants.

> Once we add this advanced technology to

the equation, we can develop power plants that burn coal and isolate carbon dioxide emissions. The gas can then be compressed and pumped for permanent storage deep underground. Many experts believe that with the right financial commitment from the federal government, cost-effective carbon capture and storage technology could become commercially available around 2020.

But this is just one potential piece of the puzzle, and until our elected officials agree to increase the necessary funding, uncertainty remains.

Finding the funding for carbon capture and other technical innovations will require another type of technology—leadership. As the election season approaches, our policy and political leaders will be paying special attention to matters at the top of our minds. This is an ideal time to let your elected representatives know how you feel about the

importance of planning now for a future that provides safe, affordable, and reliable electricity.



William T. Prather President & CEO
CONTACT US



Corporate Office 504 South Broadway Glasgow, KY 42141 Phone (270) 651-2191 Fax (270) 651-7332 www.farmersrecc.com

William T. Prather, President and CEO

Woodford L. Gardner Jr., Attorney

Board of Directors

Freddie D. Button Randy London C. F. Martin Jr. Ronnie Smith

Randy Sexton Paul C. Hawkins Neil Pendygraft

Munfordville Service Center 401 Main Street

Munfordville, KY 42765 Phone (270) 524-5030 Fax (270) 524-5040

CALL (270) 651-2191

When calling from these exchanges:Cave City (773)Edmonton (432)Fountain Run (434)Gamaliel (457)Hiseville (453)Lucas (646)Park City (749)Temple Hill (427)Summer Shade (428)Greater Glasgow (678) (659) (651)

CALL (270) 524-5030

When calling from these exchanges:Canmer (528)Center (565)Horse Cave (786)Munfordville (524)

CALL (800) 253-2191

When calling from these exchanges:Bonnieville (531)Buffalo (325)Magnolia (324)and other exchanges not listed above.

Farmers RECC provides reasonably priced, dependable electricity to more than 25,300 total services in place over some 3,440 miles of line in Barren, Hart, Metcalfe, Adair, Edmonson, Green, Grayson, and Larue counties.

Jerry W. Carter, Editor



Allen Thomas: At Your Service

Electricity and water are usually a lethal combination, but Farmers RECC employee Allen Thomas regularly dabbles in both – just not at the same time. A Farmers RECC line technician, Allen has spent the past year moonlighting as a volunteer rescue diver for the Barren County Rescue Squad.

"I like knowing I could possibly make a positive difference in someone's life," says Allen, who also volunteers for the South Barren Volunteer Fire Department.

Allen's passion for helping people makes the late-night and holiday calls a privilege instead of a chore.

"You never want to get called out after hours, however, in my two jobs, when I do get called out it is to benefit the people in the community," he says.

With the dive team and fire department drawing from the same pool of volunteers, Allen says the group stays busy. "We get called out on fire runs every two to three days," he says. "As divers, we probably make runs about once a year."

Allen has not yet been involved in a diving rescue run, but is trained, certified, and ready, along with four other diving team members. The diving team is currently involved in more advanced training, including underwater search patterns, rope signals, and other techniques.

A Farmers employee since 1989, Allen is well-rounded in serving the community, doing everything from helping to keep the lights on, to assisting in fire and water emergencies. "You just have to give your all whenever and wherever you are needed."

Notice to our Consumers davey resource group (drg) to conduct field inventory of farmers recc system

Satellites, laser guns, and computers... no, it's not Star Wars. It is part of the new facility mapping system being implemented at Farmers RECC.

Since July, employees of Davey Resource Group Inc. (DRG) have been traveling throughout FRECC's service area in visibly marked trucks and on four-wheelers with global positioning system (GPS) equipment to record locations of our electric facilities, including poles, transformers, and meters.

Sooner or later you might spot a crew visiting your farm or neighborhood, so don't be alarmed if you see someone pointing a large, bright yellow "gun" at your house. DRG employees are just using a laser to accurately record the location of our electric facilities.

Once this is done, the facility mapping system will provide immediate benefits to FRECC members; it will facilitate our crews in getting the lights back on more quickly after a power outage.

Farmers RECC remains committed to providing low-cost and reliable electricity to its members. The new facility mapping system will soon be utilized in an effort to better serve all our members.

If you have any questions or concerns contact Chuck Bishop at (270) 651-2191.

2008 Farmers RECC Scholarship Winners

Farmers Rural Electric Cooperative Corporation has awarded seven area high school graduates with college scholarships as part of its 2008 Senior Scholarship Program. Selected from a pool of 32 applicants, the winners each will receive a \$1,000 grant to help cover the cost of higher education. Scholarships are awarded annually based on director districts.

The winners are:

DISTRICT #1

• Jeanne Michelle Shearer, a graduate of Glasgow High School and the daughter of Michael and Anita Shearer of Cave City, plans to attend Georgetown College and major in biology.

• Jon David Hammer, a graduate of Barren County High School and the son of David and Jane Hammer of Glasgow, plans to attend the University of Kentucky and major in engineering.

• Laura Elizabeth Brooks, a graduate of Barren County High School and the daughter of Clifton and Annette Brooks of Glasgow, plans to attend Eastern Kentucky University and major in pre-med and Spanish.

DISTRICT #2

• Lindsey Jean Hensley, a graduate of Hart County High School and the daughter of Barry and Anita Hensley of Canmer, plans to attend the University of Louisville and major in pre-med.

• Andrew Bryant Strother, a graduate of Hart County High School and the son of Lance and Shelly Strother of Horse Cave, plans to attend the University of Kentucky and major in business and marketing.

DISTRICT #3

• Tonisha Corbin, a graduate of Glasgow High School and the daughter of Tony and Shannon Corbin of Center, plans to attend Western Kentucky University and major in exceptional education.

• Lindsey Renee Hubbard, a graduate of Metcalfe County High School and the daughter of Stephen and Teresa Hubbard of Edmonton, plans to attend Western Kentucky University



"We had an outstanding pool of high school graduates from which to choose," said Bill Prather, Farmers RECC president and CEO. "In academics, school involvement, and community service, each student showed a high level of all-around excellence. Farmers is proud of all area seniors and wishes each the best in future endeavors."

Each scholarship is a one-time grant of \$1,000 to help cover the cost of higher education, including tuition, books, lab fees, instructional materials, and other costs directly related to education. The scholarship funds are sent to the student's chosen institution of higher learning.

The Farmers RECC Senior Scholarship Program gives the cooperative an opportunity to recognize outstanding achievement in its younger members. "We feel it is an investment in the future of the communities we serve," Prather said.

A not-for-profit corporation founded in 1938 to provide affordable and reliable electric power to its member-owners, Farmers serves more than 23,000 consumers in Barren, Hart, Metcalfe, Grayson, Adair, Edmonson, Green, and Larue counties. Farmers is a memberowner of East Kentucky Power Cooperative, a generation and transmission cooperative headquartered in Winchester. EKPC's 16 member cooperatives serve the electric power needs of nearly one million Kentuckians in 89 of the state's 120 counties.

1st Row Lindsey Hensley of Camuer Jon David Hammer of Glasgow

2nd Row, Jeanne Shearer of Cave City, Tonisha Corbin of Center, Lindsey Hubbard of Edmonton 3rd Row: Andrew Strother of Horse Cave Laura Brooks of Glasgow

3A



Kentucky Living + August 2008

MEMBER NEWS



Farmers RECC introduces New Co-op Connections Card NOW OFFERS PRESCRIPTION DISCOUNTS

The Farmers RECC Co-op Connections card is a membership discount program offering reduced prices.

The card is accepted by more than 400 pharmacies in Kentucky and more than 48,000 nationwide. The card cannot be used in conjunc-

tion with other pharmacy discount plans, such as insurance pharmacy programs.

For a complete list of participating pharmacies, call (800) 800-7616 or log on to: www.locateproviders.com.

To check the prescription prices at participating pharmacies, log on to: www.rxpricequotes.com.

Cards are available at either the Glasgow or Munfordville Farmers RECC office or by calling (270) 651-2191.



Kentucky's Touchstone Energy[®] Cooperatives CHARITY MOTORCYCLE RUN IX Saturday, August 23, 2008

EAST LEG

Start: South Kentucky RECC 2405 N. Main St. Jamestown, KY 42629 270-866-3439

WEST LEG

Start: Warren RECC Buck Jenkins Service Center 313 Commerce St. Bowling Green, KY 42101 270-782-5985

EAST/WEST FINISH: Central Hardin High School, Elizabethtown, Ky.

REGISTRATION: 9:30 - 11 a.m. CST

ENTRY FEES: Bike and rider: \$10 Co-rider: \$5 Extra hand: \$5 Extra card: \$1

AWARDS AND PRIZES

• 50/50 raffle on EACH leg

- Cash awards for qualifying hands and distances ridden
- Cash door prizes

*Benefiting WHAS Crusade for Children

For more information, contact Frank Owen Brockman, Farmers RECC, at 800-253-2191 or fbrockman@farmersrecc.com.





A Touchstone Energy" Cooperative 🎢

A MESSAGE FROM YOUR PRESIDENT AND CEO

Some good economic news YOUR ELECTRIC POWER IS SECURE

Bad economic news seems to be everywhere. Headlines of housing foreclosures, rising food prices, and jitters on Wall Street range from gloomy to scary.

Filling up the gas tank brings all that even closer to home.



I want to offer some brighter thoughts. We still live in a country with the strongest economy. The World Economic Forum, a group of business, political, and other leaders, ranked the United States as the world's most competitive economy.

The organization's latest report credits the U.S. as "endowed with a combination of sophisticated and innovative companies operating in very efficient factor markets. This is buttressed by an excellent university system and strong collaboration between the educational and business sectors in research and development."

On a topic I know more about than the world economy, Farmers RECC continues to work hard to make sure your electricity is as reliable and affordable as possible.

Your electric power is secure.

You will probably ask, then, why the big "Energy Alert" headline and call to action on the front of this magazine?

That is how Kentucky's electric co-ops are drawing attention to the need for planning and leadership in our national energy policy.

Although we can feel good about the near-term electricity supply, building new power plants and transmission can take years. Farmers RECC is looking into the future to make sure you will always be able to depend on your electricity.

You can help, as the "Energy Alert" article explains in this magazine, and that's another bright spot we can be thankful for. Although we're going through tough times this year, we have the freedom to talk about it as a nation, and the political system that allows all of us to be part of the solution.

Farmers RECC knows it needs to focus more than ever on giving you the best deal possible on electricity, now and in the future.

That's news we can feel good about.



William T. Prather President & CEO

CONTACT US



Corporate Office 504 South Broadway Glasgow, KY 42141 Phone (270) 651-2191 Fax (270) 651-7332 www.farmersrecc.com

William T. Prather, President and CEO

Woodford L. Gardner Jr., Attorney

Board of Directors

Freddie D. Button Randy London C. F. Martin Jr. Ronnie Smith Randy Sexton Paul C. Hawkins Neil Pendygraft

Munfordville Service Center

401 Main Street Munfordville, KY 42765 Phone (270) 524-5030 Fax (270) 524-5040

CALL (270) 651-2191

When calling from these exchanges:Cave City (773)Edmonton (432)Fountain Run (434)Gamaliel (457)Hiseville (453)Lucas (646)Park City (749)Temple Hill (427)Summer Shade (428)Greater Glasgow (678) (659) (651)

CALL (270) 524-5030

When calling from these exchanges:Canmer (528)Center (565)Horse Cave (786)Munfordville (524)

CALL (800) 253-2191

When calling from these exchanges:Bonnieville (531)Buffalo (325)Magnolia (324)and other exchanges not listed above.

Farmers RECC provides reasonably priced, dependable electricity to more than 25,300 total services in place over some 3,440 miles of line in Barren, Hart, Metcalfe, Adair, Edmonson, Green, Grayson, and Larue counties.

Jerry W. Carter, Editor



Annual meeting celebrates 70 years in style

Delivering electric power to your home or business has been at the heart of Farmers RECC's existence for seven decades. Through every twist and turn the fast-paced energy industry makes, Farmers' commitment to



members does not change. This truth rang true in early July when more than 1,000 people gathered to celebrate Farmers' 70th annual membership meeting.

Just as it has each year since 1938, the cooperative gathered its members to report on the past year, elect directors, and offer a variety of activities and giveaways. Member registration was up 23 percent over 2007.

"The annual meeting is a special event because it showcases how our cooperative is set apart from other energy providers," said President and CEO Bill Prather. "Farmers RECC is member-owned and member-driven. This kind of consumer involvement cannot be found in any other form of business."

From caricaturist Denny Whelan's whimsical drawings of young members, to the entertainment of the Miss Farmers pageant, to free health and vision screenings, to Mike Snider and his string band's foot-stomping bluegrass, the meeting was filled with excitement from beginning to end.

Besides the rousing entertainment and flurry of activity, where else could folks find 25 cent



hotdogs, 10 cent soft drinks, free popcorn and cotton candy?

Brianna Hammer captured the 59th annual title of Miss Farmers RECC (see related story), and incumbent directors Freddie Button and Ronnie Smith were (continued on pg. 4A)

Kentucky Living + September 2008

Brianna Hammer Named Miss Farmers RECC BY SHANDA CROSBY

When Brianna Hammer's name was called as 2008 Miss Farmers RECC, it certainly was a fitting reward for weeks of hard work and preparation. It was indeed the achievement of a summer goal. And it was absolutely a sweet ending to a long and hectic day. But as she proudly wore her crown before a crowd of more than 1,000 at the 70th annual membership meeting in July, Brianna knew full well this was only the beginning.

"I am sort of an ambassador for Farmers RECC," said Brianna, daughter of Teena Steen and Mike Hammer, and stepdaughter of Billy Joe Steen. "I feel that I have a job to do for the cooperative — a fun job that I am really excited about."

No doubt about it, the 19-year-old Western Kentucky University biology major is prepared to represent Farmers RECC every chance she gets. "The Farmers pageant has been one of the best endeavors I have ever participated in," Brianna said. "I am honored to be serving as Miss Farmers RECC for the next year."

Fittingly, she lives in one of the first houses on Happy Valley Road in Barren County to receive electricity in 1949. "My stepdad and his family have been members of Farmers off and on for more than 59 years," she said.

A sophomore at WKU, Brianna graduated second in her class in 2007 from Monroe County High School. She and her mother moved to Glasgow the following summer.

And so began her journey to the crown. "I was completely surprised and very proud of myself because this scholarship pageant was a great honor to win," said Brianna. Her



Brianna Hammer. daughter of Tcena Steen and Mike Hammer of Barren County, was crowned Miss Farmers RECC of 2008. First runner-up was Britiney White Corbin, daughter of Kenneth and Sandy Corbin of Barren County. Second runner-up and also Miss Congeniality was Bethann Lockett, daughter of Jeff and Teresa Lockett of Hart County.

\$1,000 scholarship will go straight toward college expenses.

Along with her biology major, Brianna minors in chemistry, and after graduation plans on applying either to medical school for dermatology, or dental school to become a cosmetic dentist.

Brianna fared well in every category of the pageant, winning an award in each of the four areas: scholastic, interview, swimsuit, and formal wear. For the swimsuit portion, the girls were asked to creatively decorate the sarong they wore over their suits.

For Brianna, the experience was as valuable as winning itself. "From the luncheon to the rehearsal to the actual pageant day, everyone involved was tremendously nice, professional, and helpful," said Brianna. "The day of the pageant was so much fun with its music and upbeat nature. I am so grateful that Farmers has given us young ladies this opportunity."

As "ambassador" for the co-op, Brianna needs no coaching, no prompting, and no educating. She stepped into the role as if it were made just for her. "Farmers RECC is a greatly positive co-op that is a beneficial keystone in the communities it serves," she said. "Encouraging youth to participate in something such as this pageant, which allows them to grow in the community and grow as people by helping further their education, shows that this co-op truly cares about the future of its youth."

MEMBER NEWS

(continued from pg. 24)

re-elected to three-year terms, representing District I (Barren and Edmonson counties), and District III (Metcalfe, Green, and Adair counties), respectively.

As part of several healthrelated screenings offered free to members, the T.J.

Samson Community Hospital and the Wal-Mart Vision Center provided services to hundreds of people.

The entertainment stage was hopping, with local Southern gospel group The McCubbins Family getting the event started, and Snider's string band capping off the evening in style.

"The weather was perfect, the crowd was great, and we had a terrific time," Prather said. "On behalf of the Farmers board and employees, we appreciate the members who came out and helped us celebrate 70 years of electric service to rural people in our area."





This winter, bundle up your house... without spending a bundle.

The Button-Up program offers simple, low-cost ways to improve the energy efficiency of your home.

Stay cozy and save money with the Button-Up program: one more reason Touchstone Energy is the new standard of living.

Button-Up

OCT, 2008

A MESSAGE FROM YOUR PRESIDENT AND CEO

Rising costs present challenges

FARMERS

cooperative news

East Kentucky Power Cooperative, Farmers RECC's not-for-profit wholesale power supplier, is seeking to increase the base rates it charges to generate and transmit power to our system. Since Farmers must pass this increase on to our members, we will file a request with the Kentucky Public Service Commission to raise rates to correspond with the East Kentucky Power request.

As was announced at our annual meeting held this past July, Farmers' will file a base rate increase request in early 2009. Fortunately, with solid management and board oversight, we have managed to hold electric rates steady for 22 years, as this is the first base rate increase Farmers has requested since 1986.

The PSC must approve any rate increase and will hold public hearings and collect detailed information before making a final decision.

If the PSC approves East Kentucky Power Cooperative's request, the average co-op member will see an increase of about 5 to 6 percent to the base electric rate.

East Kentucky Power owns and operates power plants that generate electricity, as well as power lines to deliver the energy to us. In order to pay for clean-coal technology required by the federal government and to meet financial obligations in this dynamic, highcost industry, our power supplier needs additional revenue. The rate increase is necessary to continue providing reliable power and quality service to you.

As costs rise on every front, we urge each of you to take advantage of our Touchstone Energy Living programs that can help you increase energy efficiency and comfort in your home. Our Simple Savings energy information bulletins explain how to save money with inexpensive repairs. Visit our Web site or any of our offices for more information on these and other energy-saving programs.

It's a good time to consider join-

ing our levelized billing program to help you avoid the unpredictable fluctuations in your monthly bill. No matter what the weather is outside, you'll know what your bill will be.

A Touchstone Energy* Cooperative 🎢

We certainly share your concern about rising costs. Escalating copper and steel prices are affecting our material costs, and the expense of fueling our service trucks has dramatically jolted our budget.

Electric service is a vital necessity, and we pledge to keep it as available, reliable, and economical as possible. If you have any questions about the proposed rate increase, please call our office at (270) 651-2191.



William T. Prather President & CEO

CONTACT US



Corporate Office 504 South Broadway Glasgow, KY 42141 Phone (270) 651-2191 Fax (270) 651-7332 www.farmersrecc.com

William T. Prather, President and CEO

Woodford L. Gardner Jr., Attorney

Board of Directors

Freddie D. Button Randy London C. F. Martin Jr. Ronnie Smith Randy Sexton Paul C. Hawkins Neil Pendygraft

Munfordville Service Center 401 Main Street

Munfordville, KY 42765 Phone (270) 524-5030 Fax (270) 524-5040

CALL (270) 651-2191

When calling from these exchanges:Cave City (773)Edmonton (432)Fountain Run (434)Gamaliel (457)Hiseville (453)Lucas (646)Park City (749)Temple Hill (427)Summer Shade (428)Greater Glasgow (678) (659) (651)

CALL (270) 524-5030

When calling from these exchanges:Canmer (528)Center (565)Horse Cave (786)Munfordville (524)

CALL (800) 253-2191

When calling from these exchanges:Bonnieville (531)Buffalo (325)Magnolia (324)and other exchanges not listed above.

Farmers RECC provides reasonably priced, dependable electricity to more than 25,300 total services in place over some 3,440 miles of line in Barren, Hart, Metcalfe, Adair, Edmonson, Green, Grayson, and Larue counties.

Jerry W. Carter, Editor



Co-op Connections Card

VALUABLE DISCOUNTS ON HUNDREDS OF PRODUCTS AND SERVICES TO CO-OP MEMBERS

With costs rising at every turn, we hope you are taking full advantage of your Farmers RECC Co-op Connections Card. Available free of charge to every co-op member, the card gives you valuable discounts on products and services from hundreds of participating local, state, and national



businesses. Our Co-op Connections partners include everything from local pharmacies to national rental car companies. Introduced in August of this year, many Farmers RECC members took immediate advantage of the prescription savings and used their Co-op Connections Cards to save more than \$2,700 at local pharmacies in the first month alone.

To find out if a retailer is participating, look for the Co-op Connections sticker in the business window or near the cash register.

We are constantly adding partners, so be sure to check our Web site regularly at www. farmersrecc.com for a complete list. If you do not have access to the Internet, contact Farmers and request an updated list.

If you are a Farmers member and do not have a Co-op Connections Card, call us at (270) 651.2191 and the card will be mailed to you, or stop by our offices in Glasgow or Munfordville and pick up a card.

To use your Co-op Connections Card, all you need to do is carry the card with you and present it at participating retailers, not only in your area, but across Kentucky and beyond.

Safety First for Farmers RECC

No matter the job, whether inside the office or atop a pole, Farmers Rural Electric employees put safety first.

Besides the priority of saving lives, Farmers RECC wants to save the members costly liability insurance premiums and workers' compensation costs. The co-op has reached a milestone this year in the area of safety.

Although many of them work in highly dangerous jobs and extreme weather, Farmers employees worked 250,000 hours without a lost-time accident. As a result, Farmers received a insurance reimbursement and won the prestigious Kentucky Governor's Safety and Health award as well as the Safety Award from the Kentucky Association of Electric Cooperatives.

With crews working on high-voltage lines in the worst of storms, this accomplishment cannot be emphasized enough. It is a tangible example that Farmers employees make safety a top priority...both yours and ours.

Helping you save energy FARMERS RECC CAN HELP REDUCE YOUR ENERGY COSTS CHECK PAGE 4A FOR 20 THINGS YOU CAN START DOING TO SAVE ENERGY NOW

Imagine how many heating and cooling dollars you would lose in your home if a three-foot-by-three-foot window stayed open all the time.

Believe it or not, the average home has enough leaks around its windows and doors to equal a hole that size.

With some caulking here and insulation there, you could save considerably on your electric bill, make your home more comfortable, and boost its resale value.

If you don't know where to start, Farmers RECC can help.

Our energy efficiency advisor, Greg Houchens, travels the service territory advising members on how to make the most of their energy dollar.

From recommending what size and type of heating and cooling system to install in a new home to determining how bills could be lower in existing homes, Houchens puts his years of electric co-op experience to good use.

As a service to members, Farmers offers the following energy conservation services free of charge:

ENERGY AUDITS

A home energy audit determines which parts of your house use the most energy. We can come into your home and assess your energy usage, then offer advice on how to make your home more energy efficient.

Our walk-through audit and examination of past utility bills enables us to determine where your home is losing energy



and whether or not your heating and cooling system and other appliances are running efficiently.

BLOWER DOOR TEST

In extreme cases, we will set up our blower door equipment, which is a powerful fan that mounts into the frame of your front door.

By pulling air out of the house, the fan lowers the inside air pressure. The higher outside air pressure then flows in through all unsealed cracks and openings. The test determines air infiltration through the windows and leakage through the duct system, calculates energy efficiency, and ensures adequate ventilation.

HEAT LOSS/HEAT GAIN ASSESSMENT

When given the square footage and design characteristics of your home, our

sophisticated computer model can recommend which heating and air-conditioning system will be most efficient and exactly what size system your home needs.

The heat loss/heat gain analysis is available both for new construction and retrofitting existing systems.

We offer approximate annual cost comparisons on different heating and cooling systems and on different fuel sources you may be considering.

In preparing our proposal, we consider not only the amount of space being heated and cooled, but insulation and the size and efficiency of windows and doors.

INCENTIVES AVAILABLE

Homeowners who agree to "button up" their homes after an energy audit or increase insulation where needed may be eligible for rebates.

Contact Greg for more information on our energy conservation incentive programs.

Besides putting more money in your pocket today, energy-efficient homes are worth more. According to the *Appraisal Journal*, the market value of a home increases by \$10 to \$25 for every \$1 decrease in annual fuel bills.

"Ilike helpingpeople benefit themselves," Houchens says. "People don't realize how a few inexpensive adjustments around their homes can make a huge difference in their energy bill."

20 Energy Saving Tips you can do yourself

1 Have a professional heating and air-conditioning contractor conduct maintenance your system annually. Regular cleaning will make your heating and cooling system run more efficiently. If the unit is more than 15 years old, consider replacing it with a newer, energy-efficient unit.

2 Change out filters about once every month or two, especially during periods of high usage. This simple move will significantly reduce your energy consumption, especially on aging equipment.

3 Check levels of insulation in your exterior and basement walls, ceilings, attic, floors, and crawlspaces. Heat loss through your home's ceiling and walls could be high if insulation levels are less than what they should be. Recommended insulation levels have changed since older homes were constructed.

4 Check for holes or cracks around your switch plates and electrical outlets. Inexpensive outlet sealers can be placed behind your plates to prevent air leakage in and out of your home.

5 Avoid moving your thermostat up and down. (If you have a heat pump or electric furnace and your electricity goes off for several days, turn your thermostat all the way down and gradually bring it back up.) Be aware that if you have a heat pump and raise the thermostat more than three degrees, the auxiliary heat will automatically come on. 6 Avoid using space heaters unless absolutely necessary. They consume between 1-1/2 to 3-1/2 kilowatts for every hour they are on, depending on the wattage setting.

Z Consider replacing your old windows, but if that's not feasible, buy a window kit and seal your windows, or install low-cost plastic sheets over the windows.

 $8^{\rm Weatherstrip\ around\ your\ doors.}_{\rm Low-cost\ kits\ are\ available\ at\ any}$ home improvement store.

9 Fill in around plumbing penetrations.

10 Keep your water heater on the lowest possible setting. Newly installed water heaters are sometimes set higher than necessary. You will save about 3 to 5 percent in water heating costs for 10 degrees of reduction. Be aware that water heating consumes one-third of your base electric bill.

11 If your water heater is located in an unconditioned space (or cold area), wrap it in a water heater blanket to reduce heat loss.

12 Drain a quart of water from your water heater every three months to reduce sediment. Sediment will reduce efficiency and ruin the element over time.

13 On sunny days, keep the blinds closed and on cold days, keep them open to the sun.

14 Make sure the damper is closed in your fireplace or wood stove. If you don't use your fireplace at all, seal the damper.

15 Insulate the ductwork in unconditioned spaces to R-6.

6 Keep air registers and baseboard heaters clean.

17 Limit the amount of time you run the exhaust fan in your bathroom or kitchen. It quickly draws the warm or cold air out of your house.

18 The ages of your major appliances can make a dramatic difference in your bill. When you go shopping for a new appliance, consider more than the sales price. The best buy is the one that will save you the most energy over time. Look for the Energy Star label when shopping for new appliances.

19 If you replace 25 percent of your lights in high-use areas with fluorescents, you can save about 50 percent of your lighting energy bill. Even though fluorescents cost more up front, they pay for themselves quickly.

20 Wash your clothes in cold water using cold-water detergents whenever possible. About 80 to 85 percent of the energy used for washing clothes is for heating the water.

Item 24 ' Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 24. With regard the Account 930.23 Public Relations expenses shown in Exhibit 11, pages 7-9, please provide descriptions of the nature and purpose of the following expense items:
 - a. \$85 and \$220 for Fall Home Improvements (also, provide copies of ads)
 - b. \$250 for Home Improvement ad (also, provide copy of ad)
 - c. All expenses for the Connect KY card
 - d. \$4,842.61 for KAEC Cooperative card
 - e. \$150 for Industry appreciation (also, provide copy of ad).

Response

. .

24.a. Inform customers of the availability of safe and reliable energy, and also with the florescent bulb to consider energy conservation when remodeling.

24.b. Inform customers of the availability of safe and reliable energy, and also with the florescent bulb to consider energy conservation when remodeling.

24.c. The Cooperative Connection Card contains numerous businesses in the community and surrounding areas where members of Farmers can obtain discounts on goods and services at participating locations. This card is similar to a credit card or key chain card that, when displayed, allows for the discount.

24.d. KAEC assists with the distribution of the card. This amount is for mailing and distribution of the cards to every member of Farmers.

24.e. Farmers shows its appreciation to business and industry in the area by running these ads. The industry and businesses are, and employ, members of Farmers.

133844 FRECC 10-24 - Page 1 - Composite

No. 8187 P. 3



\$ 35



No. 8187 P. 2

AG. 1- 24.a. \$ 220

125824 FRECC 4-30 - Page 1 - Composite



If your answers to these 10 questions still leave you feeling comfortable about doing your project, then I would say go ahead!

projec

For most pro,

manual.

owever, if time is of the essence, it normally Ltakes a "Do-it-vourself" project longer to complete because most people are not familiar with all the "nuances" that one would learn from doing the project more than once. Think long and hard about doing a project yourself, especially if it is a large project. Large projects require more time and effort and are usually best left to a professional.



Congratulations to all our Industries. We appreciate all you do for the community.

Steak House & Grill

206 North L. Rogers Wells Blvd.. Glasgow, KY 270-629-2255

We salute all area \industries.





Today's Power... Tomorrow's Energy.

46.1.24.e

Item 25 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

25. As shown on Exhibit 11, page 9, the total Account 930.23 – Public Relations, expenses of \$126,748 without the \$62,186 of labor and benefit expenses charged to public relations activities amounts to a net amount of \$64,562. Of this net amount of \$64,562, Farmers als determined that \$27,578 (42.7%) should not be allowed for rate making purposes in this case. Why wouldn't it be appropriate that a similar ratio of 42.7% of the public relations labor and benefit expenses (amounting to 42.7% x \$62,186, or \$26,553) be disallowed for rate making purposes?

Response

Į

The majority of the time by the employee who records time to this account is for meeting with members related to energy conservation, efficiencies, high bill complaints, energy audits, and related topics. Only a small amount of time is spent on areas dealing with advertising.

Item 26 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

26. Exhibit 11 shows that Farmers has determined that a net amount of \$29,039 worth of miscellaneous expenses should be removed for rate making purposes in this case. However, as shown on Exhibit S, page 3, Farmers has inadvertently added this expense rather than removed this expense of \$29,039. The correction for this would increase Farmers adjusted Net Margins by \$58,078. Please confirm this. If you do not agree, explain your disagreement.

Response See PSC-2-24.

Item 27 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

27. With regard to the \$218,881 test year expenses included in account 921 – Office Supplies and Expenses, please provide a detailed breakout and description of each expense item making up the total expense of \$218,881, in the same format and detail as per Exhibit 11.

Office supplies	31,041
Postage	39,860
Miscellaneous general	8,903
Bank charges	9,783
Subscriptions and publications	2,857
Maintenance agreements	71,124
Managers meetings	11,941
Notary renewal	(170)
Membership dues	2,887
Filing fee	10
Annual lease	2,160
Film development	47
Flex spending	300
Employee meetings	162
Misc. cash receipts	(58)
CFC service charges	550
Rotary dues	50
Transfer Accounts	(35,571)
Printing forms	57
Misc. supplies	39
Support agreements	13,784
Computer software monthly support	9,213
Taxes, state unemployment	994
Occupational taxes	(25)
Transportation exp	309
Utilities	25,111
Telephone	19,693
Water bill	720
Munfordville office gas	1,069
Munfordville utilities	2,041
	218,881

.

Item 28 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

28. With regard to Exhibit 5, page 5, please provide a management summary and copies of any correspondence that has been received from RUS since the 1/2/09 filing date regarding the loan funds advance.

Response See PCS – 2 -21.

. .

Item 29 Page 1 of 1 Witness: Alan Zumstein Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

29. Please explain the reasons for the large (30%) increase in the test year property taxes of approximately \$467,000 over the approximate property taxes of \$360,000 in the year prior to the test year.

Response Increase in property levels and in the tax rates per county.

Item 30 Page 1 of 1 Witness: Alan Zumstein

Farmers Rural Electric Cooperative Case No. 2008-00030 AG's Initial Data Requests

- 30. With regard to the pro forma adjusted payroll expenses shown in Exhibit 1, please provide the following information:
 - a. Provide the portion of the total projected wages of \$3,196,635 that has been allocated to the non-regulated propane subsidiary. In addition, show the employees whose salaries were partially allocated to the subsidiary and the payroll allocation amount for each of these employees.
 - b. Show how and where on Exhibit 1 this payroll allocation has actually been made for rate making purposes in this case.

Response

30.a. Farmers does not allocate labor to the subsidiary. Farmers subsidiary has its own accounting system, employees, building, and management team, which is separate from Farmers Rural Electric. Farmers employees do not perform any functions for its subsidiary.

30.b. n/a