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Commonwealth of Kentucky  
**Public Service Commission**  
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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

John W. Clay  
Commissioner

March 16, 2009

## PARTIES OF RECORD

Re: Case No. 2008-00371

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Quang Nguyen at 502/564-3940, Extension 256.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

Attachment

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File

**FROM:** Quang D. Nguyen, Staff Attorney

**DATE:** March 16, 2009

**RE:** Case No. 2008-00371  
South Kentucky RECC CPCN

Pursuant to a Commission Staff notice dated February 17, 2009, an informal conference was held at the Commission's offices on February 27, 2009. A list of the attendees is attached hereto.

The purpose of the conference was to discuss and clarify certain outstanding issues relating to the cost of the proposed construction, the design of the new headquarters facilities, and the bidding process. Regarding the construction cost, South Kentucky RECC ("South Kentucky") advised that, due to the current economic crisis, prices for materials and labor have decreased significantly since the filing of the application. South Kentucky stated that it would seek to have the final bids resubmitted by the various subcontractors and anticipates a savings of at least \$1.5 million from the original \$19.3 million price tag. South Kentucky also stated that it will seek to sell its current headquarters facilities for an estimated value of \$2.5-\$3 million. The proceeds from the sale of the current facilities will be applied toward the cost of the new facilities, which would ultimately reduce the cost of the new facilities by \$4 million. South Kentucky provided a letter from its general contractor, D. W. Wilburn, Inc., providing a projection of the cost savings after the bids have been refreshed. A copy of this letter is attached hereto.

South Kentucky addressed the immediate necessity of a new headquarters, explaining that the current facility is outdated and has been expanded and renovated beyond its capabilities. Any further expansion of its current facility would not be feasible. In addition to space requirements, the current facility's most pressing needs are safety issues relating to ingress and egress and compliance with certain requirements under the Americans with Disabilities Act.

Regarding the design of the new facilities, South Kentucky noted that it initially looked at the designs of new office facilities of other electric cooperatives, such as Nolin Rural Electric Cooperative Corporation, Blue Grass Energy, Owen Electric Cooperative, and Jackson Energy Cooperative. After considering several design ideas, including the use of a prefabricated design, South Kentucky eventually settled on a design concept

that not only provided adequate space to accommodate its current and future staffing levels but provided it at a reasonable cost. The size of the proposed facilities is as follows: two-story office building totaling 46,060 square feet (35,500 square feet on the first floor and 10,560 square feet on the second floor) and a warehouse totaling 62,646 square feet.

After an extensive search, South Kentucky eventually retained D. W. Wilburn, Inc. and Tahill Jacobs as contractor and architect, respectively, for the new headquarters facility. The construction project was divided into 16 segments. South Kentucky states that three to seven bids were submitted for each segment of the project. The bids were based on the architect's blueprints for the facility. South Kentucky advised that it has requested financing from the Rural Utilities Service ("RUS") to fund the project and will most likely not obtain approval before completion of the construction project. South Kentucky noted that RUS requires a competitive bid for the construction project.

South Kentucky provided a second letter from D. W. Wilburn which reflects information from Means, a national publication for construction costs commonly used by architects and engineers for cost estimates. The letter notes that the construction price was within the range of the Means cost estimates. A copy of the second letter is also attached hereto.

Upon Commission Staff's request, South Kentucky agreed to provide the following information by March 9, 2009: (1) an updated financial forecast incorporating the cost savings; (2) a list of each office space setting forth the square footage and the number of employees in each area; (3) actual square footage for the office, warehouse, storage facility, and covered parking, along with the total cost for and per-square-foot cost for each facility; and (4) an explanation regarding the lack of bids for the concrete work other than D. W. Wilburn.

There being no further discussion, the conference was adjourned.



D. W. WILBURN, INC.

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153 Blue Sky Parkway  
Lexington, Kentucky 40509  
(859) 263-2720  
FAX (859) 263-5692

February 26<sup>th</sup>, 2009

South Kentucky RECC  
925-929 N. Main Street  
Somerset, Kentucky 42503

ATTN: Allen Anderson

RE: South Kentucky RECC Corporate Administration & Operations Facility

Please find attached our "in house" projections for construction price deflation we are now experiencing. Please note that these are strictly in house projections and before contracts can be written, pricing will need to be reconfirmed with each low bidder on the project.

Should you have any further questions, feel free to contact me.

Sincerely,  
D. W. Wilburn, Inc.



Doug Wilburn  
President

## South KY RECC New Building Complex

Division One	Sub-Contractor/Supplier	Notes & Comments	Bid Day Quotes	Used Quotes	Projected Deflation
General Requirement	DWW	Total Package	\$443,388.00	\$443,388.00	\$440,000.00
<b>Division Two</b>					
Earthwork/Storm	Weddle Enterprises	Total Package	\$1,498,750.00	\$1,498,750.00	\$1,400,000.00
	McGowan Excavation	Total Package	\$1,588,639.00		
	Kay & Kay	Total Package	\$1,795,000.00		
Asphalt and Curb	Hinkle	Total Package	\$1,149,604.00	\$1,149,604.00	\$1,050,000.00
	Kay & Kay	Total Package	\$1,164,000.00		
Earthwork for Concrete	DWW	Total Package	\$229,437.00	\$229,437.00	\$210,000.00
Concrete Pavement	DWW	Total Package	\$313,447.00	\$313,447.00	\$330,000.00
Concrete Sidewalks	DWW	Total Package	\$66,083.00	\$66,083.00	\$70,000.00
Termite Control	Heritage Pest	Total Package	\$10,500.00	\$10,500.00	\$12,000.00
	Blackdiamond	Total Package	\$10,975.95		
Landscape	Miracle Lawn	Total Package	\$356,125.00	\$356,125.00	\$330,000.00
	East Tennessee Lawn	Total Package	\$360,000.00		
	Hillemeyer Landscape	Total Package	\$523,704.82		
Fence	Geddes Fence	Total Package	\$179,180.00	\$186,680.00	\$165,000.00
		(Add dumpster gate \$7,500 to final price)			
	Fleener Brothers	Total Package	\$159,500.00		
		(No dumpster gate chainlink fence at warehouse)			
Site Furnishing	Atlas	Total Package	\$2,167.00	\$2,167.00	\$2,500.00
<b>Division Three</b>					
Blding/Concrete	DWW	Total Package	\$1,707,712.00	\$1,707,712.00	\$1,536,950.00
		(price includes I.C.F material quote)			
I.C.F Material	Holdfast	Total Package	\$93,004.40		\$100,000.00
		(Used, due to their installation cost)			
Reward Wall Systems		Incomplete Package	\$91,942.50		

			(wrong unit)					
	Dixie ICF, LLC		Total Package	\$95,232.00				
<b>Division Four</b>								
	Masonry	Southerland Masonry	Total Package	\$556,636.00				\$550,000.00
		Roger Carricle	Total Package	\$586,636.00				
		Burton Masonry	Total Package	\$596,136.00				
		Houston Berger	Total Package	\$638,142.00				
<b>Division Five</b>								
	Metal	Fab Steel Inc.	Total Package	\$545,372.00		\$545,372.00		\$450,000.00
		G & G Contracting	Total Package	\$608,650.00				
			(addition quotes coming Friday)					
	Railings	Designer Pallets	Total Package	\$117,240.00		\$117,240.00		\$120,000.00
	Steel Trusses	Grayhawk	Total Package	\$269,821.00		\$269,821.00		\$230,000.00
		Tri-State	Total Package	\$283,157.00				
	Metal Column Cover	Out to Bid	Total Package	\$1,985.00		\$1,985.00		\$2,000.00
<b>Division Six</b>								
	Custom Cabinets	Kentucky Caseworks	Total Package	\$38,400.00		\$38,400.00		\$35,000.00
		Kitchen/Breakroom	Out to Bid roughly	\$42,295.00		\$42,295.00		\$40,000.00
	Heavy Timber Decking	Gaylor Lumber	Total Package	\$10,143.00		\$10,143.00		\$10,000.00
	Rough Carpentry	DWW	Total Package	\$77,700.00		\$77,700.00		\$65,000.00
<b>Division Seven</b>								
	Roofer's	Isaacs Specialty	Total Package	\$608,300.00		\$608,300.00		\$550,000.00
		Dixie Roofing	Total Package	\$623,600.00				
		JBK Roofing	Total Package	\$638,500.00				
		JC Industries	Total Package	\$735,000.00				
		Kerkin Roofing	Total Package	\$772,874.00				
	Caulking	ABG Caulking	Total Package	\$57,350.00		\$57,350.00		\$50,000.00
		South Central Caulking	Incomplete Package	\$5,135,000.00				
	Spray Insulation	Omni	Total Package	\$344,900.00		\$344,900.00		\$315,000.00
		Priority 1 Construction	Total Package	\$350,000.00				
	Air Barrier	DWW	Total Package	\$827.00		\$827.00		\$1,000.00

	Water Repellent	DWW	Total Package		\$22,000.00	\$22,000.00	\$20,000.00
<b>Division Eight</b>	Doors, Frames, Hardware	Atlas	Total Package	(final price includes d/w labor cost)	\$129,249.00	\$164,429.00	\$155,000.00
	Overhead Coiling Doors	Overhead Doors	Total Package		\$136,470.00	\$136,470.00	\$130,000.00
	Door Authority	Somerset - Burnside	Total Package		\$154,175.00		
			Total Package		\$154,528.00		
	Glazing	Stanford Glass	Total Package		\$207,000.00	\$207,000.00	\$185,000.00
		Bluegrass Doors	Total Package		\$232,300.00		
		Rogers Aluminum	Total Package		\$263,500.00		
		Green River Glass	Incomplete Package	(no glass entrance sunshades or mirrors)	\$258,000.00		
<b>Division Nine</b>	Gyp Ceiling, Flooring	Bennett's Carpet	Total Package		\$768,000.00	\$768,000.00	\$740,000.00
		Wildier Enterprises	Total Package		\$837,400.00		
		C K Construction	Incomplete Package	(No. sheet Carpet, resilient carpet)	\$776,194.00		
		House of Carpet	Incomplete Package	(No. Gyp ceiling, and cork rubber tile)	\$78,400.58		
	Ceramic Tile and Terrazzo	Martina Bros	Total Package		\$75,728.00	\$75,728.00	\$75,000.00
		Rosa Mosaic	Total Package		\$93,663.00		
	Painting	Fox Painting	Total Package		\$148,100.00	\$148,100.00	\$140,000.00
		Boggs Painting	Total Package	(additional quotes Friday)	\$262,400.00		
<b>Division Ten</b>	Specialties	Atlas	Total Package		\$115,248.00	\$115,248.00	\$115,000.00
		Division X Specialties	Incomplete Package	(doesn't include outside signage)			
		New Line	Incomplete Package	(doesn't include outside signage)			
		Pole Tech	Just Flagpole				
		Smith Architectural	Just Flagpole				
<b>Division Eleven</b>	Banking Equipment	Quality Service Installation	Total Package		\$25,440.00	\$25,440.00	\$25,000.00
	Dock Leveler	Overhead Doors	Total Package		\$14,098.00	\$14,098.00	\$15,000.00



	Dock Bumper Atlas		Total Package	\$301.00	\$301.00	\$300.00
<b>Division Twelve</b>	Floor Mats Atlas	Total Package	\$2,925.00	\$2,925.00	\$3,000.00	
	C/S Group	Total Package	\$3,872.00			
	Kadee Industries	Total Package	\$3,985.00			
	Roller Shades	Total Package	\$44,240.00	\$44,240.00	\$45,000.00	
	Dixie Lite-Trol Company	Total Package	\$44,240.00			
<b>Division Thirteen</b>	Office, Maintenance building	Total Package	\$1,156,577.00	\$1,234,903.00	\$1,100,000.00	
	G&G Contracting Co	Total Package	\$852,261.00			
	Ceco Building Systems	Material Only				
		(Fleet Canopy excluded by DW)				
<b>Division Fourteen</b>	Conveying Systems	Total Package	\$44,590.00	\$44,590.00	\$45,000.00	
	D-C Elevator Company	Total Package	\$44,590.00			
<b>Division Fifteen</b>	Mechanical	Total Package	\$2,429,570.00	\$2,429,570.00	\$2,250,000.00	
	Foster Heating	Total Package	\$2,546,650.00			
	FR&I Plumbing	Incomplete Package	\$2,654,831.00			
	Epperson	(added outside package 335,330)	\$2,929,570.00	\$500,000.00	\$500,000.00	
	Fire Protection	Total Package	\$2,929,570.00			
		(budget number only; design not complete)				
<b>Division Sixteen</b>	Electrical	Total Package	\$1,874,132.00	\$1,874,132.00	\$1,700,000.00	
	Diamond Electrical Inc	Total Package	\$2,050,420.00			
	Fayette Electrical Service	Incomplete Package	\$1,625,675.00			
	F.I.E Electrical Inc	(incomplete light package)	\$288,577.00	\$288,577.00	\$265,000.00	
<b>Bond/Insurance</b>			\$883,240.00		\$830,000.00	
<b>Design Fee's</b>			\$909,577.00		\$850,000.00	
<b>5% Contractor's Fee</b>			\$18,523,430.00		\$17,252,750.00	
<b>Total Budget</b>			\$866,264.00		\$862,000.00	
<b>5% Contingency</b>						

D. W. WILBURN, INC.

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153 Blue Sky Parkway  
Lexington, Kentucky 40509  
(859) 263-2720  
FAX (859) 263-5692

February 26<sup>th</sup>, 2009

South Kentucky RECC  
925-929 N. Main Street  
Somerset, Kentucky 42503

ATTN: Allen Anderson

RE: South Kentucky RECC Corporate Administration & Operations Facility

Please find attached the information from Means which is a national publication for construction costs that Architects and Engineers commonly use for cost estimates. Please keep in mind that these figures do not include in of the upgrades in the office area such as the ICF walls, terrazzo floors, etc. They also do not include any site work or warehouse upgrades. Please note the areas highlighted on each page for this verbiage.

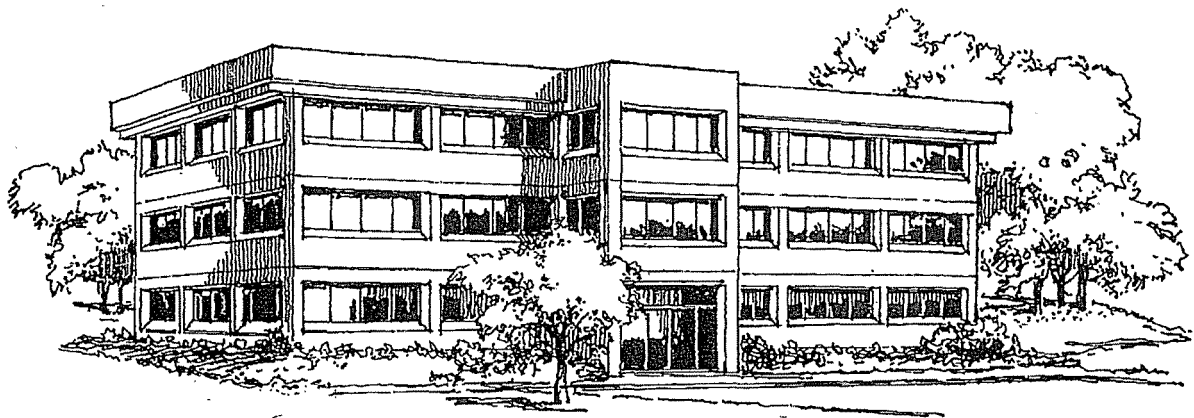
Our price is in range with the Means cost estimates. The best method of determining price is the competitive bids by each trade which have been submitted previously to you.

Should you have any further questions, feel free to contact me.

Sincerely,  
D. W. Wilburn, Inc.



Doug Wilburn  
President



**Costs per square foot of floor area**

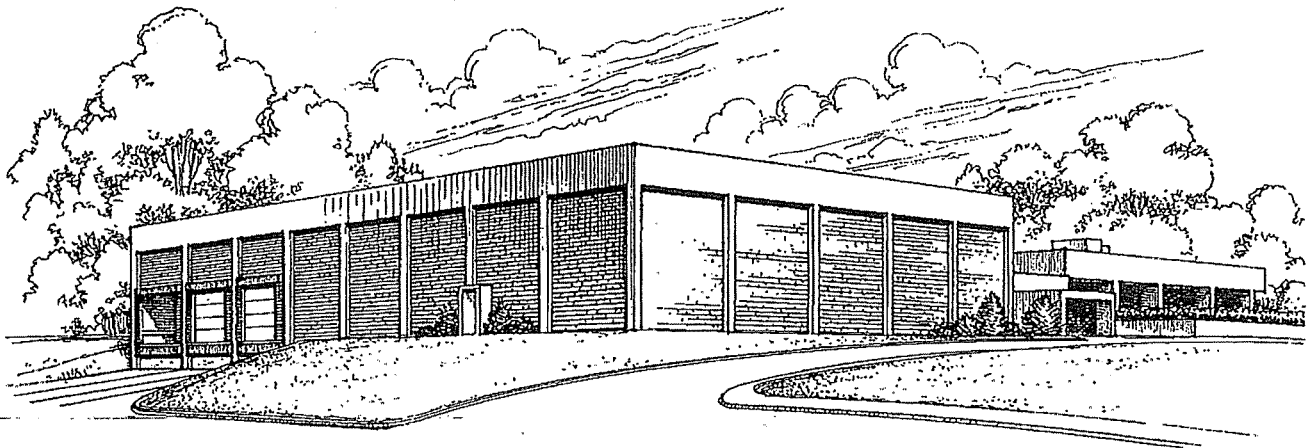
Exterior Wall	S.F. Area	5000	8000	12000	16000	20000	35000	50000	65000	80000
	L.F. Perimeter	220	260	310	330	360	440	490	548	580
Face Brick with Concrete Block Backup	Wood Joists	207.70	177.60	160.45	148.75	142.60	130.55	124.75	121.85	119.45
	Steel Joists	212.65	182.55	165.35	153.70	147.50	135.45	129.65	126.80	124.40
Glass and Metal Curtain Wall	Steel Frame	248.40	210.10	188.25	172.85	164.80	148.95	141.15	137.35	134.10
	R/Conc. Frame	246.15	207.90	186.00	170.70	162.65	146.75	139.00	135.10	131.95
Wood Siding	Wood Frame	171.00	147.70	134.50	125.95	121.30	112.50	108.30	106.25	104.60
Brick Veneer	Wood Frame	187.55	160.00	144.25	133.75	128.10	117.25	112.05	109.40	107.30
Perimeter Adj., Add or Deduct	Per 100 L.F.	32.50	20.25	13.50	10.15	8.10	4.65	3.25	2.45	2.00
Story Hgt. Adj., Add or Deduct	Per 1 ft.	5.30	3.90	3.10	2.50	2.15	1.55	1.20	.95	.90

*For Basement, add \$29.50 per square foot of basement area*

The above costs were calculated using the basic specifications shown on the facing page. These costs should be adjusted where necessary for design alternatives and owner's requirements. Reported completed project costs, for this type of structure, range from \$58.15 to \$225.20 per S.F.

**Common additives**

Description	Unit	\$ Cost	Description	Unit	\$ Cost
Clock System			Smoke Detectors		
20 room	Each	15,000	Ceiling type	Each	171
50 room	Each	36,400	Duct type	Each	440
Closed Circuit Surveillance, One station			Sound System		
Camera and monitor	Each	1675	Amplifier, 250 watts	Each	2125
For additional camera stations, add	Each	910	Speaker, ceiling or wall	Each	174
Directory Boards, Plastic, glass covered			Trumpet	Each	335
30" x 20"	Each	570	TV Antenna, Master system, 12 outlet	Outlet	288
36" x 48"	Each	1375	30 outlet	Outlet	185
Aluminum, 24" x 18"	Each	555	100 outlet	Outlet	173
36" x 24"	Each	635			
48" x 32"	Each	885			
48" x 60"	Each	1850			
Elevators, Hydraulic passenger, 2 stops					
1500# capacity	Each	53,600			
2500# capacity	Each	56,200			
3500# capacity	Each	60,400			
Additional stop, add	Each	8750			
Emergency lighting, 25 watt, battery operated					
Lead battery	Each	265			
Nickel cadmium	Each	770			



**Costs per square foot of floor area**

Exterior Wall	S.F. Area	10000	15000	20000	25000	30000	35000	40000	50000	60000
	L.F. Perimeter	410	500	600	640	700	766	833	966	1000
Tiltup Concrete Panels	Steel Frame	98.05	89.30	85.25	81.30	79.15	77.60	76.55	75.00	73.00
Brick with Block Back-up	Bearing Walls	114.60	102.05	96.35	90.25	86.95	84.75	83.10	80.85	77.55
Concrete Block	Steel Frame	96.50	88.00	84.05	80.25	78.15	76.70	75.65	74.20	72.20
	Bearing Walls	93.75	85.10	81.10	77.25	75.10	73.65	72.55	71.05	69.10
Galvanized Steel Siding	Steel Frame	102.10	93.25	89.10	85.05	82.85	81.35	80.20	78.70	76.65
Metal Sandwich Panels	Steel Frame	104.30	94.35	89.70	85.10	82.55	80.80	79.55	77.85	75.40
Perimeter Adj., Add or Deduct	Per 100 L.F.	6.35	4.25	3.25	2.60	2.10	1.90	1.55	1.30	1.00
Story Hgt. Adj., Add or Deduct	Per 1 Ft.	.75	.60	.55	.45	.40	.40	.35	.40	.25
For Basement, add \$23.55 per square foot of basement area										

The above costs were calculated using the basic specifications shown on the facing page. These costs should be adjusted where necessary for design alternatives and owner's requirements. Reported completed project costs, for this type of structure, range from \$30.13 to \$120.30 per S.F.

**Common additives**

Description	Unit	\$ Cost	Description	Unit	\$ Cost
Dock leveler, 10 ton cap.			Sound System		
6' x 8'	Each	6225	Amplifier, 250 watts	Each	2125
7' x 8'	Each	6225	Speaker, ceiling or wall	Each	174
Emergency Lighting, 25 watt, battery operated			Trumpet	Each	335
lead battery	Each	265	Yard Lighting, 20' aluminum pole	Each	2600
Nickel cadmium	Each	770	with 400 watt		
Fence, Chain link, 6' high			high pressure sodium		
9 ga. wire	L.F.	20	fixture.		
6 ga. wire	L.F.	29			
Gate	Each	293			
Flagpoles, Complete					
Aluminum, 20' high	Each	1375			
40' high	Each	3125			
70' high	Each	9725			
Fiberglass, 23' high	Each	1675			
39'-5" high	Each	3225			
59' high	Each	8025			
Paving, Bituminous					
Wearing course plus base course	S.Y.	7.85			
Sidewalks, Concrete 4" thick	S.F.	3.96			