

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR APPROVAL TO PURCHASE THE FIXED)	CASE NO. 2007-00374
ASSETS OF THE MONTICELLO ELECTRIC)	
PLANT BOARD, MONTICELLO, KY)	

COMMISSION STAFF'S SECOND DATA REQUEST TO
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 26, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, shall be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

South Kentucky shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any requests to which South Kentucky fails or refuses to furnish all or part of the requested information, South Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the response to the Commission Staff's First Data Request dated September 14, 2007 ("Staff's First Request"), Item 4. In most comparisons, the rates charged by Monticello Electric Plant Board ("Monticello") are less than the corresponding rates charged by South Kentucky .

a. Have Monticello's customers been made aware of the increase in rates that will occur when they are charged South Kentucky's rates? If yes, state when and how this increase was made known to them.

b. For each Monticello customer class listed in the response to Item 4, calculate average monthly bills using the current Monticello and comparable South Kentucky rates. Base the calculated bills on the most currently available average customer class usage. Show all components used to determine the total bill. Include all riders, surcharges, fees, and applicable taxes.

2. East Kentucky Power Cooperative, Inc. ("EKPC") has pending before the Commission an application to increase its wholesale power rates, which will result in an

increase in the rates of South Kentucky. Has any of the information presented to Monticello's customers acknowledged this pending rate case? Explain the response.

3. Refer to the response to the Staff's First Request, Item 6.

a. Refer to page 4 of 21.

(1) Provide copies of any sections of South Kentucky's Annual Report that discuss the acquisition of Monticello.

(2) Provide the minutes of the 2007 South Kentucky Annual Meeting and copies of the remarks made by Allen Anderson.

(3) State the total number in attendance at the 2007 South Kentucky Annual Meeting and indicate how many attendees were customers of Monticello.

(4) Provide samples of the special presentations referenced for the month of July.

b. Page 19 of 21 appears to be a flyer that was distributed to Monticello's customers and states that, "Rates for MEPB customers will be unaffected by the change up to January 2009." However, South Kentucky's response to Item 13 states that it will place the Monticello customers into South Kentucky rate classes in November 2008. Clarify when South Kentucky proposes to change the rates charged to Monticello customers.

c. Page 21 of 21 is an announcement of a public forum concerning the sale of Monticello to South Kentucky that was to be held on September 27, 2007.

(1) Provide the number of attendees at this meeting and summaries of any comments made at the meeting.

(2) Are any further public meetings, discussion groups, or forums planned to be held prior to the November 6, 2007 election? If yes, provide the date of the meeting(s) and the same information as requested in subpart (1) above.

4. Refer to the response to the Staff's First Request, Item 11.

a. The response states that South Kentucky has not yet sought Commission approval for the financing of the Monticello purchase because the arrangements are not final. When does South Kentucky anticipate filing with the Commission an application for approval of financing for this acquisition?

b. The letter presented as Exhibit T to the application implies that there were financing alternatives available to South Kentucky for this acquisition. Describe the financing alternatives that were available to South Kentucky and explain why South Kentucky selected the alternative of a promissory note with the city of Monticello.

c. Concerning the letter in Exhibit T, explain in detail how South Kentucky reached the conclusion that this letter from the U. S. Department of Agriculture – Rural Development constitutes an approval of the transaction among South Kentucky, EKPC, and Monticello.

5. Refer to the response to the Staff's First Request, Item 13.

a. Concerning the response to Item 13(a), is South Kentucky indicating that the transaction will not close prior to December 31, 2007? If no, explain how a material financial transaction occurring prior to year-end can be omitted from South Kentucky's financial statements.

b. Concerning the response to Item 13(c),

(1) In order to continue charging the Monticello customers the existing rates from the date South Kentucky acquires the system until the end of the Tennessee Valley Authority power contract, would South Kentucky adopt the Monticello rates and amend its existing tariffs to include those rates for the customers? Explain the response.

(2) In order to bill the former Monticello customers South Kentucky's then existing rates in November 2008, would South Kentucky file a rate proceeding to move from one tariff to another? Explain the response.

6. Refer to the response to the Staff's First Request, Items 15(b), page 4 of 4, 19(a-b), and 22.

a. The responses in Items 15 and 22 state that South Kentucky intends to record the Monticello acquisition at the purchase price. Is South Kentucky aware that the Uniform System of Accounts for Rural Utilities Service Electric Borrowers ("RUS USoA") requires that, when electric plant constituting an operating unit or system is purchased, the acquired plant is to be recorded at its original cost as well as any accumulated depreciation applicable to the original cost?

b. Using the information provided in Item 19, resubmit the accounting entries that reflect the purchase of the Monticello fixed assets. The entries are to be consistent with the provisions of the RUS USoA.

c. Describe how South Kentucky would propose to amortize any acquisition adjustment that may result from the Monticello acquisition.

7. Refer to the response to the Staff's First Request, Item 16.

a. The response to Item 16(a) states, "How the substation transaction will be financed as [sic] not been determined yet." Explain this statement, given that the

substation transaction refers to the purchase of a substation from South Kentucky by EKPC.

b. Explain why South Kentucky does not plan to use the net proceeds from the sale of the substation to EKPC to pay down the \$4,400,000 debt incurred to acquire the Monticello assets.

8. Refer to the response to the Staff's First Request, Items 18 and 22. Given that South Kentucky is assuming a customer deposit liability and accrued interest liability of \$152,897 and \$9,174, respectively, why did South Kentucky not reflect these liabilities in the proposed journal entry to record the Monticello acquisition?

9. Refer to the response to the Staff's First Request, Item 18(b). What is the status of the RUS lien accommodation and the supplemental lender's approval of the proposed acquisition?

10. Refer to the response to the Staff's First Request, Item 23. Would South Kentucky agree that upon its acquisition of the Monticello customers, South Kentucky will be required to submit new service territory maps to the Commission reflecting the addition of this area to its service territory? Explain the response.

11. Provide the results of the November 6, 2007 election concerning the acquisition of Monticello by South Kentucky no later than November 15, 2007.



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DATED: October 12, 2007

cc: Parties of Record