

**COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**THE APPLICATION OF CLARK ENERGY COOPERATIVE, INC. OF)
WINCHESTER, KENTUCKY, FOR COMMISSION APPROVAL OF A)
CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT)
ACCORDING TO THE COOPERATIVE'S 2003-2005 THREE YEAR)
CONSTRUCTION WORK PLAN)**

CASE NO. 2003-00016

RESPONSE TO SECOND DATA REQUEST OF COMMISSION STAFF DATED JULY 28, 2003

Clark Energy Cooperative, Inc. of Winchester, Kentucky, hereinafter referred to as "Clark", respectfully submits the following responses to the Commission's information request of July 28, 2003:

Question No. 1: Refer to the response to Commission Staff's First Data Request dated June 13, 2003, Item 1. Clark Energy was asked to state whether it had done a feasibility study to determine whether renovation and expansion to the existing building would be more economical in the long run than constructing a new facility at the existing site. In the alternative, Clark Energy was asked to state why a study was not necessary and to explain how Clark Energy determined that the expansion should be 4200 square feet. Clark Energy's response did not provide the information requested. Provide the originally requested information.

Answer: The architectural firm that proposed and designed the office renovation and expansion project is DCT Design Group of Lexington, KY. A DCT Design Group memo summarizing the cost of alternative office projects was included within Clark's June 21st response to the Commission's June 13th information request. DCT's memo recommends that renovation and modest expansion of Clark's headquarters office is the best option. Specifically, DCT reviewed office space needs with Clark's management and recommended a plan making the most efficient use of existing and new space to minimize new construction costs. A summary of office space allocation totaling 4200 sq ft recommended by DCT for the new expansion area is provided within their attached memo.

Respondents: Shannon D. Messer, Clark Energy and Duane Culp, DCT Design Group

Question No. 2: Refer to the response to Commission Staff's First Data Request dated June 13, 2003, Item 2. In the response Clark Energy states that construction on the new addition began in late January 2003. Explain why Clark Energy began construction on this facility before the Commission granted a Certificate of Public Convenience and Necessity on the project pursuant to KRS 278.020.

Answer: Clark's decision to begin laying block and erecting steel for the new addition concurrently with filing an Application for a Certificate of Convenience and Necessity is based on five factors:

1. An Application for a Certificate of Convenience and Necessity was electronically filed with the Commission by Clark on January 29, 2003. The laying of block and erection of steel for a new addition also began in late January. Clark's management believed, based on its experience in past proceedings, the Commission would approve a new Application within a short period of time before any significant construction occurred on the new addition.
2. RUS has already reviewed and approved the office renovation and expansion project as part of its regulatory and loan oversight of our 2003-2005 Construction Work Plan. Clark's management believes the Commission will concur with RUS that the office renovation and expansion project is sufficiently modest to satisfy present and future needs without any extensive justification or analysis.

RUS only required a memo from DCT Design Group, RUS Form 740g and a simple floor plan provided on pages 77-79 of Clark's 2008 Long Range Plan & 2003-2005 Construction Work Plan document submitted to the Commission as part of Clark's January 29th Application. Similarly, refer to RUS' letter approving Clark's work plan from Mike Norman, RUS GFR just inside the title page of this document. An overview of the proposed office renovation and expansion project is provided within Section 7.5, Headquarters Facility Improvements on page 48 of the same document.

3. The new 4200 sq ft addition represents a modest expansion since Clark's total office space only increases by a third, i.e. 12200 sq ft vs 16400 sq ft. Similarly, a third of the total project cost is for existing office renovation, building code upgrades, updates to mechanical and electrical rooms and equipment and finally, some repairs. Only two-thirds of the project cost is for expansion necessary to provide additional office space. Clark's management believes a demonstrable need for headquarters renovation and expansion at a modest cost should not unnecessarily delay the project. So, erection of the new addition began concurrently with Clark's filing of its Application.

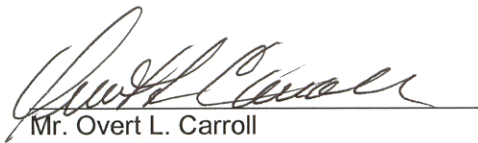
4. The \$1,200,000 office renovation and expansion project is a small portion of the total construction work plan already approved by RUS and does not represent a large capital expense that will materially affect Clark's financial condition or rates. DCT Design Group recommended that Clark's office renovation and expansion project is the best and most economical option to satisfy office needs. A DCT Design Group memo summarizing the cost of office project alternatives was included within Clark's June 21st response to the Commission's June 13th information request.

5. The office renovation and expansion project was included within Clark's 2003-2005 Construction Work Plan (CWP) only to obtain RUS guaranteed financing from FFB. Clark's management believes that the small size of the new addition, modest scope of the renovation, and low cost of the project is a solution to everyday needs. Similarly, Clark's management believes the headquarters project may be interpreted as ordinary work necessary during the normal course of business to maintain adequate facilities. Work necessary during the normal course of business described in administration regulation 807 KAR 5:001, Rules of Procedure, Section 9, Paragraph (3) appears to support this interpretation. So, a Certificate of Convenience and Necessity for the headquarters office project may not have been required by Clark, particularly since the project is financed with FFB funds that do not require Commission approval. Clark's management recognized that the administration regulation is uncertain on this point and opted to include the office project as part of its Application for the Certificate of Convenience and Necessity. Similarly, Clark's management believes delaying the project was not desirable and unnecessary to implement DCT's recommendations. Erection of brick and steel for the new addition, however, was delayed until Clark filed at the Commission an Application for a Certificate of Convenience and Necessity.

Respondent: Shannon D. Messer, Clark Energy

Date: August 6, 2003

ATTEST:



Mr. Overt L. Carroll
President & CEO
Clark Energy Cooperative, Inc.
P.O. Box 748
2640 Iron Works Road
Winchester, KY 40392