

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

In the Matter of:

ELECTRONIC INVESTIGATION OF SOUTH KENTUCKY	)	
RURAL ELECTRIC COOPERATIVE CORPORATION, THE	)	CASE NO.
REASONABLENESS OF EXISTING TARIFF SHEET NO. R-32,	)	2020-00367
AND THE AFFILIATE RELATIONSHIP WITH THE PEOPLE FUND	)	

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**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**  
**RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUESTS**

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Filed: December 9, 2020

COMMONWEALTH OF KENTUCKY

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ELECTRONIC INVESTIGATION OF SOUTH KENTUCKY )
RURAL ELECTRIC COOPERATIVE CORPORATION, THE ) CASE NO.
REASONABLENESS OF EXISTING TARIFF SHEET NO. R-32, ) 2020-00367
AND THE AFFILIATE RELATIONSHIP WITH THE PEOPLE FUND )

VERIFICATION OF KENNETH E. SIMMONS

COMMONWEALTH OF KENTUCKY )
)
COUNTY OF PULASKI )

Kenneth E. Simmons, President and Chief Executive Officer of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that he has supervised the preparation of certain responses to data requests in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

[Handwritten signature of Kenneth E. Simmons]

Kenneth E. Simmons

The foregoing Verification was signed, acknowledged and sworn to before me this 9th day of December, 2020, by Kenneth E. Simmons.

[Handwritten signature of Jamie L. Burton]

Notary Commission Number: 571430

Commission expiration: 1-12-21



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**VERIFICATION OF MICHELLE D. HERRMAN**

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COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF PULASKI )

Michelle D. Herrman, Vice President of Finance and Member Services of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of certain responses to data requests in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle D. Herrman  
Michelle D. Herrman

The foregoing Verification was signed, acknowledged and sworn to before me this 9<sup>th</sup> day of December, 2020, by Michelle D. Herrman.

Jamie L Benton

Notary Commission Number: 571430

Commission expiration: 1-12-21



**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

1. Provide a detailed update regarding the efforts to resolve the issues with The People Fund's corporate and tax-exempt statuses.

**Response:**

The issues surrounding the corporate and tax-exempt statuses have been resolved.

On August 4, 2020, the Commonwealth of Kentucky, Secretary of State reinstated The People Fund, Inc. Please see pages 2 through 3 of this response.

On November 6, 2020, the Department of the Treasury, Internal Revenue Service, Tax Exempt and Government Entities office issued a letter notifying of the The People Fund's tax exempt status under IRC Section 501(C)(3). The effective date of the exemption was effective back to May 15, 2011, the date of the lapse in exemption. Please see pages 4 through 5 of this response.

Witness: Michelle

05/14/2020

kdcoleman  
RST

**Commonwealth of Kentucky**  
**Michael G. Adams, Secretary of State**

**Michael G. Adams**  
**Kentucky Secretary of State**  
Received and Filed:  
8/4/2020 6:01 AM  
Fee Receipt: \$220.00

Michael G. Adams  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Existence**

I, Michael G. Adams, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**THE PEOPLE FUND, INC.**

has eliminated all the grounds for dissolution, paid all fees and penalties owed to the Secretary of State, and met all other requirements for reinstatement. The effective date of reinstatement is August 4, 2020.

I further certify that THE PEOPLE FUND, INC. is a corporation duly incorporated and existing under the laws of the Commonwealth of Kentucky, whose date of incorporation is November 6, 2003, and whose period of duration is perpetual.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 4<sup>th</sup> day of August, 2020.



*Michael G. Adams*

Michael G. Adams  
Secretary of State  
Commonwealth of Kentucky  
0571636



Michael G. Adams  
Secretary Of State  
Filings Division  
P.O. Box 718  
Frankfort, KY 40602-0718

**0571636**  
**IMPORTANT NOTICE**

Item 1  
Page 3 of 5  
Witness: Michelle D. Herrman

## **NOTICE**

### **Keep this copy for your records**

The image on the reverse side of this card serves as your confirmation and copy that the business filing submitted was successfully filed with the Office of the Secretary of State in accordance to Kentucky Revised Statutes.

### **How to obtain a full page copy of your business filing**

To download full page copies of the document to take to the County Clerk's Office, please visit our web site at [www.sos.ky.gov](http://www.sos.ky.gov). If you would like to request copies of the document from our office, please download the Records Request Form at [www.sos.ky.gov](http://www.sos.ky.gov) and submit to our Records department.

If you have additional questions concerning your filing, please contact our office at 502-564-3490.

**THE PEOPLE FUND, INC.**  
**200 Electric Avenue**  
**SOMERSET KY 42501**



**Department of the Treasury**  
**Internal Revenue Service**  
**Tax Exempt and Government Entities**  
 P.O. Box 2508  
 Cincinnati, OH 45201

THE PEOPLE FUND INC  
 PO BOX 910 200 ELECTRIC AVENUE  
 SOMERSET, KY 42502-0910

**Date:**

11/06/2020

**Employer ID number:**

20-0983071

**Person to contact:**

Name: Mrs. Moll-Malone

ID number: 31262

Telephone: 877-829-5500

**Accounting period ending:**

December 31

**Public charity status:**

170(b)(1)(A)(vi)

**Form 990 / 990-EZ / 990-N required:**

Yes

**Effective date of exemption:**

May 15, 2011

**Contribution deductibility:**

Yes

**Addendum applies:**

No

**DLN:**

26053637009790

Dear Applicant:

We're pleased to tell you we determined you're exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). Donors can deduct contributions they make to you under IRC Section 170. You're also qualified to receive tax deductible bequests, devises, transfers or gifts under Section 2055, 2106, or 2522. This letter could help resolve questions on your exempt status. Please keep it for your records.

Organizations exempt under IRC Section 501(c)(3) are further classified as either public charities or private foundations. We determined you're a public charity under the IRC Section listed at the top of this letter.

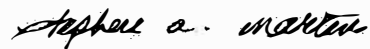
Based on the information you submitted with your application, we approved your request for reinstatement under Revenue Procedure 2014-11. Your effective date of exemption, as listed at the top of this letter, is retroactive to your date of revocation.

If we indicated at the top of this letter that you're required to file Form 990/990-EZ/990-N, our records show you're required to file an annual information return (Form 990 or Form 990-EZ) or electronic notice (Form 990-N, the e-Postcard). If you don't file a required return or notice for three consecutive years, your exempt status will be automatically revoked.

If we indicated at the top of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

For important information about your responsibilities as a tax-exempt organization, go to [www.irs.gov/charities](http://www.irs.gov/charities). Enter "4221-PC" in the search bar to view Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, which describes your recordkeeping, reporting, and disclosure requirements.

Sincerely,



Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements



**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

2. State whether South Kentucky RECC contends that KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080 apply to the operation of The People Fund, including specifically whether it contends that KRS 278.2213(2) and 807 KAR 5:080, Section 6(1), apply to the operation of The People Fund, and explain the basis for South Kentucky RECC's response.

**Response:**

The witness providing this response is not an attorney and the response is being made upon consultation with South Kentucky counsel concerning those portions which address legal matters and arguably provide legal opinions.

KRS 278.010(18) defines "Affiliate" to "mean a person that controls or that is controlled by, or is under common control with, a utility."

KRS 278.010(19) defines "Control" to "mean the power to direct the management or policies of a person through ownership, by contract, or otherwise."

KRS 278.010(26) defines "Subsidize" to "mean the recovery of costs or the transfer of value from one (1) class of customer, activity, or business unit that is attributable to another."

KRS 278.010 (27) defines "Solicit" to "mean to engage in or offer for sale a good or service, either directly or indirectly and irrespective of place or audience."

KRS 278.2201 states in pertinent part "A utility shall not subsidize a nonregulated activity provided by an affiliate...all utilities providing nonregulated activities...[shall] keep separate accounts and allocate costs in accordance with procedures established by the Commission."

KRS 278.2203 generally provides that a utility engaging in nonregulated activity shall allocate costs between regulated and nonregulated activities by utilizing recognized cost allocation methods. However, subsection (4) provides that strict cost allocation procedures are waived and a utility may report an incidental nonregulated activity as a regulated activity if : "... (a) The revenue from the aggregate total of the utility's nonregulated incidental activities does not exceed the lesser of two percent (2%) of the utility's total revenue or one million dollars (\$1,000,000) annually, and, (b) The nonregulated activity is reasonably related to the utility's regulated activity."

KRS 278.2205 provides that a cost allocation manual must only be developed and maintained for nonregulated activity exceeding the revenue thresholds contained in KRS 278.2203(4).

KRS 278.2207 discusses the terms for transactions and pricing of services and products between the utility and an affiliate. This section contemplates that any such services and products will be provided for reasonable monetary consideration either at the tariffed rate or fully distributed cost (when the utility is providing services and products to the affiliate), or at the fully distributed cost (when the affiliate is providing services and products to the utility). The essence of this section is that as far as costs charged for services and products are concerned, neither the utility nor the affiliate will receive preferential treatment from the other.

KRS 278.2211 provides that should the Commission find that the utility has not complied with any statutory requirement related to any transaction between the utility and its affiliate, it may “[o]rder that the costs attached to any transactions be disallowed from rates.” (subsection (1)(b)).

KRS 278.2213 provides rules intended to develop and maintain adequate business separation between the utility and an affiliate, including, but not limited to: separate corporate entities, separate books and records, arm’s length dealings and other safeguards against preferential treatment and subsidization.

The People Fund was organized as a Kentucky corporation for non-profit charitable purposes (Section 501(c)(3) of the Internal Revenue Code) on November 6, 2003.<sup>1</sup> Soon thereafter, a tariff was duly filed with the Commission by South Kentucky which was approved and spread among South Kentucky’s other Rules and Regulations on February 1, 2004, as Section 8.00, Tariff Sheet No. R-32. The original tariff clearly states that the funds received from the voluntary rounding up of a customer’s power bill will be “used to help families and communities throughout the cooperative.” The tariff continues by saying “[t]his contribution will be included on the monthly billing statement.”

The processes followed by South Kentucky to notify its owner-members of the opportunity to voluntarily contribute to The People Fund by rounding up their power bill, and a detailed description of the procedures South Kentucky and The People Fund employ to transfer all voluntary contributions, are provided in South Kentucky’s Responses to Commission Staff’s Initial Request for Information, dated July 16, 2020, in Case No. 2020-00205, Item Numbers 6, 10, 11, 14 and 20.

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<sup>1</sup> Refer to Case No. 2020-00205, South Kentucky’s Response to Commission Staff’s Initial Request for Information, dated July 16, 2020, Item No. 1, Articles of Incorporation of The People Fund, Inc. By Commission Order dated November 25, 2020, the entire record of Case No. 2020-00205 was incorporated into the record of the instant case.

Attached to this response as Page 6 of 6, is a table which summarizes all contributions made by South Kentucky's owner-members for the benefit of The People Fund from the effective date of Tariff Sheet No. R-32 in 2004 to 2019. This table shows that for the first 15 years of its existence, The People Fund received total contributions of \$277,311, or an average of \$18,487.40 per year, to distribute to various deserving charitable and community organizations in South Kentucky's service territory.<sup>2</sup> During that 15 years South Kentucky collected all amounts which their owner-members voluntarily "rounded-up" on their power bills and transferred every dollar of those contributions to The People Fund on a quarterly basis. Since 2012, South Kentucky has provided incidental support totaling \$197.44 to The People Fund for postage, filing fees and promotional material.<sup>3</sup>

There is an obvious connection between South Kentucky and The People Fund, but it is not clear that such connection is statutorily sufficient to create the type of utility/affiliate relationship necessary to trigger application of the plethora of affiliate requirements contained in KRS 278.2201, *et seq.* It is true that The People Fund's by-laws provide that its Board of Directors are appointed by a majority vote of South Kentucky's Board of Directors and South Kentucky's President/Chief Executive Officer is an *ex officio* member of The People Fund's Board of Directors. These matters indicate that South Kentucky exercises some control to populate The People Fund's governance structure. However, other compelling factors indicate just the opposite--that "control" as defined in KRS 278.010(19), is not present. Some examples are: (a) members of the board of South Kentucky are not eligible to sit on The People Fund board<sup>4</sup>; (b) The People Fund board awards grants to deserving organizations based on a stringent application process and implementation of whether the request meets the "charitable purpose" requirement contained in its by-laws<sup>5</sup> without input or interference from South Kentucky; (c) as an *ex officio* member of The People Fund board, South Kentucky's President/Chief Executive Officer has no vote nor does he ever attempt to exert influence over board decisions; (d) The People Fund is its own legal entity under Kentucky law, operating under its own by-laws and procedures, and employing books and records separate from South Kentucky's; (e) The People Fund files its own IRS Form 990 each year separate from South Kentucky; (f) South Kentucky has never contributed money as a matching or supplemental

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<sup>2</sup> A list of the organizations receiving donations from The People Fund between 2015-2019 can be found in Attachment 1, pages 13-15, of the Commission's June 29, 2020, Order in Case No. 2020-00205, and examples include an Alzheimer's center, volunteer fire departments, 4-H councils, a Youth Services Center, food pantries, soup kitchens, family resource centers, a county search & rescue team, public libraries and many other similar charitable and philanthropic organizations.

<sup>3</sup> Refer to Case No. 2020-00205, South Kentucky's Response to Commission Staff's Initial Request for Information, dated July 16, 2020, Item No. 15.

<sup>4</sup> *See id.*, Item No. 10.

<sup>5</sup> *See id.*, Item No. 14.

grant award to The People Fund<sup>6</sup>; and (g) South Kentucky has never interfered with nor reversed any grant decision made by The People Fund board.

However, more crucial to the inquiry than all of these considerations is the fact that South Kentucky does not subsidize The People Fund's activities under KRS 278.010(26) because there is not the requisite "recovery of costs or transfer of value" between the two. KRS 278.2201, provides that a utility shall not subsidize a nonregulated activity. There is no subsidization of any kind by South Kentucky in favor of The People Fund since all owner-member contributions coming in to South Kentucky are transferred, dollar-for-dollar, to The People Fund, and except for the *de minimis* amount mentioned previously, South Kentucky has never provided any financial support to The People Fund. Without the requisite "control" and "subsidization" between South Kentucky and The People Fund, South Kentucky contends that KRS 278.2201, *et seq.*, and the regulations promulgated thereunder have no applicability to this relationship.<sup>7</sup>

Should the Commission disagree with South Kentucky's contentions that the affiliate transaction requirements in KRS 278.2201, *et seq.*, have no applicability to this relationship, KRS 278.2203 nevertheless affords South Kentucky some relief. Under subsection (4) of the statute a utility may report an incidental nonregulated activity as a regulated activity if certain threshold requirements are met. Here, the revenue which South Kentucky's nonregulated activity (the People Fund) has generated annually since its inception has always been well below two percent (2%) of its total revenue, or one million dollars (\$1,000,000); and, the nonregulated activity has been reasonably related to its regulated activity. Admittedly, although it could have done so, South Kentucky has not reported The People Fund's activity as a regulated activity because of a good faith belief that no reporting of any kind was required.

South Kentucky contends that KRS 278.2213(2) is not applicable in this case. That subsection provides that a utility is prohibited from providing advertising space in billing materials to affiliates or for nonregulated activities "unless it offers the same to competing service providers on the same terms it provides to its affiliates." Doubtlessly, that provision is meant to apply where the utility owns a for-profit nonregulated affiliate—for example, a propane business---and is advertising that business in its billing materials. Under the statute, it must allow a competitor propane company down the street the opportunity to avail itself of advertising in the utility's billing materials. South Kentucky does not believe this provision

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<sup>6</sup> *See id.*, Item No. 16.

<sup>7</sup>As stated, The People Fund tariff was approved by the Commission in 2004 and has been part of South Kentucky's general tariff for over 16 years. Because of the nature of the South Kentucky/People Fund relationship, until now, it never occurred to South Kentucky, nor, presumably, the Commission, that compliance with KRS 278.2201, *et seq.*, was an issue.

regarding advertising applies to small donations for a strictly non-profit nonregulated affiliate that has no competitors.<sup>8</sup>

South Kentucky further contends that 807 KAR 5:080, Section 6(1) is not applicable in this case. The preamble to Section 6 of the regulation states that a disclaimer is to be employed “when an affiliate of an affected utility uses the utility’s name, trademark, brand or logo.” Subsection (1) further provides the text of the disclaimer must state, among other things, “you do not have to buy the affiliate’s products or services...” The People Fund is not “using” South Kentucky’s name, trademark, brand or logo in the traditional sense as contemplated by the regulation. Using the example above, the purpose of this restriction is to prevent the hypothetical utility’s propane affiliate from leveraging the utility’s brand to increase its business and imply that if the customer doesn’t buy propane from the affiliate (to the exclusion of the propane competitor down the street) regulated electric service from the utility could be disrupted. Here, The People Fund is clearly not attempting to leverage South Kentucky’s brand or imply that customers who do not round-up risk disruption of regulated utility service. In fact, from the verbiage contained on South Kentucky’s bill related to The People Fund it is obvious that participation is strictly voluntary and permissive (“Sign up for the People Fund. Round your bill to the nearest dollar. 100% of the dollars go to local charitable and school organizations. Ask us about it today!”)<sup>9</sup> Under these facts South Kentucky contends that the mention of The People Fund on its bill is intended to merely inform customers that an opportunity exists for them to round up their monthly power bill for charitable purposes, not to directly solicit business of a good or service, which is the purpose of the regulation’s requirements as discussed.

In summary, South Kentucky’s position is that the intended purpose of the affiliate rules contained in KRS 278.2210, *et seq.*, are two-fold. First, to prevent improper cross-subsidization of costs between a utility and its affiliate. Second, to discourage preferential business treatment between a utility and its affiliate at the expense of competitors and the consuming public. Neither of these purposes are applicable under the unique facts presented here. South Kentucky takes a small amount of money each year voluntarily donated by its member-owners, and without any interference or strings attached makes a dollar-for-dollar transfer of this money to a non-profit organization who then employs an analysis, based upon a reasonable application process, which charitable organizations are to receive grants. There is absolutely no cross-subsidization of costs between South Kentucky and The People Fund and no tangible preferential treatment at the expense of competitors or the public.

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<sup>8</sup> It is conceivable, but in South Kentucky’s opinion, highly illogical, that the intent of this subsection is for the utility to make its billing materials available to, for example, the local Girl Scouts Chapter, or Main Street Baptist Church or any other similar organization to solicit charitable donations.

<sup>9</sup> Refer to Case No. 2020-00205, South Kentucky’s Response to Commission Staff’s Initial Request for Information, dated July 16, 2020, Item No. 20.

**The People Fund, Inc.****Historical Revenues Since Inception**

<b>YEAR</b>	<b>REVENUES</b>
2004	\$6,931
2005	\$10,168
2006	\$16,083
2007	\$13,930
2008	\$18,993
2009	\$21,053
2010	\$21,993
2011	\$20,867
2012	\$18,251
2013	\$17,730
2014	\$18,332
2015	\$19,909
2016	\$16,659
2017	\$15,860
2018	\$20,686
2019	\$19,866
	<u>\$277,311</u>

**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

3. Explain whether South Kentucky RECC has obtained a deviation from the requirements of KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080 for the operation of The People Fund.

**Response:**

South Kentucky has not obtained such a deviation. However, should the Commission determine that KRS 278.2201 to KRS 278.2219 and 807 KAR 5:080, are applicable to these facts, South Kentucky hereby respectfully requests that the Commission treat this response as an application for deviation pursuant to KRS 278.2219 (or, alternatively, allow South Kentucky leave to make a more formal application for deviation), finding that compliance with KRS 278.2201 to 278.2213 is impracticable or unreasonable for the reasons stated in South Kentucky's Response 2 above.

**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

4. Explain whether South Kentucky RECC contends that the notice on the bills soliciting donations for The People Fund, produced in South Kentucky RECC's response to Staff's First Request, Item 20, in Case No. 2020-00205 dated July 31, 2020, complies with KRS 278.2213(13) and 807 KAR 5:080, Section 6(1).

**Response:**

South Kentucky believes that the notice on its bills referenced in this Data Request complies with KRS 278.2213(13) and 807 KAR 5:080, Section 6(1) for the reasons provided in South Kentucky's response to Item No. 2 above. Similarly, per KRS 278.010 (27) "Solicit" is defined to "mean to engage in or offer for sale a good or service, either directly or indirectly and irrespective of place or audience." South Kentucky is not offering the sale of a good or a service by The People Fund in this instance.



**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

5. South Kentucky RECC's Tariff Sheet No. R-32 states that it would not disconnect a customer's electric service if the customer signs up to make a monthly donation to the People Fund, but then only pays South Kentucky RECC for amounts owed for electric service and does not pay the donations it agreed to make to the People Fund. If this situation were to arise, explain how that is conveyed to customers on their bills.

**Response:**

The People Fund utilizes a round-up premise where the member's bill is rounded up to the nearest whole dollar amount. The members who have voluntarily enrolled in the Fund provide their contribution monthly. As the bill is rounded up to the nearest whole dollar, the most that can be contributed is \$ 0.99 per month, or \$11.98 per year. While each monthly bill does not currently contain an explicit statement, the round up amount is a transparent itemized line item on the bill. Similarly, Members are told at time of enrollment that this is a voluntary program and they may request disenrollment at any time. A *de minimis* amount due of this nature would simply be adjusted off of the members account upon request.

**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

6. State whether South Kentucky RECC contends that it would be reasonable for the Commission to allow Tariff Sheet No. R-32 to remain effective, and explain each basis for South Kentucky RECC's response.

**Response:**

South Kentucky believes that it would be reasonable for the Commission to allow Tariff Sheet No. R-32 to remain effective for the reasons provided in South Kentucky's Response Numbers 2 and 3 above.

**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

7. If the Commission were to find that it would be unreasonable or unlawful to allow Tariff Sheet No. R-32 to remain effective, explain how South Kentucky RECC contends that it should unwind its relationship with the People Fund.

**Response:**

If the Commission were to determine that Tariff Sheet No. 32 were not allowed to remain active, The People Fund Board would honor the previous member contributions for charitable community purposes by transferring the collected funds held by South Kentucky RECC to The People Fund. These funds would be combined with the current funds held by The People Fund and distributed after all final expenses have been paid to include regulatory, state and federal filings expenses, printing and mailing costs, to charitable organizations in accordance with their bylaws to deplete the funds. Additionally, letters would be mailed to each current participant notifying them of the termination of The People Fund per Commission directive. Similarly, immediately upon Commission's finding to disallow Tariff Sheet No. R-32, the round up function within our billing software would be deactivated precluding any future contributions.

**South Kentucky RECC  
Case No. 2020-00367  
Commission Staff's Initial Data Requests**

8. State whether and, if so, explain why South Kentucky RECC contends that continuing to collect donations from customers pursuant to Tariff Sheet No. R-32 is reasonable and appropriate.

**Response:**

For the reasons provided in South Kentucky's Response Numbers 2, 3, 4 and 6 above, continuing to collect donations from customers pursuant to Tariff Sheet No. R-32 is reasonable and appropriate.

Additionally, The People Fund began at the request and suggestion of our membership. Today, more than 3,000 of our members participate in this program, indicating that they believe in the difference their contributions make and the benefit received by the communities served. South Kentucky RECC members recognize that it is rare to find a local giving program where nearly 100% of one's contribution goes directly to organizations in their local community for their worthy, charitable purpose. Often times their contributions go to benefit many of the programs their children, grandchildren and neighbors participate in. For more than fifteen years, The People Fund has sustained its existence because of its support from its members who believe in the program.

Ultimately, cooperatives such as South Kentucky RECC are driven by a purpose of making the communities they serve better, by helping to improve the quality of lives in the communities where their members live. The People Fund simply seeks to assist in that purpose.