

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC APPLICATION OF SOUTH )  
KENTUCKY RURAL ELECTRIC COOPERATIVE )  
CORPORATION FOR A GENERAL ADJUSTMENT )  
OF RATES, APPROVAL OF DEPRECIATION )  
STUDY, AND OTHER GENERAL RELIEF )**

**CASE NO.  
2021-00407**

**RESPONSES TO THE ATTORNEY GENERAL'S SECOND REQUEST  
FOR INFORMATION TO SOUTH KENTUCKY RURAL ELECTRIC  
COOPERATIVE CORPORATION, DATED FEBRUARY 17, 2022**

Filed: March 3, 2022

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

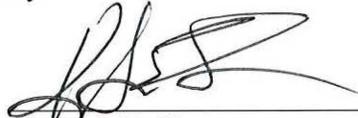
In the Matter of:

THE ELECTRONIC APPLICATION OF	)	
SOUTH KENTUCKY RURAL ELECTRIC	)	
COOPERATIVE CORPORATION FOR A	)	CASE NO.
GENERAL ADJUSTMENT OF RATES,	)	2021-00407
APPROVAL OF A DEPRECIATION STUDY,	)	
AND OTHER GENERAL RELIEF	)	

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 the AG's Second Request for Information 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.

  
 \_\_\_\_\_  
 Kenneth E. Simmons

The foregoing Verification was signed, acknowledged and sworn to before me this 28th day of February, 2022, by Kenneth E. Simmons.

  
 \_\_\_\_\_  
 Commission expiration: Aug 31, 2025







**SOUTH KENTUCKY RECC**  
**PSC CASE NO. 2021-00407**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG’S FIRST REQUEST FOR INFORMATION—02/17/22**

**REQUEST 1**

**RESPONSIBLE PERSON:** Ken Simmons

**COMPANY:** South Kentucky RECC

**Request 1.** Refer to South Kentucky RECC’s response to the Attorney General’s First Request for Information (“Attorney General’s First Request”), Items 2(a) – (g), wherein South Kentucky RECC asserts that it has no knowledge as to why it serves a small number of customers in Pickett and Scott counties in Tennessee.

a. Explain why South Kentucky RECC has never attempted to determine why it is providing electricity to portions of two counties outside the state of Kentucky.

b. Has South Kentucky RECC spoken with the utility companies that provide electricity to the rest of the customers in Pickett and Scott counties to determine why they do not provide electricity to all of the customers in those counties? Explain in full detail.

c. South Kentucky RECC states that there are no Tennessee-specific tariffs in place. Explain whether the Tennessee Public Utility Commission has any jurisdiction over South Kentucky RECC. If not, explain in detail why not.

d. Explain in detail whether South Kentucky RECC has documentation from the state of Tennessee, including any applicable certificates of authority, that the Company is in compliance with all legal requirements concerning the provision of electricity. Provide

any and all documents and/or communication from the state of Tennessee regarding the same. If no documents or communication exist, explain why not.

e. Provide the cost to serve the customers in Pickett and Scott counties for the years 2012 – 2021.

**Response 1.**

a. Cooperatives have not been bound by state borders. In fact, many cooperatives cross state boundaries as a necessity to serve contiguous loads in rural areas across the country. South Kentucky RECC originally served these relatively few members in Tennessee because no other electric service was available to them at the time they desired service in the mid-20<sup>th</sup> century.

b. We have not spoken to the other Tennessee cooperatives that serve members in the area adjacent to our lines about serving these members. Duplication of service (facilities) would not make financial sense to any parties involved.

c. The Tennessee Public Utility Commission (“TPUC”) does not have ratemaking authority over electric cooperatives providing service in Tennessee. To the best of South Kentucky’s knowledge and belief from a review of the TPUC’s website, it currently only exercises ratemaking authority over the following privately-owned electric utilities: Appalachian Power Co., Entergy Arkansas, LLC and Kingsport Power Co. According to a document located on the United States Department of Energy’s website entitled, *List of Covered Electric Utilities*, dated 2006, the TPUC does not have ratemaking authority over South Kentucky nor the handful of customers its serves in Tennessee. This

document can be viewed at:

[https://www.energy.gov/sites/default/files/oeprod/DocumentsandMedia/PURPA\\_2006-91106.pdf](https://www.energy.gov/sites/default/files/oeprod/DocumentsandMedia/PURPA_2006-91106.pdf)

d. South Kentucky complies with the State of Tennessee filing requirements to conduct business within the State. Please see the attached evidence of compliance from the Division of Business Services, Department of State, State of Tennessee showing our active status and filing history.

e. For the period of 2012-2021, we expended \$38,954.13 for system capital improvements for Pickett and Scott counties in Tennessee.



Tre Hargett  
Secretary of State

Division of Business Services  
Department of State  
State of Tennessee  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

## Filing Information

Name: SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

### General Information

SOS Control # 000118772 Formation Locale: TENNESSEE  
Filing Type: Nonprofit Corporation - Domestic Date Formed: 07/01/1939  
07/01/1939 4:30 PM Fiscal Year Close 12  
Status: Active  
Duration Term: Perpetual  
Public/Mutual Benefit: Mutual

Registered Agent Address  
C T CORPORATION SYSTEM  
300 MONTVUE RD  
KNOXVILLE, TN 37919-5546

Principal Address  
200 ELECTRIC AVE  
SOMERSET, KY 42501-3115

The following document(s) was/were filed in this office on the date(s) indicated below:

<u>Date Filed</u>	<u>Filing Description</u>	<u>Image #</u>
02/14/2022	2021 Annual Report	B1161-0732
03/25/2021	2020 Annual Report	B1006-5824
01/22/2020	2019 Annual Report	B0804-4144
03/29/2019	2018 Annual Report	B0682-9879
07/05/2018	2017 Annual Report	B0567-5258
06/01/2018	Notice of Determination	B0493-2783
01/26/2018	Registered Agent Change (by Agent)	*B0478-4994
Registered Agent Physical Address 1 Changed From: 800 S GAY ST To: 300 MONTVUE RD		
Registered Agent Physical Address 2 Changed From: STE 2021 To: No Value		
Registered Agent Physical Postal Code Changed From: 37929-9710 To: 37919-5546		
07/13/2017	2016 Annual Report	B0416-6990
Principal Address 1 Changed From: 925 N MAIN ST # 929 To: 200 ELECTRIC AVE		
Principal Postal Code Changed From: 42503-1575 To: 42501-3115		
06/01/2017	Notice of Determination	B0400-1246
02/01/2016	2015 Annual Report	B0190-6882
01/13/2015	2014 Annual Report	B0044-0325
01/27/2014	2013 Annual Report	A0210-2331

2/21/2022 3:48:39 PM

Page 1 of 2

## Filing Information

Name: SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

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04/12/2013 2012 Annual Report	A0174-1950
Principal Address 1 Changed From: 925-929 N MAIN ST To: 925 N MAIN ST # 929	
Principal Postal Code Changed From: 42501-0910 To: 42503-1575	
12/22/2011 2011 Annual Report	A0097-2942
12/21/2010 2010 Annual Report	A0050-0532
02/11/2010 2009 Annual Report	A0005-2280
01/21/2009 2008 Annual Report	6424-0149
Mail Address Changed	
01/15/2008 2007 Annual Report	6181-1320
04/03/2007 2006 Annual Report	6026-0190
02/21/2006 2005 Annual Report	5693-1113
01/19/2005 2004 Annual Report	5329-2154
09/27/2004 Registered Agent Change (by Agent)	5243-0482
Registered Agent Physical Address Changed	
02/17/2004 2003 Annual Report	5038-2400
03/17/2003 2002 Annual Report	4754-3216
01/24/2002 2001 Annual Report	4401-0975
01/30/2001 2000 Annual Report	4106-3118
01/26/2000 1999 Annual Report	3810-0928
12/15/1997 CMS Annual Report Update	3422-0362
Mail Address Changed	
01/19/1993 CMS Annual Report Update	2628-0047
Mail Address Changed	
01/27/1992 CMS Annual Report Update	2364-0814
Principal Address Changed	
Fiscal Year Close Changed	
03/25/1991 Administrative Amendment	1847-0115
Mail Address Changed	
07/16/1990 Administrative Amendment	1847-0115
Fiscal Year Close Changed	
10/13/1987 Registered Agent Change (by Entity)	716 01560
Registered Agent Physical Address Changed	
Registered Agent Changed	
07/01/1939 Initial Filing	TC65-2528

Active Assumed Names (if any)	Date	Expires
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**SOUTH KENTUCKY RECC**  
**PSC CASE NO. 2021-00407**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 2**

**RESPONSIBLE PERSONS: Ken Simmons AND Michelle Herrman**

**COMPANY: South Kentucky RECC**

**Request 2.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 3(c).

a. Explain in detail why insurance costs for South Kentucky RECC's buildings and property have increased 13.4% from 2013 to 2021. Additionally, explain whether South Kentucky RECC periodically requests competitive insurance rates to ensure it has the most cost efficient insurance products.

b. South Kentucky RECC states that the members are using credit card and other automated means to pay their electric bills, which has caused the Company's payment processing fees to increase 201.7% since 2012.

i. Explain in full detail whether South Kentucky RECC requires a convenience fee to be added to all credit card transactions in order for other member customers to not subsidize the credit card payments. If not, explain in full detail why not.

ii. If South Kentucky RECC includes the credit card fees in the customer rates provide the Commission case number and Order that approved these specific fees to be included in rates.

iii. Provide the type of credit cards that South Kentucky RECC accepts as payment (e.g. Visa, MasterCard, American Express, etc.), the fee that the Company pays to process each type of credit card, and the associated fee to the member customer.

iv. Provide all other forms of payment that South Kentucky RECC accepts from member customers to pay the utility bill, as well as the corresponding fees that the Company pays for each payment type, as well as all fees assessed to the member customers for each payment type.

v. If the Company does include the payment processing fees in the rates, provide the monetary amount included for the same in the proposed rates, with a breakdown between different payment types.

c. Explain in full detail why the costs associated with right-of-way clearing has increased 27% per circuit mile since 2012. Further, explain whether South Kentucky RECC utilizes competitive bidding in order to contain costs.

**Response 2.**

a. The most notable increases in insurance coverage are within our All-Risk Blanket Policy (ARB). Insurance costs for buildings and property under the ARB are based, in part on the limit of liability due to property values. Our limit of liability on our ARB policy from 2014 to 2015 was \$20,212,971. In 2021, our limit of liability under our ARB increased to \$35,872,635. Additionally, our Public Liability coverage has increased; and has also been impacted by the addition of cyber liability coverage.

Yes, South Kentucky RECC periodically requests competitive insurance rates to ensure it has the most cost efficient insurance products. For the renewal for 2020-2021,

we requested quotes from three separate brokers. One broker ultimately did not bid. The second broker's quote was 31 % higher than the quote of the successful third broker.

b.

i. South Kentucky does not currently require a convenience fee for credit card payments. However, the Board is aware of this concern and has charged staff with addressing this issue. South Kentucky is in discussion with its data processing software vendors regarding options to collect and/or mitigate this issue. Similarly, we are considering the impact on the member who may rely on credit / debit cards as their only method of payment. Obviously, any future adjustment as it relates to additional member fees will require PSC approval.

ii. South Kentucky's last general rate case was 2011-00096. We have reviewed the final case order and did not note an exclusion for credit card fees. To the best of our knowledge, there was no exclusion in the cooperative's incurred costs for credit card fees to be recovered within rates.

iii. South Kentucky accepts Visa and MasterCard. The fee we are charged from our third-party processor varies by card type and issuer. The average fee paid to our third- party processor for Visa cards was 1.27% and for MasterCard was 1.70%. We do not charge a fee to our member for using a credit/debit card as payment.

iv.

<b>SKRECC Payment Options Other Than Credit Card and their Associated Fees</b>		
<b>SKRECC Payment Option</b>	<b>SKRECC Fee</b>	<b>Member Fee</b>
Cash	\$ -	\$ -
Paper Check	\$ -	\$ -
Bank Draft	\$ -	\$ -
Bank Electronic Funds Transfer	\$ -	\$ -
Member Initiated Auto-Pay through their bank	\$ 0.11	\$ -
E-check (Phone, Internet, Smart App)	\$ 0.47	\$ -
Kiosk Cash	\$ -	\$ -
Kiosk Check (Volume dependent)	\$ 1.88	\$ -
CheckOut (Retailer Fee)	\$ -	\$ 1.50
Local Participating Banks	\$ -	\$ -

Please note that the member fee for the CheckOut payments are paid to and retained by the third party retailer.

v. Payment Processing fees included in the test year are \$514,429.25, broken down as follows:

1. Credit Card Fees- \$477,656.94
2. E-Check Fees- \$30,044.30
3. Member Initiated Auto-Pay through their bank- \$3,286.50
4. Kiosk Fees for check and credit cards- \$3,441.51

c. South Kentucky competitively bids all right of way contracts on a regular basis. Our hourly contracts are no longer than 3 years and our circuit bids are bid every 2 years. We had five contractors bid the last round of circuit bids. We believe the 27% increase over 10 years is reasonable, as that equates to an average 2.4% increase annually.

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 3**

**RESPONSIBLE PERSON: Ken Simmons**

**COMPANY: South Kentucky RECC**

**Request 3.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 3(d).

a. The Company stated that it had not discussed merger with any other distribution cooperative because it did not believe that merger would be feasible due to system integration challenges and the absence of economic and operational efficiencies.

i. Expound upon why merger with other distribution cooperatives would not be feasible due to system integration challenges, and identify the specific integration challenges.

ii. Expound upon why merger with other distribution cooperatives would not create economic and operational efficiencies and synergies.

iii. Explain in detail whether a formal study has been conducted evaluating the opportunity for merger, and if not, why not.

b. South Kentucky RECC states that instead of merger, the best course is to continue cost containment to postpone rate increases. However, South Kentucky RECC admits that its energy sales have declined, costs are increasing, and its payroll has increased

by 41% from 2012 to 2021. Confirm that merging with another similarly-situated RECC in order to streamline operations and obtain economies of scale would be beneficial to the Company's member customers. If denied, provide a detailed response and provide all studies and other objective documents supporting your statement.

**Response 3.**

a.

i. Like other businesses, coops use different software to perform major functions, such as billing, accounting, engineering, outage management, meter reading, and other smaller functions like vehicle locating. When considering the benefits of merger, these must be considered and the difficulty in operating two systems specific to each business independently. These type challenges can be very difficult to merge.

ii. The majority of the cooperative's costs are related to building and maintaining power lines and operational costs, which would not be reduced by merger. The administrative cost savings would be minimal compared to the overall costs at each cooperative.

iii. A study has not been conducted related to mergers. There has not been any interest from surrounding cooperatives, which might make a study worthwhile.

b. To my knowledge, there have been no discussions with other RECC's related to any potential for merger with South Kentucky. That said, I believe it is only fair to say that SKRECC is not fundamentally opposed to the idea of a merger. However, given the timeline, resource commitment and expense required to seek and find a willing/likeminded party or RECC; then negotiate/compromise on terms, conditions, and

transition requirements could literally take years before any cost savings might be realized.

Respectfully, it is for this reason SKRECC has chosen this course of action.

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 4**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 4.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 4(f). Confirm or deny that the additional funds provided by a 2.0x Times Interest Earned Ratio ("TIER") is used for any purpose South Kentucky RECC deems reasonable, and is not limited to paying debt. If denied, explain in detail how the usage of the additional funds is restricted.

**Response 4.**

Denied. While the cooperative's revenues must cover its operating requirements, including reasonably incurred operating expenses, earnings in excess of operating expenses and interest payments are added to members' equity and are effectively used as a source for paying off debt or avoiding additional debt to fund future or ongoing capital expenditures. While there are no formal restrictions for the use of a cooperative's earnings, net income is recorded as equity which offsets the amount of debt otherwise required by the cooperative. It is also important to note that test-year operating results reflecting a particular TIER cannot account for the many uncertainties that can arise once rates are placed in service, for example, variances caused by weather variation, inflation, the

addition of new customers, higher-than-normal expenses due to storm damage, etc. As a not-for-profit utility, any earnings at or above TIER allows the cooperative to avoid adding additional debt to cover its expenditures, thereby lowering costs to future customers.

**SOUTH KENTUCKY RECC**

**PSC CASE NO. 2021-00407**

**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 5**

**RESPONSIBLE PERSON: Steve Seelye**

**COMPANY: South Kentucky RECC**

**Request 5.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 5(a).

a. Explain how an increased fixed monthly customer charge is beneficial for customers with a low or fixed income when it severely limits the customer's ability to control its total electric bill through reduced energy usage and other conservation means.

b. Provide copies of all studies relied upon when stating that a higher monthly customer charge is beneficial to low and fixed income customers.

**Response 5.**

a. South Kentucky's proposed customer charge was developed to reflect the cost of providing service and was not designed to address issues related to individual sub-groups of members based on income levels. A member's income level does not directly affect the cost of providing service to the member. Developing rates that reflect cost of service will send the appropriate price signal to members to encourage the efficient utilization of resources. Deviating from cost of service would result in an inefficient allocation of resources. Accordingly, the relationship between the proposed customer charge and energy

charge was developed to reflect cost of service more accurately, and not to induce a specific behavior with low- or fixed-income members. Basing customer charges on costs is ultimately more fair, just, and reasonable than trying to achieve social goals through rate design.

Nevertheless, recovering more customer-related costs through the customer charge will likely benefit low-income members who tend to use more energy than the average member. The average monthly usage for a member receiving Low Income Home Energy Assistance Program (LIHEAP) assistance on the South Kentucky system is 1,137 kWh compared to the average usage of 1,014 kWh for all residential members. See Response to Request 29 of the Commission's Staff's Second Request for Information. Therefore, recovering more customer-related costs through the customer charge will benefit these low-income customers. (While South Kentucky does not have knowledge of the income levels of all its members, it is reasonable to assume that its members receiving LIHEAP assistance are among of the members served by South Kentucky with the lowest income.) Despite the fact that a customer charge that is more reflective of cost of service will benefit these low-income customers, it is South Kentucky's recommendation that the more important consideration in designing rates is to reflect cost of service rather than trying to provide benefits or specific social inducements to particular sub-groups of customers.

It is also unlikely that low- and fixed-income members have the resources to materially change their consumption of electricity. These members generally live in

poorer quality housing stock and lack the resources to add insulation, energy efficient heating and cooling equipment, appliances, energy efficient windows and doors, weather stripping, solar panels, and other technologies that would materially change their load characteristics. While it may seem reasonable to assume that these members can “control its total electric bill through reduced energy usage and other conservation means”, the reality is that they have little control over what they use unless they are willing to live in an uncomfortable home during cold winter months and hot summer months. The reality is customer charges that are below cost of service compound high bill issues by adding customer related costs to every kWh purchased. This creates more bill variability for members and higher bills during extreme weather. Members who consume more kWh than the average member pay more than their fair share of customer costs and therefore, subsidize those members who use less than the average kWh. Fundamentally, it is inequitable and unsound economically to recover fixed customer costs through an energy charge.

b. See sub-part a. of this response and the response to Request 29 of the Commission’s Staff’s Second Request for Information.

**SOUTH KENTUCKY RECC**  
**PSC CASE NO. 2021-00407**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 6**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 6.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Items 11(a) and (b). The Company asserts that it is holding approximately \$137 million in capital credits. Explain what happens to capital credits that are not claimed by a member, heir, estate, etc. Does South Kentucky RECC have rules in place to allow for the reversion of the capital credits back to the Company if the credits are not claimed within a certain time frame? If not, explain in detail why not. Provide a copy of the Company's policy(ies) regarding both reversion, and distribution of capital credits.

**Response 6.**

The cooperative records capital credit balances by member within our software system. When capital credits are retired we make attempts to mail the checks to the last known address of the member. Similarly, if checks are returned, we research public information to the best of our ability to locate the member. Unclaimed capital credits are retained by the cooperative and are held in the respective member account until claimed.

There are not stipulated timeframes to where any unclaimed capital credits would

not be available to the member, estate, or heirs if they were to claim them at any time in the future. Unclaimed capital credits are held for the member's benefit in perpetuity.

Please see South Kentucky's Capital Credit Policy provided as an Exhibit to Commission Staff's Second Data Request No. 2b. See also the attached cooperative bylaws section 1.08 and Article VII.

## BYLAWS

### SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

#### ARTICLE I

##### Membership

**SECTION 1.01. Eligibility.** Any natural person, firm, association, corporation, partnership, limited liability company, or body politic or political subdivision or agency hereof (each hereinafter referred to as "person", "applicant", "him", or "her") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him to receive electric service from South Kentucky Rural Electric Cooperative Corporation, (hereinafter called the "Cooperative"); however, no person shall hold more than one voting membership in the Cooperative.

**SECTION 1.02. Application for Membership/"Member" Definition.** Any eligible person or entity provided for in Section 1.01 shall be deemed to be a Cooperative "member" by: (a) being the Applicant designated on a written application for membership furnished by the Cooperative and in whose name the service account is titled; (b) taking service from the Cooperative by agreeing to purchase from the Cooperative, a wholly-owned corporate subsidiary or limited liability company of the Cooperative, electric power and energy; (c) agreeing to be bound by and comply with all provisions of the Cooperative's Articles of Incorporation, Bylaws, rules, regulations, procedures, rate classifications, and rate schedules adopted by the Cooperative's Board of Directors (the obligations embraced by such agreement being hereafter called "membership obligations"); (d) paying the membership fee provided in Section 1.04 (however, in the case of a duly authorized membership transfer a new membership fee is not required); and, (e) any other reasonable requirements adopted by the Board of Directors. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.04 together with any service deposit, service connection deposit or fee, facility extension fee or contribution in aid of construction (hereinafter referred to as other deposits or fees) that may be required by the Cooperative which membership fee and other deposits or fees shall be refunded in the event that application is denied by the Board.

**SECTION 1.03. Acceptance Into Membership.** Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become an active member on the date of his connection for electric service; PROVIDED , that the Board of Directors may by resolution deny an

application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause ; PROVIDED FURTHER, that any person whose application, for sixty (60) days or longer, has been submitted but not denied by the Board of Directors and who has not been connected by the Cooperative for electric service shall by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the Board of Directors, have his application submitted to and approved or disapproved by the vote of the Directors at such meeting. Any application not denied by the Board of Directors hereunder shall be deemed to have been accepted.

**SECTION 1.04. Membership Fee and other Deposits or Fees.** The membership fee shall be set by the Board of Directors. Upon payment of membership fee and any other deposits or fees required, the applicant shall be eligible for membership and service. A service connection deposit or fee in such amount as shall be prescribed by the Cooperative and any other deposits or fees required shall be paid by the member for each additional service connection requested by him, however, a member requesting more than one service connection shall not be charged for an additional membership fee.

**SECTION 1.05. Termination of Membership.** Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, but only after due hearing if such is requested by him, by the affirmative vote of not less than two-thirds of all members of the Board expel a member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board. Any expelled member may be reinstated by the majority vote of the Board or by majority vote of the members at any annual or special meeting. The membership of any applicant who is not purchasing electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be deemed an inactive member and shall have no voting rights until he is receiving electric service.

Upon the withdrawal, death, cessation of existing or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee, the amount of any debt or obligation owed by the member to the Cooperative.

**SECTION 1.06. Service to Non-Members.** With Board approval, the Cooperative may render service, upon the same terms and conditions as are applicable to members, to governmental agencies and political subdivisions and to other persons (non-members) who are non-members of the Cooperative to the extent of not more than 49% of the Cooperative's total business and provided further, that should the Cooperative acquire any electric facilities dedicated or devoted

to the public use it may, for the purpose of continuing service and avoiding hardship continue to service the persons directly from such facilities at the time of such acquisition without requiring that such persons become members and provided further that such nonmembers shall have the right to become members upon nondiscriminatory terms.

**SECTION 1.07. Purchases of Electric Power and Energy; Power Production by Member, Application of Payment to All Accounts.** The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof, and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership; unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefore at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative any payment by him for service from the Cooperative may at the discretion of the Cooperative be applied to any of his outstanding accounts.

**SECTION 1.08. Excess Payment to be Credited as Member-Furnished Capital.** All amounts paid for electric service in excess of the cost thereof shall be furnished by Members as capital, and each member shall be credited with the capital so furnished as provided in Article VII of these Bylaws.

**SECTION 1.09. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs.** Each member grants to the Cooperative an easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities and shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of such easements or rights of way. The Board of Directors may expel from membership and/or discontinue electric service to any member who fails or refuses to comply with the provisions of this Bylaw. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

## ARTICLE II

### Rights and Liabilities of Members

**SECTION 2.01. Property Interest of Members.** Upon dissolution of the Cooperative, after all debts and liabilities of the Cooperative shall have been paid, and, all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members eligible under law in the proportion which the aggregate patronage of each bears to the total patronage of all members, during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**SECTION 2.02. Non-Liability for Debts of the Cooperative.** The private property of the members shall be exempt from either execution of other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

**SECTION 2.03. Membership Agreement.** A Member shall: (1) comply with the Governing Documents; (2) provide and maintain a current mailing address and telephone number with the Cooperative; and (3) pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may suspend or terminate the Member or a Cooperative service provided to the Member. Regardless of whether money damages are available or adequate, the Cooperative may: (1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and (2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, the Member acknowledges that: (1) Every Member is a vital and integral part of the Cooperative; (2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents.

The "Governing Documents" are the written membership application signed by an Applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all Law regarding or affecting the Cooperative's property, property rights, and assets ("Assets"), the Cooperative's operation, the Cooperative's Members and Patrons, the Provision and Use of Cooperative Services, Cooperative Equipment, and Member Equipment connected to Cooperative Equipment; (2) the Articles; (3) these Bylaws; (4) the Cooperative 's service rules and regulations; (5) the Cooperative's rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board of Directors.

## ARTICLE III

### Meeting of Members

**SECTION 3.01. Annual Meeting.** The annual meeting of the members shall be held during June each year, at such place in one of the counties in Kentucky within which the Cooperative serves, and beginning at such hour as the Board of Directors shall from year to year fix. However, the Board of Directors may in its discretion fix a different date for such annual meeting not more than sixty (60) days prior to or subsequent to the month otherwise established for such meeting by this Section. In the event of an emergency or other extraordinary reason beyond the control of the Cooperative the Board of Directors may cancel the annual meeting for that year and shall promptly provide notice and reason for cancellation to the members. The Cooperative shall, within a reasonable time following cancellation and the receipt and confirmation of all relevant information necessary for their completion, provide the members with written or electronic reports of the Cooperative's operations for the prior fiscal year from the President/Chief Executive Officer, Vice President of Finance (or equivalent) and any other relevant reports of officers, directors and committees. If cancellation occurs in a year where a Board of Directors election is held those Directors elected by the members shall assume office at the next regularly scheduled or special called monthly Board meeting following the later of certification of the election results by the Credentials and Elections Committee or June 1, notwithstanding that portion of Section 4.05 of these Bylaws setting Directors' terms. It shall be the responsibility of the Board of Directors to make adequate plans and preparations of the annual meeting and any special meeting. Failure to hold the annual meeting at the designated time and place or in a particular year due to emergency shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 3.02. Special Meetings.** A special meeting of the members may be called by the Board of Directors or by petition signed by not less than ten (10%) percent of the then-total members of the Cooperative, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in one of the counties in Kentucky within which the Cooperative serves, on such date, not sooner than thirty-five (35) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be assigned by him or those calling or petitioning for the same.

**SECTION 3.03. Notice of Member Meetings.** Written or printed notice of the place, date and hour of the meeting and, the purpose or purposes of said meeting shall be delivered to each member not less than five (5) days nor, except as provided in Article VII, more than forty-five (45) days prior to the date of the meeting, either personally or by mail, by or at the discretion of the Chairperson or the Secretary (or, in the case of a special meeting, at the direction of those calling

the meeting). Any such notice delivered by mail may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in Kentucky Living. If mailed, such notice shall be deemed to be delivered when deposited in the United State mail addressed to the member at his address as it appears on the records of the Cooperative, with postage thereupon prepaid and postmarked at least five (5) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the members at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting unless such attendance shall be for the express purpose of objection to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

**SECTION 3.04. Quorum.** Business may not be transacted at any meeting of the members unless there are present in person at least one (1%) percent of the then-total members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than forty-five (45) days later and to any place in one of the counties in Kentucky within which the Cooperative serves; PROVIDED, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03.

**SECTION 3.05. Voting.** Each member shall be entitled to only one vote upon each matter submitted to a vote any meeting of the members. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation of these Bylaws. Members may not cumulate their votes.

**SECTION 3.06. Proxies.** At any meeting of the members of any adjournment thereof, any member may vote by proxy, but only if such proxy (a) is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, (b) is executed by the member in writing and designates the holder thereof, which holder shall be a member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In

the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at the meeting or any adjournment thereof shall revoke any proxy or mailed vote theretofore executed, or mailed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No member may vote as proxy for more than three members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such members has given a written proxy to some other person eligible to vote such proxy.

**SECTION 3.07. Credentials and Elections Committee.** The Board of Directors shall consider before each annual or special meeting of members whether it is necessary to appoint a Credentials and Elections Committee, if the Board deems it necessary, because of contested matters on the agenda or other good cause. If the Board has determined the appointment of such Committee is necessary, the Board shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Elections Committee. The Committee shall consist of an uneven number of Cooperative members not less than three (3) nor more than five (5) who are not existing Cooperative employees, agents, officers, directors or known candidates for directors, and who are not close relations to or members of the same household of any such persons or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairperson and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, or by proxy or mailed vote, to count all ballots or other votes cast in any election or in any matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and, to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairperson, not less than seven (7) days after such protest or objection is filed. The committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the committee, by a vote of a majority of those present and voting, shall, within a reasonable time but

not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

**SECTION 3.08. Agenda.** No proposal from a member or group of members shall be voted upon at the Annual Meeting unless it has been placed on the agenda at least forty (40) days prior to the date of such meeting. Any legitimate proposal may be placed on the agenda by any member with a petition signed by two hundred (200) additional members supporting the proposal, by filing a copy of the proposal with the Secretary within the time allowed, with a request that it be submitted to the Annual Meeting for consideration.

**SECTION 3.09. Order of Business.** The order of business at the Annual Meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Report on the number of members present in order to determine the existence of a quorum;
- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case maybe;
- (3) Consideration of approval of minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, directors and committees;
- (5) Election of Directors; (or reports on the election of directors);
- (6) Unfinished business;
- (7) New business as proposed with Section 3.08 Guidelines, and
- (8) Adjournment.

## **ARTICLE IV**

### **Directors**

**SECTION 4.01. Number and General Powers.** The business and affairs of the Cooperative shall be managed by a Board of seven (7) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

**SECTION 4.02. Districts.** To insure the distribution of Board members throughout the service Territory are served by the Cooperative, the Territory served or to be served by it shall be divided into districts and the number of directors to be elected from each are:

**NAME OF DISTRICT COUNTIES IN NUMBER OF  
DISTRICT NUMBER DISTRICT DIRECTORS**

<b>District Name</b>	<b>District Number</b>	<b>Description</b>	<b>Number of Directors</b>
Pulaski – I	1	Pulaski Co, west of Hwy 27 and South of LBN Parkway	1
Russell	2	Greater Russell Co and Adair Co	1
Pulaski-2	3	Pulaski Co, east of Hwy 39, 27, and 1247 including Rockcastle Co	1
Wayne	4	Northern Wayne Co, south of Lake Cumberland, including small portion of Pulaski Co.	1
Clinton	5	Clinton Co & Southern Wayne Co, south and west of Hwy. 92, including small portions of Russell Co & Pickett Co (TN)	1
McCreary	6	McCreary Co, portion of Southern Pulaski Co, (including Burnside), and small portion of Scott Co (TN)	1
Casey-Lincoln	7	Casey Co, Lincoln Co, and Pulaski Co, north of LBN Parkway and Hwy 452, west of Hwy 39	1

Not less than sixty (60) days before any meeting of the members at which Board members are to be elected, the Board shall review the composition of the seven districts, and if it finds the best interests of the Cooperative and its members will be served thereby, shall reconstitute the districts as soon as practicable.

**SECTION 4.03. (a) General Director Qualifications.** To become and remain a Director, a person must strictly comply with the following general qualifications ("General Director Qualifications"):

- (1) be an individual;
- (2) have the capacity to enter into legally binding contracts;
- (3) obtain legibly printed names, service addresses and signatures of at least two-hundred (200) members on a petition in support of his/her placement on the ballot for election as a Director, provided, however, that an individual who is currently serving as a Director having been elected in the immediately preceding election for the same District for which he/she seeks reelection is exempted from this provision and need not obtain any signatures or submit a petition in support of his/her placement on the ballot for election. If any portion of a member's identifying information provided above is missing or illegible it will not be considered in support of the candidate's petition;
- (4) not have been previously removed or disqualified for failing to comply with the General Director Qualifications while serving as Director;
- (5) before becoming a Director, graduate from high school or earn an equivalent degree or certification;
- (6) while a Director, or prior to becoming a Director, not be convicted of, or pleaded guilty to, a felony;
- (7) while a Director, and prior to becoming a Director, not have a final judgment entered against them involving civil fraud, ethical violations, discrimination and/or acts of harassment;
- (8) while a Director, and prior to becoming a Director, not be nor have been a debtor in a personal or business-related federal bankruptcy proceeding or a similar proceeding under applicable state law such as insolvency, liquidation, receivership, reorganization, or assignment for the benefit of creditors;
- (9) while a Director, and seven years immediately before assuming office as a Director, not be nor have been a party to a foreclosure or other proceeding (judicial or non-judicial, personal or business related), which proceeding is or was instituted because of the Director's default on indebtedness;

- (10) except as otherwise provided by the Board of Directors for good cause shown, receive a Credentialed Cooperative Director designation, Director's Certificate, or similar designation or certification from the National Rural Electric Cooperative Association within two (2) years of becoming a Director and after becoming a Director, participating in and complete required director training as established by the Board of Directors;
- (11) except as otherwise provided by the Board for good cause shown, attend at least seventy-five percent (75%) of properly noticed Regular and Special Board Meetings, Committee Meetings and Board Telephone /Video Conference Meetings during each rolling twelve (12) month period;
- (12) except as otherwise provided by the Board of Directors for good cause shown, not miss more than two (2) consecutive properly noticed Regular Board Meetings;
- (13) while a Director, must not breach the Director's fiduciary duties to the Cooperative, violate confidences, or engage in illegal activity under the color of authority as a Director; and
- (14) comply with any other reasonable qualifications determined, made, adopted, amended, and/or promulgated in policies or rules of the Cooperative, not inconsistent with law, the Articles of Incorporation, regulations, or these Bylaws.
- (b) **Membership Director Qualifications.** To become and remain a Director, an individual must strictly comply with the following membership qualifications ("Membership Director Qualifications"):
  - (1) while a Director and during the one year immediately before assuming office as a Director:
    - a. be an unsuspended member as defined in Section 1.02; and,
    - b. permanently reside, and use electric energy provided by the Cooperative, at the individual's principal residence as defined under federal tax law 26 C.F.R. § 1.121-1(a)(2). Said residence must be within the Director District from which the Director is nominated, elected or appointed.
- (c) **Independence Director Qualifications.** To become and remain a Director, an individual must comply with the following independence qualifications ("Independence Director Qualifications"):
  - (1) annually complete and sign an independence certification

and disclosure form approved by the Board;

- (2) not be nor have been, nor be a close relative (Section 4.04) of, an employee of East Kentucky Power Cooperative (“EKPC”), United Utility Supply (“UUS”), Kentucky Electric Cooperative (“KEC”), or other entity in which the Cooperative is a member or owner;
- (3) while a Director and during the one (1) year immediately before assuming office as a Director, not be an employee of an entity in which the Cooperative is a member or owner;
- (4) while a Director and during the one (1) year immediately before assuming office as a Director, not hold or have held, either by election or appointment, any one or more of the following elective offices or positions: U.S. President/Vice President; U.S. Senate; U.S. House of Representatives ; Governor/Lieutenant Governor; Attorney General; Secretary of State; Auditor of Public Accounts; State Treasurer; Commissioner of Agriculture; State Senate; State House of Representatives; State Supreme Court Justice; State Court of Appeals Judge; Circuit Court Judge; District Court Judge; Commonwealth's Attorney; Circuit Court Clerk; County Judge/Executive; County Clerk; County Attorney; Sheriff; Jailer; Coroner; Property Valuation Administrator; Surveyor; Magistrate/Justice of the Peace; County Commissioner ; Constable; Soil and Water Conservation District Supervisor; Mayor; City Legislative Body (i.e., City Commissioners and Council Members); and/or Member of a Board of Education;
- (5) during the five (5) years immediately before assuming office as a Director, not have been a Director or close relative of a then-existing Director. Nothing herein shall serve or be interpreted to disqualify an incumbent Director from seeking re-election;
- (6) while a Director and during the one year immediately before assuming office as a Director, not have been employed by, materially affiliated with, or receive more than ten (10) percent of annual gross income from, an entity for which another Director controls, owns more than ten (10) percent, or is a director or officer;
- (7) while a Director and during the one year immediately before assuming office as a Director, not have been a director, officer, employee, or agent of a union or other entity representing, or seeking to represent, Cooperative employees regarding the terms and conditions of employment with the Cooperative;

- (8) while a Director and during the one year immediately before assuming office as a Director, not receive or have a Close Relative that receives more than ten (10) percent of annual gross income, other than insurance, retirement income or Director compensation, directly or indirectly from the Cooperative, a Cooperative Subsidiary, or an employee of the Cooperative or a Cooperative Subsidiary;
  - (9) while a Director and during the one year immediately before assuming office as a Director, not advance or have a Close Relative that advances the Director's financial interest by providing a good or service similar to a good or service provided by the Cooperative or a Cooperative Subsidiary;
  - (10) while a Director and during the one year immediately before assuming office as a Director, not be employed by, control, own more than ten (10) percent of, serve as a director or officer of, or receive more than ten (10) percent of annual gross income from an entity that:
    - a. advances the entity's financial interest by providing a good or service similar to a good or service provided by the Cooperative or a Cooperative Subsidiary;
    - b. employs more than five (5) percent of Members; or
    - c. receives more than ten (10) percent of its annual gross income directly or indirectly from the Cooperative or a Cooperative Subsidiary.
- (d) **Director Disqualification.** After being elected, designated, or appointed, if a Director does not comply with all General Director Qualifications, Membership Director Qualifications, and Independence Director Qualifications (collectively, "Director Qualifications") existing when the Director was elected, designated, or appointed, then, except as otherwise provided by the Board for good cause, the Board shall disqualify the Director and the individual is no longer a Director if:
- (1) the Board notifies the Director in writing or electronically of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
  - (2) within thirty (30) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

**SECTION 4.04. "Close Relative" Defined.** As used in these Bylaws, "close relative" shall mean spouse, father, mother, son, daughter, brother, sister, uncle, aunt, nephew, niece, grandmother, grandfather, grandchild or unmarried cohabitant. Foster-, half-, step-, adoptive-, and in-law variations of the foregoing relationships are also considered to be a "close relative" for purposes of this section.

**SECTION 4.05. Election-Tenure.** Board members shall be elected by ballot, in the event of a contested election. Otherwise, board members may be elected by ballot, voice, hand, or other suitable means. Board members shall be elected by the members-at-large at the Annual Meeting of members, or at a special meeting thereof held for that purpose within a reasonable time thereafter, or by some other reasonable and recognized method intended to promote participation by both candidates and members. They shall serve for terms of four (4) years each, with each term beginning on June 1 of the year of their election (date of assumption of office) and ending on May 31 of the fourth year.

Board members of Districts 2, 3 and 6 shall be elected in 2015 and each fourth year thereafter. Board members for Districts 4 and 7 shall be elected in 2016 and each fourth year thereafter. Board members for Districts 1 and 5 shall be elected in 2017 and each fourth year thereafter.

The Credentials and Elections Committee shall be responsible for the coordination and oversight of all board member elections. Regardless of the manner in which an election is conducted (i.e., vote at annual meeting or special meeting, or some other reasonable method) the Credentials and Elections Committee shall decide upon a reasonable election structure meant to promote an open and fair election and one which encourages participation by the members, both as candidates and voters. Whatever election structure is chosen, the Credentials and Elections Committee must provide notice of the election and its terms to the members at least 30 days before the deadline set by the Committee for prospective candidates to declare their candidacy. Such notice shall be by mail and may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in Kentucky Living Magazine.

The Credentials and Elections Committee shall, in determining a prospective candidate's eligibility to be placed on the ballot for election as board member, at all times be governed by Section 4.03 of these Bylaws regarding director qualifications.

Each member of the Cooperative shall be entitled to cast one (1) vote for each vacancy to be filled; however, cumulative voting shall not be permitted.

The following ballots shall not be counted:

1. Unmarked ballots.
2. Ballots marked for more candidates than vacancies to be filled.
3. Ballots marked for more than one candidate for any one (1) vacancy.
4. Ballots other than the official ballot mailed.
5. Ballots arriving late.

The following ballots may be counted:

1. Ballots on which the mark is not in the place provided, but does show the intention of the voter.

2. Ballots on which there is an erasure or change of intention shown, but the Credentials and Elections Committee is of the opinion that the ballot has not been tampered with.

The Credentials and Elections Committee shall certify the number of votes received by each candidate. A final report shall be delivered by the Chairperson of the committee to the Chairperson of the Cooperative's Board, who will announce the results at the Annual Meeting.

The person nominated for Director in his district, receiving the highest number of votes as certified by the Credentials and Elections Committee, is the person elected. If more than one person receives the same number of votes, the Credentials and Elections Committee shall at a meeting at a time and place to be fixed by them, at which due notice shall be given to the nominees, cause the nominees or their representatives, or in the absence of a nominee or his representatives, some person designated by the Credentials and Elections Committee to draw for the office and the person drawing the slip marked "elected" shall be the person elected.

**SECTION 4.06. Removal of Directors by Members.** Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten (10%) percent of the then-total members of the Cooperative, which petition calls for a special member meeting the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled, to elect their successor(s), and which specified the place, time and date thereof not sooner than twenty-five (25) days after the filing of such petition or request that the matter be acted upon at the subsequent annual member meeting will be held not sooner than twenty-five (25) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(s) of the member(s) filing such charge(s) and a verbatim statement of such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth (in alphabetical order) only twenty (20) of the names of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed twenty (20) days prior to the meeting of the members at which the charges(s) are to be considered, and shall have the opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be

considered and voted upon at such meeting, and any vacancy created without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor. PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

**SECTION 4.07. Vacancies.** Subject to the provisions of these Bylaws with respect to the filing of vacancies caused by the removal of Directors by the Members, or by the death, disability, or other incapacity of a Director, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A Director thus elected shall serve out the unexpired term of the Director whose office was originally vacated and until a successor is elected and qualified; PROVIDED, that such Director shall be from or with respect to the same directorate district as was the Director whose office was vacated. Vacancies shall be filled within a reasonable time, with due consideration given to the facts and circumstances surrounding the occurrence of the vacancy.

**SECTION 4.08. Compensation; Expenses.** A Director is not an employee of the Cooperative. As determined or approved by the Board, however, the Cooperative may fairly compensate Directors a fixed fee and expenses for attending a meeting, function, or event involving, relating to, or reasonably enhancing the Director's ability to serve in the role of Director and meet their fiduciary obligation. The Board must determine or approve the manner, method, and amount of any Director Compensation and expenses.

**SECTION 4.09. Rules, Regulations, Rate Schedules and Contracts.** The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulations of the business and affairs of the Cooperative.

**SECTION 4.10. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and conditions, and shall, after the close of the fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial conditions as of the end of, such year. A full and accurate summary of such audit reports shall be published in the Kentucky Living Magazine or presented to the members at or prior to the succeeding Annual Meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

**SECTION 4.11. East Kentucky Power Cooperative and Kentucky Association of Electric Cooperatives.** The Board of Directors shall elect one of its Directors to serve as the Cooperative's representative on the Board of Directors of East Kentucky Power Cooperative ("EKPC") and another one of its directors to serve on the Board of Directors of the Kentucky Association of Electric Cooperatives ("KAEC"). Because of the significant amount of time and travel necessary to become familiar with the responsibilities, activities and subject matter of these positions, and to establish and maintain continuity of service, a board member selected shall serve a term of four (4) consecutive years, unless such board member voluntarily determines that he can no longer serve at which time the Board of Directors shall select another board member to serve for a new four (4) year term. Incumbent directors shall be permitted to succeed themselves for as many terms as the Board of Directors deems appropriate. If a director ceases to be a Cooperative director before his term on either the EKPC or KAEC board expires, the Board of Directors shall select a replacement director who shall serve for a new four (4) year term.

## ARTICLE V

### Meetings of Directors

**SECTION 5.01. Regular Meetings.** A regular meeting of the Board of Directors shall be held monthly at such date, time and place in one of the counties in Kentucky within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; PROVIDED, that any director absent from any meeting of the board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy thereof is established by the Board, the Chairperson may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all directors.

**SECTION 5.02. Special Meetings.** A special meeting of the Board of Directors may be called by the Chairperson or by a quorum of Directors then in office, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the Chairperson, or the Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties of Kentucky within which the Cooperative serves, unless all Directors consent to its being held in some other place in Kentucky or elsewhere. Special meetings, upon prior notice as otherwise provided in Section 5.03, may also be held via telephone conference call or other telephonic or electronic means including computer e-mail, without regard to the actual location of the Directors at the time of such a telephone conference meeting, or other telephonic or electronic means including computer e-mail, if all the Directors consent thereto.

**SECTION 5.03. Notice of Directors' Meetings.** Written notice of the date, time, place or telephone conference call, or other telephonic or electronic means including computer e-mail, and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally or by mail or by computer e-mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any Director in the case of a meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

**SECTION 5.04. Quorum.** The presence in person of a majority of the Directors in office shall be required for the transaction of business and the affirmative votes of a majority of the Directors present and voting shall be required for any action to be taken; PROVIDED, that a Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office or present; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time, but shall cause the absent Directors to be duly and timely notified of the date, time and place of such adjourned meeting.

**SECTION 5.05. Board Action by Written Consent.** Without a Board meeting, the Board may take any action required, or permitted, to be taken at any Board meeting if the action is taken by all Directors as evidenced by their written consent which can be accomplished by computer e-mail.

## ARTICLE VI

### Officers; Miscellaneous

**SECTION 6.01. Number and Title.** The officers of the Cooperative shall be a Chairperson, Vice Chairperson, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person. The above officers shall be Board members.

**SECTION 6.02. Election and Term of Office.** The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the Annual Meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter

as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding Annual Meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of Directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

**SECTION 6.03. Removal.** Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

**SECTION 6.04. Vacancies.** A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.05. Chairperson.** The Chairperson shall:

(a) be the principal executive officer of the Board of Directors and shall preside at all meetings of the Board of Directors, and unless determined otherwise by the Board of Directors, at all meeting of the members;

(b) sign, with the Secretary, deeds, mortgages, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,

(c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

**SECTION 6.06. Vice Chairperson.** In the absence of the Chairperson, or in the event of his inability or refusal to act, the Vice Chairperson shall perform the duties of the Chairperson, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairperson; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.07. Secretary.** The Secretary shall:

(a) keep, or cause to be kept, the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;

(d) have general charge of all the Cooperative's books and records; and,

(e) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.08. Treasurer.** The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative; and,

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these Bylaws; and (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.09. Delegation of Secretary's and Treasurer's Responsibilities.**

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

**SECTION 6.10. Other Officers.** The Board of Directors may appoint a President and Chief Executive Officer who shall assume the position formerly known as the General Manager, a VP - Engineering and Operations, a VP - Member Services and Public Relations and a VP - Finance who shall perform all duties, shall have all responsibilities, and may exercise all authority prescribed by the Board. The same individual may simultaneously hold more than one office. These officers are not required to be members of the Cooperative.

**SECTION 6.11. Bonds.** The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.12. Indemnification of Officers, Directors, Staff Employees and Agents.**

The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding whether civil, criminal,

administrative or investigative (other than an action by, or in the right of, the Cooperative) by reason of the fact that such person is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, staff employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in the above paragraph, (and, in addition, actions by or in the right of, the Cooperative) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

The indemnity herein provided shall be co-extensive with those authorized under Kentucky Revised Statute Chapter 271B and shall be effective in accordance with all of the terms and conditions of such statute.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Bylaw.

**SECTION 6.13. Reports.** The Cooperative shall submit at each Annual Meeting of the member's reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## ARTICLE VII

### Non-Profit Organization

**SECTION 7.01. Interest of Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons. (Deposits are not to be construed as Capital furnished for purpose of this Section).

**SECTION 7.02. Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative shall equitably allocate to each Patron, in proportion to the value of the Cooperative service used by the Patron during the fiscal year, and timely paid for by the Patron, earnings from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to allocate by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. All such amounts credited to the capital account of any patron shall have the pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital.

All other amounts received by the Cooperative as non-operating earnings in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, may, as determined by the Board, be used, retained, or equitably allocated to its patrons in proportion to the value of Cooperative service used by the Patron during the fiscal year, and timely paid for by the Patron. Any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

Notwithstanding the above requirement concerning the allocation of capital on a patronage basis to patrons in proportion to the value of the Cooperative service used by the Patron during the fiscal year, and timely paid for by the Patron, the Board of Directors shall have the discretion, on a case-by-case basis, to deviate from the requirement and amortize over a reasonable number of years any adjustment related to a cumulative effect of accounting principle change, consistent with generally accepted accounting principles, and required to be booked as patronage capital from operations. Such action shall only be taken by written Resolution of the Board of Directors fully explaining the details and justification for the deviation.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. Any such retirements of capital shall be made as determined from time to time, by the Board of Directors.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successor in occupancy in all or a part of each patron's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representative of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the cooperative, (and may deduct interest thereon at the Kentucky legal rate on judgments in effect when such amount became overdue, compounded annually).

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

## ARTICLE VIII

### **Disposition and Pledging of Property; Distribution of Surplus Assets on Dissolution**

#### **SECTION 8.01. Disposition and Pledging of Property.**

(1) Not inconsistently with Kentucky Revised Statutes, Section 279.140, the Cooperative may authorize the sale, lease, or other disposition of any of the Cooperative's properties and assets only upon the affirmative votes of a majority of the then members of the Cooperative at a duly held meeting. (2) The board may sell any of the following property without authority from the members:

(a) Property that is not necessary in operating and maintaining the system, but sales of such property shall not in any one year exceed ten percent in value of all the property of the Cooperative other than merchandise and property acquired for resale;

(b) Services and electric energy;

(c) Property acquired for resale; and

(d) Merchandise.

**SECTION 8.02. Distribution of Surplus Assets on Dissolution.** Upon the Cooperative's dissolution, any assets remaining after all liability or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors, be distributed without priority but on an equal basis among all persons who were active members on the last day at business of the Cooperative. PROVIDED, HOWEVER, that if in the judgment of the board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

## ARTICLE IX

### **Seal**

The Corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Kentucky."

## ARTICLE X

### **Financial Transactions**

**SECTION 10.01. Contracts.** Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee to enter into any

contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**SECTION 10.02. Checks, Drafts, Etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**SECTION 10.03. Deposits, Investments.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

**SECTION 10.04. Fiscal year.** The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the thirty-first day of December of the same year.

## **ARTICLE XI**

### **Waiver of Notice**

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws.

## **ARTICLE XII**

### **Amendments**

These Bylaws may be altered, amended or repealed by the majority vote of the Board of Directors at any regular or special Board Meeting; or by unanimous written consent of the Directors without a meeting.

## **ARTICLE XIII**

### **Rules of Order**

Unless the Board of Directors determines otherwise at any time, and consistent with applicable law, the Articles of Incorporation or these Bylaws, parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members of the Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order.

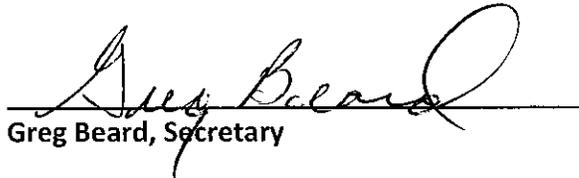
## ARTICLE XIV

### Gender

**GENDER:** Any inclusion in these Bylaws of the male pronouns, he or his, is fully intended to and shall, where applicable, be deemed to necessarily include and apply equally to the feminine gender pronouns, she or hers.

I, Greg Beard, Secretary of South Kentucky Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct copy of the By-Laws as adopted by the Board of Directors at a meeting duly and regularly held on May 13, 2021; and as amended through the date signed.

Date: May 13, 2021

  
\_\_\_\_\_  
Greg Beard, Secretary

Date: May 13, 2021

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 7**

**RESPONSIBLE PERSON:** Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 7.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 12(a). Pursuant to the chart provided in the response comparing the monthly residential customer charge of 23 Kentucky cooperatives, confirm that if the Commission grants South Kentucky RECC's requested \$24.00 monthly residential customer charge, the Company will have a higher monthly residential customer charge than 20 other cooperatives in the state. If not confirmed, explain why not.

**Response 7.**

Denied. Three electric cooperatives in Kentucky will have customer charges higher than South Kentucky's proposed customer charge, if approved by the Commission, and 19 electric cooperatives -- not 20 -- will have customer charges lower than South Kentucky. However, it should be noted that 17 electric cooperatives in Ohio will have customer charges greater than or equal to South Kentucky's proposed charge; 32 electric cooperatives in Indiana will have customer charges greater than or equal to South Kentucky's proposed customer charge; and 6 electric cooperatives in Tennessee will have customer charges greater than South Kentucky's proposed customer charge.

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 8**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 8.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 13(c). Explain in detail why South Kentucky RECC stopped selling Electric Thermal Storage in 2016.

**Response 8.**

The Electric Thermal Storage program was an EKPC sponsored program. This program provided a transfer payment of up to \$500 to the Member System Cooperative to cover administrative costs, lost revenue, and the incentive to the retail customer. EKPC cancelled their Electric Thermal Storage (ETS) program, as provided for in the tariff sheet located at P.S.C. No. 34, Original Sheet No. 27.2, effective August 25, 2014.

Correspondingly, South Kentucky RECC discontinued purchasing additional ETS inventory due to the loss of the transfer payment from EKPC, the increased cost of the heater, and installation cost for our member. South Kentucky RECC sold our last heater in early 2016 to deplete our inventory.

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 9**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 9.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Items 14(a) – (c).

a. The original question as to how the Company intends to comply with the affiliate transaction statutes concerning The People Fund should be considered a continuing request. Provide any and all updates regarding the same.

b. Due to the Company not providing any low-income utility bill payment assistance programs, explain whether the Company has ever donated funds raised through The People Fund to low-income payment assistance programs.

**Response 9.**

a. Understood. The decision is still pending.

b. Yes, The People Fund has granted funds raised to several low-income assistance programs. They include the following, Pulaski Emergency Relief Ministries, Hope Center, Lake Cumberland Community Action, Lake Cumberland Community Action Weatherization Program, Eastern Childcare Coalition and Lake Cumberland Community Action Head Start.

**SOUTH KENTUCKY RECC**  
**PSC CASE NO. 2021-00407**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 10**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 10.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 15(c) and (i).

a. Explain how the amount of the bonus is determined each year, as well as who approves the bonus amounts.

b. Provide the criteria used to determine which employee will receive a bonus.

c. Provide all studies and other objective data relied upon to determine bonus amounts.

d. Provide the job titles of those employees who received bonuses between 2012 – 2022.

e. Provide the total monetary amount that South Kentucky RECC provided in bonuses for 2012 – 2022.

f. Confirm that all bonus amounts have been removed from the proposed rates for ratemaking purposes. If not confirmed, explain why not.

g. Confirm that even if all bonus amounts have been removed from the proposed rates for ratemaking purposes, since the only revenue stream that South Kentucky RECC has is from the member customers, they are still actually paying for the bonus amounts. If not confirmed, explain in detail why not.

**Response 10.**

a. The compensation payments noted in response question 15 (c) and (i) are related to extraordinary hours worked related to extended storm restoration response or special projects requiring an exceptional amount of hours in excess of a normally scheduled work week. Attached is the current policy related to Exempt Employee Emergency Bonus compensation.

b. Please see response a. to this question. In addition, the President & CEO may determine that a special project requiring an exceptional amount of hours in excess of a normally scheduled work week may be eligible for bonus compensation.

c. We are unaware of any studies used to determine the compensation amounts.

d. Please see attached. The job titles have been redacted. An unredacted version is being filed under seal pursuant to a Motion for Confidential Treatment.

e. Please see the response to subpart d above.

f. Denied. These compensation payments are not performance or incentive based, but rather compensation payments related to excessive hours worked for extended storm restoration or special projects requiring an exceptional amount of hours worked in excess of a regularly scheduled work week.

g. Denied. Please see f. above.

**Administrative Policy E10A**

SUBJECT: Exempt Employee Extended Hours Compensation

APPLICABLE TO: Exempt Employees

POLICY STATEMENT:

Exempt employees are not eligible for overtime compensation. However, at the sole discretion of SKRECC, they may receive bonus compensation for hours worked in excess of their regular schedule. This time must have prior authorization by the employee's Executive Staff Member.

CONTENT:

Exempt employees working beyond the normal expectations of their daily job duties may submit their time via the proper form to their manager/executive staff member. The manager/executive staff member will then submit the request to the President/CEO for approval.

PROVISIONS:

The following schedule denotes bonus compensation for approved requests:

At the sole discretion of SKRECC, a BONUS may be in effect for any major outages due to weather or natural disaster lasting longer than 48 hours.

Salaried employees will be compensated via a BONUS equal to 1.5 times their hourly pay rate after the first 16 hours of time worked beyond their normal work schedule.

\*This is a discretionary policy

Approved:   
CEO

5/7/2021  
Approval Date

Revision Approval Date: 7/8/2021

South Kentucky RECC  
PSC Case 2021-00407  
AG2 Question 10 d and e

Salaried Employee Bonus Compensation												
Job Title	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Total
President, CEO					X							
Vice President of Finance and Member Services		X			X							
[REDACTED]						X	X	X	X	X	X	
[REDACTED]						X	X					
[REDACTED]					X							
[REDACTED]		X	X	X								
[REDACTED]						X	X					
[REDACTED]								X	X	X		
[REDACTED]								X	X	X		
[REDACTED]		X	X	X		X	X	X	X			
[REDACTED]						X						
[REDACTED]						X						
[REDACTED]						X						
	-	\$7,518.30	\$3,600.00	\$1,050.00	\$23,750.00	\$5,337.50	\$3,875.00	\$1,325.00	\$5,600.00	\$3,375.00	\$12,356.25	\$67,787.05

South Kentucky RECC  
PSC Case 2021-00407  
AG2 Question 10 d and e

Hourly Employee Bonus Compensation												
Job Title	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Totals
[REDACTED]									X	X	X	
[REDACTED]					X							
[REDACTED]		X			X							
	-	\$350	-	-	\$4,100	-	-	-	\$500	\$500	\$500	\$5,950

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**REQUEST 11**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 11.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 15(d) and (j).

- a. Explain how the amount of the award is determined each year, as well as who approves the award amounts.
- b. Provide the criteria used to determine which employee will receive an award.
- c. Provide all studies and other objective data relied upon to determine award amounts.
- d. Provide the job titles of those employees who received awards between 2012 – 2022.
- e. Provide the total monetary amount that South Kentucky RECC provided in awards for 2012 – 2022.
- f. Confirm that all award amounts have been removed from the proposed rates for ratemaking purposes.

g. Confirm that even if all award amounts have been removed from the proposed rates for ratemaking purposes, since the only revenue stream that South Kentucky RECC has is from the member customers, they are still actually paying for the award amounts. If not confirmed, explain in detail why not.

**Response 11.**

a. The award amounts are in recognition of specified service and retirement milestones. Please see the attached administrative policy describing the recognition criteria.

b. Please refer to the response in a. above.

c. We do not have knowledge of what studies or other relevant information was used to determine the rates described in the policy.

d. Job titles were previously provided in response to question 15(d) and 15(j) of the Attorney General’s First Data request. This information was provided pursuant to confidential treatment.

e.

Year	Total Awards
2012	\$7,400
2013	\$8,400
2014	\$7,100
2015	\$10,900
2016	\$6,900
2017	\$10,500
2018	\$12,300
2019	\$9,200
2020	\$12,300
2021	\$12,300
2022	\$600
<b>Total</b>	<b>\$97,900</b>

f. Denied.

g. We believe these amounts are reasonable. Service award recognition programs are widely accepted as a form of compensation.

SKRECC  
Somerset, Kentucky  
Administrative Policy # C150

SUBJECT: SERVICE RECOGNITION AND RETIREMENT RECEPTIONS

APPLICABLE TO: All full time employees of SKRECC

POLICY STATEMENT: To recognize SKRECC employees for their service to SKRECC at five-year milestones and at retirement.

PROVISIONS:

1. Service Awards and Gifts:

Service awards and plaques will be presented to employees for every five years of service completed up to 30 years of employment. Service awards are completely discretionary. Years of service beyond 30 years will be recognized with plaques only. Employees with prior service at other member cooperatives will be recognized based on their years of service with SKRECC only. Employees on Long Term Disability are not eligible for Service Awards.

Awards for milestones reached are as follows:

1 year -	Tie Tack or Charm
5 years -	\$100
10 years -	\$200
15 years -	\$300
20 years -	\$400
25 years -	\$500
30 years -	\$600
Retirement Award:	\$700

Receptions:

Each team is responsible for sponsoring an appropriate reception recognizing an employee's retirement (within 30 days from date of retirement). The format and scale of recognition events should reflect the preferences of the employee. Receptions involving a large number of participants should normally be scheduled from 3:00 – 5:00 p.m. in order to optimize attendance by minimizing conflicts with other business activities.

Responsibility:

The Executive Staff and Managers are directly responsible to see that this policy is adhered to within their respective areas. The President/CEO is responsible to the Board of Directors for overall compliance.

Signed: Allen Anderson  
President/CEO

Date: 12/5/2014

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**REQUEST 12**

**RESPONSIBLE PERSONS:** Ken Simmons and Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 12.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 15(e).

- a. Provide the job titles of all employees who receive a vehicle allowance.
- b. Provide the criteria used to determine which employee will receive a vehicle allowance.
- c. Explain why the vehicle allowance is necessary.
- d. Explain why the vehicle allowance was over \$14,000 in 2017.
- e. Explain what the vehicle allowance represents: vehicle lease payment, vehicle purchase payment, or a specified amount of money per mile for driving one's own vehicle.
- f. Explain whether the vehicle allowance amounts were removed from the proposed rates.

**Response 12.**

a. Previously, the President & CEO received a vehicle compensation amount added to his W-2 in recognition of personal use of a cooperative owned vehicle. This practice was terminated and the President & CEO no longer uses a cooperative vehicle for personal use.

b. Please see a. above.

c. Please see a. above.

d. In 2017, the serving President & CEO retired. The amount represents the personal use of a cooperative owned vehicle up until the time of retirement, as well as recognizes the value of the cooperative vehicle that was given to him at the time of his retirement.

e. The amount represents the personal use of a cooperative owned vehicle as determined by the Internal Revenue Service's calculated Annual Lease Value Rule as describe in IRS Publication 15-B. The value of the vehicle noted in d. above was determined using the value assigned at transfer by the Pulaski County Clerk Motor Vehicle Licensing branch.

f. The amount added to the CEO compensation for 2020 was not included in the test period and therefore, is not recognized in the proposed rates.

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**REQUEST 13**

**RESPONSIBLE PERSONS: Ken Simmons and Michelle Herrman**

**COMPANY: South Kentucky RECC**

**Request 13.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 15(h).

- a. Provide justification for the average raise of 6.19% in 2021.
- b. Provide the average raise that South Kentucky RECC has approved to be given in 2022. Consider this a continuing request.

**Response 13.**

a. As a result of the COVID-19 pandemic and the financial stress of the moratorium on payment of electric utility bills, no raises were granted during the 2020 year. Not granting raises during 2020, impacted the compensation increase percentages for 2021. Please see our Independent Consultant report for 2021 provided in response to Commission Staff's First Request No. 20.

- b. No raises have been approved for 2022.

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**REQUEST 14**

**RESPONSIBLE PERSONS: Ken Simmons and Michelle Herrman**

**COMPANY: South Kentucky RECC**

**Request 14.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 15(n). Explain whether the formal wage and salary study that the Company conducted compared South Kentucky RECC's wage and benefit information to the local wage and benefit information for the geographic area in which South Kentucky RECC operates, per Commission precedent. If not, why not?

**Response 14.**

Local territorial service area information is a component of the Independent Consultant's report results.

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**REQUEST 15**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 15.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 15(p). As originally requested, provide a detailed narrative of the insurance benefits provided to the South Kentucky RECC employees, including but not limited to health, dental, vision, life insurance, etc. In the discussion, ensure to include all premiums paid by South Kentucky RECC's employees, premiums paid by South Kentucky RECC and the employee's behalf, as well as all copays, deductibles, and maximum out of pocket amounts. If South Kentucky RECC employees do not contribute to specific insurance premiums then assert the same in the response.

**Response 15.**

Please see our response to Staff's First Data Request question 23 for the information related to health, dental, and vision insurance. In addition to those insurances, the cooperative also provides the following:

1. Life and Accidental Death & Dismemberment (AD&D) Benefits – Effective after the 3<sup>rd</sup> month of the employee's employment date. Coverage is equal to 2 times the

employee's basic annual earnings, rounded to the next higher \$1,000. The cooperative pays 100% of the premium. Amounts in excess of \$50,000 in coverage are added to the employee compensation in accordance with IRS rules. Employees can also purchase supplemental life and AD&D insurance for themselves or their dependents at the employee's own expense.

2. Long Term Disability Benefits – Effective after the 3<sup>rd</sup> month of the employee's employment date. Coverage is 66 2/3% of the employee's annual salary with a maximum monthly benefit of \$10,000; there is a 90-day elimination period. The cooperative pays 100% of the premium.

3. Short Term Disability Benefits – Effective after the 3<sup>rd</sup> month of the employee's employment date. There is no insurance coverage; this is a self-funded plan. The cooperative pays \$40 per week, after a seven-day waiting period, for up to thirteen weeks. Payable upon return to work.

4. Business Travel Insurance – Effective after the 3<sup>rd</sup> month of the employee's employment date. Staff and directors' coverage is \$100,000; all other employees' coverage is \$50,000. The cooperative pays 100% of the premium.

5. 24 Hour Accident Insurance – Effective after the 3<sup>rd</sup> month of the employee's employment date. This applies to salaried employees and directors only; coverage is \$40,000. The cooperative pays 100% of the premium.

6. All employees are eligible to participate in AFLAC programs at their own expense.

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**REQUEST 16**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 16.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 17.

a. Provide an update as to the Company's request for Federal and State reimbursement from the Federal Emergency Management Agency ("FEMA") for the \$1,678,468 costs associated with the winter storm of February 2021. If no reimbursement has been received yet, specify when reimbursement should be provided. Further, explain how those reimbursement funds will be utilized when received.

b. Indicate if the Company deferred the winter storm costs in February 2021. If so, did it seek approval to do so from the Commission? Did the Company record the FEMA receivable? If not, why not?

c. Provide a narrative explanation of the Company's accounting for the costs of the storm, the FEMA receivable, and how it will account for the receipt of the funds.

d. Provide the accounting journal entries when the Company incurred the storm costs, the deferral, if any, and the receivable, if any.

- e. Explain in full detail whether the response erroneously referred to Payroll Protection Program, instead of the Paycheck Protection Program (“PPP”).
- f. Explain how the \$3,087,600 in PPP funds were utilized in 2021, and how it benefitted the member customers.
- g. Provide a narrative explanation of the receipt of the PPP funds, i.e., did the Company record the receipt of the funds as income, defer the funds, or something else? Regardless of how it recorded the receipt of the funds, did it seek approval to do so from the Commission? If not, why not?
- h. Provide a narrative explanation of the use of the PPP funds, i.e., did the Company record the use of the funds as negative expense, a reduction of deferral, or something else?
- i. Provide the accounting journal entries recorded when the Company received the PPP funds and then expended the funds.

**Response 16.**

- a. Expense reimbursement reports have been filed with Kentucky Emergency Management who is responsible for releasing the funds. No reimbursement has been received at this time. We have not been provided a timeline for receipt of the funds. Those funds will be used for general operations to replace the funds that were used for the storm restoration approved by the Federal Emergency Management Agency.
- b. No. We have not deferred the winter storm costs. Yes, the cooperative recorded the federal 75% reimbursement portion as a receivable in 2021.

c. When the storm occurred, a storm project code was assigned. Expenses attributed to the storm were coded to their customary account numbers noting the storm project code. When the Federal contract award was provided with their approved amounts; the journal entry in e. below was recorded. The entry below represents the federal portion of the reimbursable storm expenses. The remaining State share and the cooperative's share remain in their customary expense accounts.

When the funds are received from FEMA, the amount recorded as a receivable will be credited to the receivable account and debited to cash. The amount remaining in the expense accounts for which reimbursement is received will be accounted for by first applying the funds received as a credit to the maintenance expense and administrative and general costs, with any remaining funds being applied as a credit to construction and retirement costs.

d. The expenses were recorded to the storm project code to their normal expense account. Those accounts are noted in the credit entries in the journal entry below.

When the receivable was set up for the Federal 75% reimbursement portion, the following entry was made.

JE 12599 - 10/31/21:			Debit	Credit
DR 143.00	OTHER ACCTS RECEIVABLE		\$ 1,243,419.00	
	CR 586.00	METER EXPENSE		\$ 60,735.64
	CR 593.00	MAINTENANCE OF O/H LINES		\$ 464,445.03
	CR 593.00	MAINTENANCE OF O/H LINES		\$ 461,590.87
	CR 593.50	MAINTENANCE OF O/H LINES-RW		\$ 171,617.56
	CR 903.00	CUSTOMER RECORDS & COLLECT EXP		\$ 18,220.69
	CR 908.00	CUSTOMER ASSISTANCE EXP		\$ 24,294.26
	CR 920.00	ADM & GENERAL SALARIES		\$ 42,514.95
TO SET UP IN ACCOUNTS RECEIVABLE THE FEDERAL SHARE OF FEMA 4592-DR-KY GRANT FOR THE FEBRUARY 2021 ICE STORM.				

e. Yes, the reference was incorrectly stated. It should have been referred to as Paycheck Protection Program.

f. The funds were utilized to meet expenses related to employee payroll costs. These funds stabilized cash flow impacted by the moratorium on payment of electric utility bills and the closure of businesses, schools and government facilities that resulted in reduced energy sales. It also deferred the need to utilize our line of credit or incur additional long-term debt. This benefitted our members by not incurring additional interest expenses associated with utilizing our line of credit or incurring additional long-term debt. Similarly, it ensured that we had a ready workforce who could respond to the needs of our members.

g. The funds were first recorded as a liability on our balance sheet. Once loan forgiveness was granted by the Small Business Administration, the loan amount along with the associate interest, were recorded as miscellaneous non-operating income as required by the Rural Utilities Service (RUS) accounting requirements.

i. The accounting journal entries are provided below.

		Debit	Credit	
Mar-21	A/C 136.16 Temp Invest-Citizens Nat'l -Somerset	\$3,087,600.00		
	A/C 224.10 Other L T D-Citizens Nat'l Bank		\$3,087,600.00	JE#12496
	To record funds received 3/17/21 from			
	Citizens National Bank for executed loan			
	#20001608 under the Paycheck Protection			
	Program.			
Oct-21	A/C 224.10 Other L T D-Citizens Nat'l Bank	\$3,087,600.00		
	A/C 421.00 Misc Nonoperating Income		\$3,087,600.00	JE#12590
	To record 20001608 Paycheck Protection			
	Program(PPP) loan forgiveness per letter			
	from Citizens National Bank dated 10/5/2021.			
Oct-21	A/C 421.04 Misc Nonoperating Expense	\$17,324.87		
	A/C 421.00 Misc Nonoperating Income		\$17,324.87	JE#12590
	To record 20001608 Paycheck Protection			
	Program(PPP) loan interest forgiveness per letter			
	from Citizens National Bank dated 10/5/2021.			

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**REQUEST 17**

**RESPONSIBLE PERSON:** Kevin Newton

**COMPANY:** South Kentucky RECC

**Request 17.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 18. Explain why there is reduced competition for right-of-way management contractors.

**Response 17.**

The number of right-of-way contractors has dropped due to buy-outs over the past several years. Many of the small, locally owned, contractors either have been purchased or have stopped working in right-of-way due to the cost of doing business.

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**REQUEST 18**

**RESPONSIBLE PERSON:** Ken Simmons

**COMPANY:** South Kentucky RECC

**Request 18.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 20(e)(i). Explain why the Company has four district office locations in close proximity to each other. Has South Kentucky RECC ever contemplated combining locations to streamline efficiencies and save money on overhead expenses? If not, why not? Explain the response in full detail, and provide all benefits and negative ramifications for the same.

**Response 18.**

Yes, it has been discussed by the Board in the past. However, "close proximity" is a very subjective measure of distance. South Kentucky's four district office locations range from 28 miles to 47 miles (one way) from the main office in Somerset. Some Members residences are in excess of a 30-minute drive to one of the district offices and could be located well over an hour's drive from the main office.

Although, there may be some minimal operational savings, it would certainly place an additional burden on members who live in these remote areas as it relates to conducting business with South Kentucky. I would also note that some of these members are those

who can least afford the additional burden of added travel

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**REQUEST 19**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 19.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 22(c).

a. Explain in full detail why the Company does not have knowledge of the full details of East Kentucky Power Cooperative's ("EKPC") patronage payout program. Confirm also that South Kentucky RECC has a seat on the EKPC Board of Directors.

b. When EKPC provided cash patronage payouts in 2019 and 2020 why did South Kentucky RECC not ask for details of the program at that time?

c. Provide the monetary amount of cash patronage payouts that EKPC has provided to South Kentucky RECC each year from 2012 – present.

**Response 19.**

a. South Kentucky has knowledge of EKPC's patronage capital allocation program, in that allocations are made each year based upon EKPC's margins for the year, and our respective contribution to those margins through the revenues we have provided to them. However, in order to have full knowledge about the patronage payout program we would have to be fully involved in their decision making process at a staff level.

Yes, one of South Kentucky's Directors has a seat on the EKPC Board of Directors.

b. The premise of patronage capital and retirement is known; however, full details of the reasons that led EKPC to make cash payouts during those years was not known. The reasons behind the cash payouts would not affect South Kentucky's recording of the payments in its accounting records.

c. Cash patronage payouts were none for the years of 2012-2018 and 2021 and to date in 2022. Cash patronage payout for 2019 and 2020 were \$201,317.92 and \$720,778.97, respectively.

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**REQUEST 20**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 20.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 22(d).

- a. Explain in full detail why the Company does not have knowledge of the full details of the Cooperative Finance Corporation's ("CFC") patronage payout program.
- b. When CFC provided cash patronage payouts in 2012 – present why did South Kentucky RECC not ask for details of the program at that time?
- c. Provide the monetary amount of cash patronage payouts that the CFC has provided to South Kentucky RECC each year from 2012 – present.

**Response 20.**

- a. South Kentucky has knowledge of CFC's patronage capital allocation program, in that allocations are made each year based upon CFC's margins for the year, and our respective contribution to those margins through the revenues we have provided to them. However, in order to have full knowledge about the patronage payout program we would have to be fully involved in their decision making process at a staff level.

b. The premise of patronage capital and retirement is known; however, full details of the reasons that lead to the amounts CFC declares as cash patronage payouts during those years was not known. The reasons behind the cash payouts would not affect South Kentucky's recording of the payments in its accounting records.

c.

<b>CFC Cash Payouts</b>	
<b>Year</b>	<b>Amount</b>
2012	\$35,986.48
2013	\$38,763.91
2014	\$33,358.72
2015	\$30,394.32
2016	\$28,350.13
2017	\$26,900.90
2018	\$24,565.98
2019	\$69,844.97
2020	\$46,192.78
2021	\$40,617.82
2022	\$ -

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**REQUEST 21**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 21.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 24. South Kentucky RECC states that it currently has five vacant positions it would like to fill, with four of those being delayed until the Company has the financial ability to do so. South Kentucky RECC further asserts that it is seeking to fill the Director of Corporate Services position.

a. Explain whether the salaries, benefits, etc. associated with the above-referenced five vacant positions are included in the proposed revenue requirement. If included, explain in detail why expenses associated with vacant positions would be included in the proposed rates.

b. Provide the total monetary amount associated with the aforementioned five vacant positions that are included in the proposed revenue requirement, if any.

c. Provide a breakdown of the total monetary amount associated with the aforementioned five vacant positions that are included in the proposed revenue requirement, if any.

d. Explain in detail whether a job offer has been made to an applicant for the Director of Corporate Services.

e. Provide a specific date as to when the Director of Corporate Services position will be filled.

**Response 21.**

a. Four of the vacant positions are included in the proposed revenue requirement. These positions were described in our response to your First Request for Information, question 24a. The one position that was not included in the proposed revenue requirement is the position of the Credit and Collections Representative because this is a new position that we would like to incorporate into our staffing. The other four positions were existing positions that have been vacated due to retirement or resignation during 2021. These job roles are needed, but due to cost control measures, they were left vacant for the time period until our financial position improves. We intend to advertise and fill these job roles as soon as we receive the financial benefits of our proposed rate increase.

b. As described in a. above, only 4 vacant positions are included in the proposed revenue requirement. The monetary amount associated with the four vacant positions included in the proposed revenue requirement is \$514,754.

c. The breakdown by position for the four vacant positions included in the proposed revenue requirement is shown in the table below. Please note that these values are slightly different than what was reported in our response to your First Data Request, question 24 because these are the actual amounts that were included in the revenue requirement as depicted in our 2021 budget to determine the adjustment to annualize wages

and salaries. The values reflected in our response to question 24 are reflective of current anticipated market values.

Job Title	Position Value
[REDACTED]	\$ 127,047
[REDACTED]	\$ 152,339
[REDACTED]	\$ 80,851
[REDACTED]	\$ 154,516

d. There has not been a job offer to any applicant for the Director of Corporate Services position.

e. We hope to have the position filled by the end of April 2022. But no firm date is known at this time.

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**REQUEST 22**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 22.** Refer to South Kentucky RECC’s response to the Attorney General’s First Request, Item 25(c). Provide justification for hiring the new President and CEO in 2018 at an annual salary of \$250,016, which is a 31.58% pay increase over the prior President and CEO.

**Response 22.** South Kentucky’s prior President and CEO had been a long-term employee of the Cooperative in several roles, the last of which was as Vice President of Engineering and Operations when he assumed the position of President and Chief Executive Officer (“CEO”) in 2017 upon his predecessor’s retirement. He did not possess a four-year college degree having previously attended a local community college with an emphasis in business administration and electrical engineering; nor did he have prior experience as a President/CEO. At the time of the prior President/CEO’s retirement in May 2019, South Kentucky’s Board of Directors Policy 203, *President/Chief Executive Officer Succession and Selection*, required the Board to engage a professional consultant to assist in the search for CEO candidates. A key component of this search included consideration of the amount of reasonable compensation to be paid in order to attract, retain

and motivate a highly qualified CEO. South Kentucky's Board of Directors Policy 202, *President/Chief Executive Officer Evaluation and Compensation Policy*, which provided that market-based compensation practices should be employed in the search process, was also an important factor. South Kentucky engaged the National Rural Electric Cooperative Corporation's ("NRECA") Executive Search Group to facilitate an extensive national CEO search process which took several months to complete. The candidate who was ultimately chosen to become South Kentucky's new President/CEO, Mr. Ken Simmons, had a very impressive resume both educationally and from an experience standpoint. Reference to Mr. Simmons' specific qualifications can be found in his testimony in support of the Application in this case, at Exhibit 8, pages 2-3. Mr. Simmons' final compensation amount was based on the prevailing national market for electric distribution cooperatives having similar education and executive-level experience. The 31.58% pay increase referenced in the request is justified considering the relative educational and experience backgrounds of the prior President/CEO and Mr. Simmons.

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**REQUEST 23**

**RESPONSIBLE PERSONS:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 23.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 25(d). Explain in detail the alternative methods that have been discussed to conduct less expensive Board of Director elections.

**Response 23.** To reduce the cost of annual elections South Kentucky's Board of Directors has discussed the possibility of bringing elections 'in-house' by sending out paper ballots to members either by mail or printed in *Kentucky Living Magazine*, and then tabulating them when returned. Several problems with this option have been identified including, but not limited to, printing and mailing expense, inability of South Kentucky's website portal to provide for electronic online voting resulting in decreased member participation, and increased staff and employee work time necessary to oversee all election activities. Another option could be to provide for in-person voting either by paper ballot or utilizing electronic voting machines at the annual meeting or at South Kentucky's district offices on a date published to members well in advance. The cost of this option is still being discussed as it would probably require engaging a local consultant having experience

with conducting similar elections. Discussion of this issue is ongoing and no decision has been reached.

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**REQUEST 24**

**RESPONSIBLE PERSON:** Ken Simmons

**COMPANY:** South Kentucky RECC

**Request 24.** Refer to pending Case No. 2021-00372.

a. Provide the monetary amount that Kentucky Utilities Company (“KU”) is providing to South Kentucky RECC, if any, in order to change service territories.

b. Explain how South Kentucky RECC plans to utilize the monetary amount provided by KU.

c. Explain whether the monetary amount is included in the revenue requirement of the pending case, and if so, specify where it is included. If not, explain why not.

d. Explain the journal entries South Kentucky RECC will make upon receipt of these sums from KU.

**Response 24.**

a. There is no money being exchanged related to the boundary change case.

b. Please see our response to a. above. Not applicable.

c. Please see our response to a. above. Not applicable.

d. Please see our response to a. above. Not applicable.

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**REQUEST 25**

**RESPONSIBLE PERSON:** Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 25.** Refer to the March 30, 2012 Final Order in Case No. 2011-00096, wherein the Commission amortized the rate case expense of \$144,660 over three years, or \$48,220 annually. Confirm that South Kentucky RECC has received over three times the amount of rate case expense as it originally expended on the 2011 rate case. If not confirmed, explain in full detail why not.

**Response 25.**

Confirmed. Three years is a reasonable period between rate cases and represents the standard amortization period for rate case expenses in cooperative rate cases in Kentucky. The Commission has approved a three-year amortization of rate case expenses in the following electric cooperative rate cases: Case No. 2021-00066, Order dated June 23, 2021, for Kenergy Corp; Case No. 2020-00338, Order dated April 8, 2021, for Licking Valley Rural Electric Cooperative; Case No. 2020-00264, Order dated December 30, 2020, for Cumberland Valley Electric, Inc.; Case No. 2020-00131, Order dated September 16, 2020, for Meade County Rural Electric Cooperative; Case No. 2020-00104, Order dated August 11, 2020, for Clark Energy; Case No. 2018-00272, Order dated March 28, 2019,

for Grayson Rural Electric Cooperative; Case No. 2018-00129, Order dated January 25, 2019, for Inter-County Energy; Case No. 2017-00374, Order dated April 26, 2018, for Big Sandy Rural Electric Cooperative; Case No. 2016-00365, Order dated May 12, 2017, for Farmers Rural Electric Cooperative; Case No. 2015-00312, Order dated September 15, 2016, for Kenergy Corp; Case No. 2013-00219, Order dated February 27, 2014, for Jackson Energy; Case No. 2012-00023, Order dated March 26, 2013, for Taylor County Rural Electric Cooperative; and Case No. 2011-00096, Order dated March 30, 2012, for South Kentucky Rural Electric Cooperative.

Mr. Seelye is unaware of a cooperative rate case in Kentucky in which a 3-year amortization period was not approved. Three-year amortization periods for the amortization of rate case expenses have also been approved by the Commission for the investor-owned utilities in the state, including Louisville Gas and Electric Company, Kentucky Utilities Company; Kentucky Power Company; Duke Energy Kentucky, Atmos Energy Corporation; and Columbia Gas of Kentucky, Inc.

Furthermore, it is misleading to single out an individual item included in a utility's prior rate case and claim that the utility has over or under recovered those costs. The reasonableness of past revenue requirements can only be considered in total, where some cost items included in revenue requirements ended up being lower than actual costs once rates go into effect while other cost items ended up being higher. For example, certain operation and maintenance expenses included in revenue requirements in 2011 would have been significantly less than actual expenses during many of the years in which the rates were in effect.

**SOUTH KENTUCKY RECC**  
**PSC CASE NO. 2021-00407**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG’S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 26**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 26.** Refer to South Kentucky RECC’s responses to the Attorney General’s First Request, Item 28, and the Commission Staff’s Second Request for Information (“Staff’s Second Request”), Item 1. Refer further to the statement at the end of the response to Staff’s Second Request, Item 1, which reads, “Since the highest interest rate loan and blended interest rate of South Kentucky’s RUS/FFB portfolio was below the 4% interest earning rate, South Kentucky RECC elected to keep the funds in the Cushion of Credit program.”

a. Provide the names of the individuals at South Kentucky RECC who made the decision to keep the funds in the Cushion of Credit program and indicate when the decision was made. If the final decision was the subject of a Board of Directors’ vote, please so state and indicate the date of the Board Meeting.

b. Provide copies of all documents, including Board minutes and presentations, which memorialize the decision to keep the funds in the Cushion of Credit program.

c. Provide a schedule as of March 31, 2020, December 31, 2020, and December 31, 2021, showing the RUS Cushion of Credit amounts by deposit date and in total.

d. Provide the journal entries, if any, associated with retaining these funds in the Cushion of Credit program, and with any subsequent disbursement of those funds.

**Response 26.**

a. There was no formal vote by the Board of Directors regarding “keeping the funds in the Cushion of Credit program”; however, the topic was discussed several times during regular board meetings due to the pending passage of the Farm Bill which ultimately passed in December of 2018. Those present at said meetings regularly included the Board of Directors, President & CEO, Vice President of Finance & Member Services, Chief Operating Officer, Executive Administrator to the President/CEO and Board of Directors, and Board Counsel.

b. In addition to the response of Question 26, Item (a) above, please note that at the December 9, 2021, regular meeting of the Board of Directors, all directors agreed to have Mrs. Herrman develop an investment policy statement to be reviewed at a future meeting. (See attached minutes, Item 4)

c. Please see the attached quarterly Cushion of Credit statement balances for the quarters ended March 31, 2020, December 31, 2020 and December 31, 2021. Please also see the associated general ledger account balances as of the periods requested.

The balance in the Cushion of Credit at the dates requested are as follows:

<b>Cushion of Credit Balances</b>	
Date	Amount
March 31, 2020	\$ 29,163,812.92
December 31, 2020	\$ 30,171,214.13
December 31, 2021	\$ 31,065,537.90

d. Representative journal entries to record interest earnings on the Cushion of Credit and the use of the Cushion of Credit for debt payments.

<u>MONTHLY JE FOR CUSHION OF CREDIT INTEREST (INTR 12/DEPT 1603):</u>						
				Debit	Credit	
DR 224.60	ADV PAYMENTS UNAPPLIED-LTD-DEBIT			X		
	CR 419.00	INTEREST & DIVIDEND INCOME			X	
TO RECORD INTEREST ACCRUED ON ADVANCE LTD PAYMENTS UNAPPLIED TO RUS FOR MONTH.						
<u>RUS LTD PAYMENT FROM CUSHION OF CREDIT FOR DECEMBER 2021 (LOAN 13/DEPT 1603/JE 12610):</u>						
				Debit	Credit	
DR 232.40	ACCOUNTS PAYABLE-RUS			\$ 24,415.36		
	CR 224.60	ADV PAYMENTS UNAPPLIED-LTD-DEBIT			\$ 24,415.36	
TO RECORD PAYMENT TO RUS FOR LTD USING CUSHION OF CREDIT.						

**MINUTES**  
**DECEMBER 9, 2021**  
**REGULAR BOARD MEETING**  
**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE**  
**CORPORATION**

The Regular Board Meeting of the Board of Directors of South Kentucky Rural Electric Cooperative Corporation (SKRECC) was held on Thursday, December 9, 2021, beginning at 5:00 p.m., in the Boardroom at the Headquarters Office located in Somerset, Kentucky.

- 1) Call to Order – Cathy Epperson, Chairperson, called the meeting to order.
- 2) Invocation – Cathy Epperson gave the invocation.
- 3) Roll Call/Declaration of Quorum - Present at the meeting were Board Directors, Cathy Epperson, Chairperson; Billy G. Hurd, Vice Chairperson; Boris Haynes, Secretary/Treasurer; Tommy Nelson, Greg Redmon, Rick Halloran, and Brent Tackett. Also present were Ken Simmons, President and CEO; Kevin Newton, Chief Operating Officer; Michelle Herrman, Vice President of Finance and Member Services; and Joy Turpin, Executive Administrator to the President/CEO and Board of Directors.
- 4) Safety Moment – Kevin Newton presented a safety moment on clearing your windows of frost during cold weather.
- 5) ADOPTION OF CONSENT AGENDA – Upon a motion duly made, seconded, and unanimously carried, the consent agenda was adopted as presented.
- 6) ADOPTION OF DISCUSSION AGENDA – Upon a motion duly made, seconded, and unanimously carried, the discussion agenda was adopted as presented.

**CONSENT AGENDA**

- 1) Approval of Regular Board Meeting Minutes of November 11, 2021 – Cathy Epperson
- 2) Approval of Special Board Meeting Minutes of November 18, 2021 – Upon a motion duly made, seconded, and unanimously carried, the minutes were approved as presented.
- 3) Recurring Monthly Approvals – Cathy Epperson
  - a. Electric Write-offs for October 2021 in the amount of \$19,843.91.
  - b. Capital Credit Refunds Deceased Estates for November 2021 in the amount of \$26,827.81.
  - c. SKRECC 438 New Members for November 2021 .
  - d. Claims for November 2021.

- e. CEO, Directors, and Attorney Expenses for October 2021.

### DISCUSSION AGENDA

- 1) Executive Session – Upon a motion duly made, seconded, and unanimously carried, the Board of Directors moved to executive session at 5:05 pm and exited at 6:25 pm. The regular session resumed at 7:00 pm following a dinner break.
- 2) Action Items:
  - a. Recommended Review and Approval of 2022 Expense Budget as Presented in November (to be covered during the Special Board Meeting on December 21, 2021). Directors agreed to convene and review and consider the 2022 Expense Budget for approval at the Special Board Meeting scheduled for December 21, 2021.
  - b. Request Approval of the 2022 Worker’s Compensation Policy Renewal – Mrs. Herrman reviewed the information previously sent to directors and recommended that the policy be renewed based on ease of service and estimated cost savings. Mr. Simmons stated that the workers compensation coverage was bid out in 2020 for the 2021 coverage year and that the Federated Insurance bid came back considerably cheaper than any of the other companies that submitted bids. Upon a motion duly made, seconded, and unanimously carried, the 2022 Worker’s Compensation Policy renewal with Federated was approved as presented.
  - c. Request Approval of Resolution on 2022 - 2023 Right of Way Circuit Bid Contract with A Cut Above Tree Service. Mr. Newton reviewed all of the right of way bids with the directors and stated that he would like to notify the contractors in January so they can move forward with planning for the work even though the 2022 expense budget has not been approved. Mr. Newton further stated that adjustments can be made to the hourly work, if necessary, in order to comply with the 2022 expense budget. Upon a motion duly made, seconded, and unanimously carried, the bid from A Cut Above Tree Service was approved as presented.
  - d. Request Approval of Resolution on 2022 - 2023 Right of Way Circuit Bid Contract with Kendall Vegetation Service. Upon a motion duly made, seconded, and unanimously carried, the bid from Kendall Vegetation Service was approved as presented.
  - e. Request Approval of Resolution on 2022 - 2023 Right of Way Circuit Bid Contract with Phillips Tree Service. Upon a motion duly made, seconded, and unanimously carried, the bid from Phillips Tree Service was approved as presented.
- 3) CEO’s Report

- a. Job Postings Update – Mr. Simmons requested approval for the Director of Corporate Services position which was discussed in Executive Session. Mr. Simmons requested approval for the Director of Corporate Services position which was discussed in Executive Session. Upon a motion duly made, seconded, and unanimously carried, the new position of Director of Corporate Services (formerly HR Manager) was approved. Mr. Simmons stated that this position is currently the only vacant position we seek to fill at this time.
- b. E. V. Workshop – Mr. Simmons reported that he and Mr. Haynes attended the EV workshop presented by CoBank, in conjunction with KEC, earlier in the day in Louisville. Mr. Simmons played a video presentation from FOX news regarding the Ford Lightning pickup. The number of reservations taken by Ford for truck orders, the seriousness of the EV projections and the need for developing a rate were discussed. Mr. Simmons stated that he has met with EKPC and discussed putting together a strategic team to focus on designing a rate and emphasized to directors that the Co-op needs to start thinking about it. Mr. Haynes commented that it was stated during the workshop that 80% of electric vehicles will be charged at home, and that he believes the Co-op doesn't need to pursue the public charging station business. Mr. Simmons and Mr. Haynes stressed that the Co-op needs to identify where the EV's are and develop a rate to encourage and appropriately recover SKRECC cost.
- c. OSHA – COVID Vaccine Mandate – Mr. Simmons informed directors that OSHA's Emergency Temporary Standard on Vaccination and Testing has been held up in litigation and the government contractor executive order has also been suspended by the courts. Human Resources reports that all of the vaccination status surveys which were sent to employees have been completed and returned. According to the surveys, the Co-op currently has fifty employees out of 128 who are not vaccinated. Mr. Simmons commented that we have some employees who started the vaccination process following the employees' meetings held last week, and that the process has been better received than we anticipated. Mr. Simmons stated that as of now, we have not received any response regarding our inquiry of whether or not electric co-ops are government contractors.

#### 4) Finance & Member Services – Michelle Herrman

- a. Financial Report – Mrs. Herrman summarized the written report for October which was sent out early to attendees.

Mrs. Herrman reported that, financially, October was very busy and that the new EKPC rates went into effect. Operating margins received a boost for the month with the reclassification of expenses from the FEMA event. The federal portion of the FEMA money, \$1,243,419, was moved from expenses on the Income Statement to a receivable on the Balance Sheet. This reduced the expenses for the year.

Also recorded in October was the forgiveness of our PPP loan in the amount of \$3,087,600. This money, that we received in March, was reclassified as loan funds,

and recorded as other non-operating income. This significantly impacted our net margin result, our TIER ratio, and changed our financial position, year-to-date.

Mrs. Herrman stated that she is working with NISC to determine the credit card fee process, but nothing has been decided yet. NISC is tighter with their options so we may be forced to adjust to their requirements. We are being told that their fees average less than what we have been paying, but we don't have a definitive answer since it's based on individual credit card charges. The Co-op currently pays about \$44,000 per month in fees, and the hope is to cut that number in half.

Cushion of Credit – Mrs. Herrman reminded directors that she had previously discussed using cushion of credit dollars to pay our obligations for long-term debt thus; allowing us to invest general fund dollars normally used for debt payment into unrestricted investment savings. She stated that CFC could be used for short-term investment when beginning to build the investment fund, and once the fund is fully developed, we would then decide where to invest the money for the long-term. Currently, a short-term 90-day note with CFC is earning .43%. Directors agreed to have Mrs. Herrman develop an investment policy statement for them to review.

Capital Credits – Mr. Simmons commented that Mrs. Herrman will present some definitive numbers regarding returning capital credits at the next meeting. He added that currently, our equity position is higher than our Board's target range. Discussion was held regarding consideration of returning capital credits during the rate case. Mrs. Herrman stated that while we have recently returned capital credits in January or February, we can choose an alternative time frame. Directors questioned if using capital credits every other year to invest in infrastructure instead of returning them would be an option. Discussion was held. Mrs. Herrman will prepare a report for review and further discussion at the budget meeting on December 21<sup>st</sup>.

Mrs. Herrman informed directors that the Monticello building balance is just over \$686,000 and is invested with CFC in a select note. Currently we are rolling over the interest and will continue to do so for another six months.

5) Operations Report– Kevin Newton

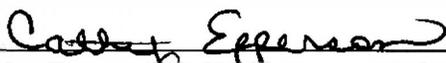
- a. Operations and Engineering - Mr. Newton stated that he had nothing to add to his written report which was sent to directors prior to the meeting.

6) KEC Report – Mr. Halloran reported on the KEC annual meeting which was held on November 15<sup>th</sup> and 16<sup>th</sup>. Mr. Halloran stated that it was a good meeting, and a CEO evaluation was conducted on Chris Perry.

Mr. Halloran requested that Mrs. Turpin read aloud, an email which he had received through the SKRECC website director email account. Mrs. Turpin proceeded to read the email from Chris Roberts of CRR Contracting, LLC, to the other directors. Mr. Roberts

states in his email that he has recently moved back to Somerset from Lexington and is interested in forming a cooperative of small independent contractors (United Contractors Cooperative) who could be utilized when building a home. He contacted Mr. Halloran to find out if SKRECC would be interested in being involved as a “non-profit pass-through entity” in the project development. Mr. Nelson stated that he would get in touch with Mr. Halloran following the meeting and provide him with contact information for a group which he thought could assist Mr. Roberts. Mr. Halloran agreed to contact Mr. Roberts and pass along the information.

- 7) East Kentucky Power Report – Mr. Haynes reported on the EKPC Board of Directors meeting held Tuesday, December 8<sup>th</sup>. Operating margins are in the minus of \$6.5 million which is \$1 million better than projected. Cost of member system was over for the month, and the total fuel cost is up 79% over 2020. There is great interest from manufacturing firms wanting to relocate back from Europe and Asia. Cooper One is currently back on-line, and Cooper Two should be back on-line next week.
- 8) Attorney’s Report – None. Mr. Goss was unable to attend due to a scheduling conflict.
- 9) Other Business – None
- 10) Future Agenda Items-
  - a. 2022 Annual Meeting
  - b. Attorney’s Report - Chapter 9 of the NRECA Board Governance Task Force, Board of Director Meetings
  - c. Cushion of Credit Policy Statement Review
  - d. Capital Credits Procedure Report and Discussion
- 11) Meeting Adjournment – Cathy Epperson – Upon a motion duly made, seconded, and unanimously carried, the meeting was adjourned at 8:15 p.m.

  
\_\_\_\_\_  
Cathy Epperson, Chairperson of the Board

1-18-22  
Date

  
\_\_\_\_\_  
Boris Haynes, Secretary/Treasurer

1/13/22  
Date

2015-14-FFB

**United States Department of Agriculture  
 Rural Development  
 Washington, D.C. 20250  
 Cushion of Credit  
 Statement of Loan Account and  
 Transactions for Three Month Period Ending March 31, 2020**

SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910

Reference Number: 210054

Account Number	Interest Rate	Date of Transaction	Event Name	Outstanding Balances		
				COC Deposits	Capitalized Interest	COC Available
1-1	5.0000	12/31/19	Beginning Balance	\$27,068,226.01	\$1,737,483.15	\$28,805,709.16
1-1		03/31/20	Interest Capitalization		\$358,103.76	
1-1		03/31/20	Ending Balance	\$27,068,226.01	\$2,095,586.91	\$29,163,812.92
Balance as of March 31, 2020				\$27,068,226.01	\$2,095,586.91	\$29,163,812.92



SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/20 TO 03/31/20

RUN DATE 02/21/22 08:20 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	EYBA	00	01		1	01/01/20		.00	28,805,709.16	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159	01/31/20		.00	122,325.61	.00	JE 12316
JE	40	419.00	INTR	12	1603		2159	02/28/20		.00	114,919.59	.00	JE 12326
JE	40	419.00	INTR	12	1603		2159	03/31/20		.00	120,858.56	.00	JE 12336

NUMBER OF RECORDS FOUND - 4

TOTAL QTY .00

TOTAL DEBIT 29,163,812.92

TOTAL CREDIT .00

NET BALANCE 29,163,812.92

*Handwritten:* RUS + FFB

**United States Department of Agriculture  
Rural Development  
Washington, D.C. 20250  
Cushion of Credit  
Statement of Loan Account and  
Transactions for Three Month Period Ending December 31, 2020**

**SOUTH KENTUCKY RUR ELEC COOP CORP  
P O BOX 910  
SOMERSET, KY 42502-0910**

Reference Number: 210054



Account Number	Interest Rate	Date of Transaction	Event Name	Outstanding Balances		
				COC Deposits	Capitalized Interest	COC Available
1-1	4.0000	09/30/20	Beginning Balance	\$27,068,226.01	\$2,802,647.10	\$29,870,873.11
1-1		12/31/20	Interest Capitalization		\$300,341.02	
1-1		12/31/20	Ending Balance	\$27,068,226.01	\$3,102,988.12	\$30,171,214.13
<b>Balance as of December 31, 2020</b>				<b>\$27,068,226.01</b>	<b>\$3,102,988.12</b>	<b>\$30,171,214.13</b> ✓

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/20 TO 12/31/20

RUN DATE 02/21/22 08:20 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	BYBA	00	01		1	01/01/20		.00	28,805,709.16	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159	01/31/20		.00	122,325.61	.00	JE 12316
JE	40	419.00	INTR	12	1603		2159	02/28/20		.00	114,919.59	.00	JE 12326
JE	40	419.00	INTR	12	1603		2159	03/31/20		.00	120,858.56	.00	JE 12336
JE	40	419.00	INTR	12	1603		2159	04/30/20		.00	119,851.29	.00	JE 12347
JE	40	419.00	INTR	12	1603		2159	05/31/20	V JE12361	.00	124,355.29	.00	INTEREST RECEIVED
JE	40	419.00	INTR	12	1603		2159	06/30/20		.00	118,460.84	.00	JE 12375
JE	40	232.40	LOAN	13	1603		2159	06/30/20		.00	.00	26,154.58-	JE12376-CORRECTING JE12361
JE	40	419.00	INTR	12	1603		2159	06/30/20		.00	.00	118,460.84-	JE 12375
JE	40	419.00	INTR	12	1603		2159	06/30/20		.00	118,241.82	.00	INTEREST RECEIVED
JE	40	419.00	INTR	12	1603		2159	07/31/20		.00	125,274.43	.00	JE 12387
JE	40	419.00	INTR	12	1603		2159	08/31/20		.00	125,806.41	.00	JE 12399
JE	40	419.00	INTR	12	1603		2159	09/30/20		.00	119,685.53	.00	JE 12410
JE	40	419.00	INTR	12	1603		2159	10/31/20		.00	126,848.91	.00	JE 12426
JE	40	419.00	INTR	12	1603		2159	11/30/20		.00	123,278.31	.00	JE 12434
JE	40	419.00	INTR	12	1603		2159	12/31/20		.00	50,213.80	.00	JE 12443

NUMBER OF RECORDS FOUND - 16

TOTAL QTY .00

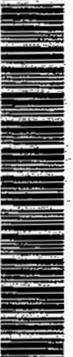
TOTAL DEBIT 30,315,829.55  
 TOTAL CREDIT 144,615.42-  
 -----  
 NET BALANCE 30,171,214.13

RUR ELEC COOP CORP

**United States Department of Agriculture  
 Rural Development  
 Washington, D.C. 20250  
 Cushion of Credit  
 Statement of Loan Account and  
 Transactions for Three Month Period Ending December 31, 2021**

SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910

Reference Number: 210054



Account Number	Interest Rate	Date of Transaction	Event Name	Outstanding Balances		
				COC Deposits	Capitalized Interest	COC Available
1-1	.0900	09/30/21	Beginning Balance	\$27,068,226.01	\$4,092,240.04	\$31,160,466.05
1-1		09/30/21	Reversal of Interest Capitalization		(\$387,819.65)	
1-1		09/30/21	Interest Capitalization		\$310,255.72	
1-1		12/31/21	Interest Capitalization		\$7,051.14	
1-1		12/31/21	COC used for RET		(\$24,415.36)	
1-1		12/31/21	Ending Balance	\$27,068,226.01	\$3,997,311.89	\$31,065,537.90
<b>Balance as of December 31, 2021</b>				<b>\$27,068,226.01</b>	<b>\$3,997,311.89</b>	<b>\$31,065,537.90</b>



SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/21 TO 12/31/21

RUN DATE 02/21/22 08:20 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	BYBA	00	01		1	01/01/21		.00	30,171,214.13	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159	01/31/21		.00	102,499.47	.00	JE 12465
JE	40	419.00	INTR	12	1603		2159	02/28/21		.00	92,894.68	.00	JE 12477
JE	40	419.00	INTR	12	1603		2159	03/31/21		.00	102,184.95	.00	JE 12489
JE	40	419.00	INTR	12	1603		2159	04/30/21		.00	100,171.38	.00	JE 12503
JE	40	419.00	INTR	12	1603		2159	05/31/21		.00	103,850.73	.00	JE 12517
JE	40	419.00	INTR	12	1603		2159	06/30/21		.00	99,831.06	.00	JE 12530
JE	40	419.00	INTR	12	1603		2159	07/31/21		.00	104,542.69	.00	JE 12540
JE	40	419.00	INTR	12	1603		2159	08/31/21		.00	104,897.85	.00	JE 12555
JE	40	419.00	INTR	12	1603		2159	09/30/21		.00	100,815.18	.00	JE 12576
JE	40	419.00	INTR	12	1603		2159	10/31/21		.00	2,375.93	.00	JE 12589
JE	40	419.00	INTR	12	1603		2159	11/30/21		.00	2,299.46	.00	JE 12602
JE	40	232.40	LOAN	13	1603		2159	12/31/21		.00	.00	24,415.36-	JE 12610
JE	40	419.00	INTR	12	1603		2159	12/31/21		.00	2,375.75	.00	JE 12610

NUMBER OF RECORDS FOUND - 14

TOTAL QTY .00

TOTAL DEBIT 31,089,953.26

TOTAL CREDIT 24,415.36-

NET BALANCE 31,065,537.90

**SOUTH KENTUCKY RECC**  
**PSC CASE NO. 2021-00407**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG’S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 27**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 27.** Refer to South Kentucky RECC’s responses to the Attorney General’s First Request, Item 28(f), and the Staff’s Second Request, Item 6, wherein the Company states that it began in December 2021 to use the Cushion of Credit balance to make RUS/FFB debt service payments when due.

a. Provide the debt service payment amount by debt issuance, separately between principal and interest, on RUS/FFB debt made with Cushion of Credit balance amounts in December 2021, and for any other payments subsequent to that with available information.

b. Provide a listing of RUS/FFB debt service payments, separately between principal and interest, made in 2019, 2020, 2021, and projected for 2022.

c. Refer further to the response to Staff’s Second Request, Item 6, which states that, “[t]he funds that would normally be used to make the debt service payments are currently being invested with CFC in their commercial paper program.” Indicate the investment interest rates that have been available by month since the Company started utilizing this option.

d. Other than the investment in CFC commercial paper program, indicate how the Company plans to utilize the cash not being used to make debt service payments due to usage of the Cushion of Credit balance amounts.

e. Provide the monthly Cushion of Credit beginning balance, debits and credits by source, and ending balance starting October 1, 2021, and continuing through the end of the last month with available data.

**Response 27.**

a. Please see the attached statements showing the Cushion of Credit balance and payment amount by debt issuance for RUS/FFB through February 28, 2022.

b.

<b>RUS/FFB Debt Service Payments 2019-2022</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2019</b>	\$2,769,094.84	\$3,221,745.11	\$5,990,839.95
<b>2020</b>	\$3,229,615.71	\$3,260,739.95	\$6,490,355.66
<b>2021</b>	\$3,422,589.84	\$3,179,088.15	\$6,601,677.99
<b>Projected 2022</b>	\$3,630,474.45	\$3,376,781.28	\$7,007,255.73
<b>Total</b>	\$13,051,774.84	\$13,038,354.49	\$26,090,129.33

c. Please see the table below that indicates the amounts invested and interest rates with CFC since we began using the Cushion of Credit to pay our RUS/FFB debt payments. Please note that at the time of completion of these responses, the February 28, 2022 RUS debt service payment had not yet been made.

Therefore, the corresponding CFC investment is not reflected in the table below.

Investment Date	Investment Amount	Interest Rate	Interest to be Earned	Maturity Amount	Maturity Date	Term (Days)	Notes/Status
12/29/2021	\$ 1,601,095.48	0.19	\$191.69	\$1,601,287.17	1/21/2022	23	RUS COC Investment
1/21/2022	\$ 1,601,287.17	0.53	\$3,720.25	\$1,605,007.42	6/30/2022	160	RUS COC Investment
1/31/2022	\$ 24,721.76	0.48	\$48.77	\$24,770.53	6/30/2022	150	RUS COC Investment

d. We are currently developing a plan for the use of funds. At our Board of Director’s direction we are currently developing an investment policy that will help guide the placement and use of funds.

e. Please see the attached general ledger detail for the Cushion of Credit balances for the periods of October 1, 2021 to December 31, 2021.

RLS8717

**BILLING OF INTEREST AND PRINCIPAL DUE**

<b>210054</b>	<b>02/28/2022</b>	<b>\$24,415.36</b>	Page 1 of 2
REFERENCE NUMBER	DATE DUE	* NET TOTAL DUE	

**SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910**

**QUESTIONS ABOUT THIS BILLING SHOULD BE DIRECTED TO:**

USDA / RURAL DEVELOPMENT  
 TELEPHONE AND ELECTRIC SERVICES BRANCH  
 FC - 1314  
 4300 Goodfellow Blvd.  
 ST. LOUIS, MISSOURI 63120-1703  
 VOICE (314) 457-4049  
 EMAIL: RD.NFAOC.TESB@STL.USDA.GOV

**REMITTANCE INSTRUCTIONS**

**FEDWIRE BANK ROUTING**  
 ROUTING TRANSIT NO. 021030004 TREAS NYC  
 ACCOUNT (ALC) 12200408  
**CUSTOMER INITIATED PAYMENTS (CIP)**  
 Go to: <https://rdupcip.sc.egov.usda.gov> and follow on-line information.  
 Your payments must be scheduled by 8:00 P.M. Eastern Time the business day before it is due.  
 For questions about CIP contact the Cash Management Branch (CMB) at (314) 457-4023.



**SUMMARY LIST OF BILLING**

<u>Program</u>	<u>Total Amount Due</u>	<u>Overdue Amount</u>
Rural Electric And Telephone	\$ 24,415.36	
<b>GRAND TOTAL DUE</b>	<b>\$ 24,415.36</b>	
<b>PROJECTED EARNED INTEREST CREDIT</b>	<b>\$ 0.00</b>	
<b>NET TOTAL DUE</b>	<b>\$ 24,415.36</b>	

**Projected Cushion of Credit Balance through Due Date**

Cushion of Credit Balance	\$ 29,457,697.68
Projected Earned Interest	\$ .00
<b>Total Projected Cushion of Credit Available</b>	<b>\$ 29,457,697.68</b>

\* Per Regulation 7 CFR 1785.67 Net Total Due reflects the Grand Total Due less Projected Earned Interest Credit on Cushion of Credit up to the amount of the Grand Total Due.  
 Projected Earned Interest amount is subject to change due to Cushion of Credit activity after bill generation.  
 \*\* Overdue amounts are included in the " Total Amount Due" for the program.

**BILLING OF INTEREST AND PRINCIPAL DUE**

<b>210054</b>	<b>02/28/2022</b>	<b>\$24,415.36</b>
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REFERENCE NUMBER	DATE DUE	NET TOTAL DUE
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**SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910**

**DETAILED LIST OF BILLING**

**PROGRAM: Rural Electric And Telephone**

**TOTAL DUE =\$24,415.36**

Acct No	Note Desg	Outstanding Principal	Principal Due	Current Interest	Other Billing Item	Other Amount Due	Payment Due
RET-8-1	AV61	\$1,528,801.68	\$12,067.18	\$146.60		\$0.00	\$12,213.78
RET-8-2	AV61	\$1,527,278.94	\$12,055.13	\$146.45		\$0.00	\$12,201.58
<b>TOTALS</b>		<b>\$3,056,080.62</b>	<b>\$24,122.31</b>	<b>\$293.05</b>		<b>\$0.00</b>	<b>\$24,415.36</b>

RLS8717

**BILLING OF INTEREST AND PRINCIPAL DUE**

<b>210054</b>	<b>01/31/2022</b>	<b>\$24,415.36</b>	Page 1 of 2
REFERENCE NUMBER	DATE DUE	* NET TOTAL DUE	

**SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910**

**QUESTIONS ABOUT THIS BILLING SHOULD BE DIRECTED TO:**

USDA / RURAL DEVELOPMENT  
 TELEPHONE AND ELECTRIC SERVICES BRANCH  
 FC - 1314  
 4300 Goodfellow Blvd.  
 ST. LOUIS, MISSOURI 63120-1703  
 VOICE (314) 457-4049  
 EMAIL: RD.NFAOC.TESB@STL.USDA.GOV

**REMITTANCE INSTRUCTIONS**

**FEDWIRE BANK ROUTING**  
 ROUTING TRANSIT NO. 021030004 TREAS NYC  
 ACCOUNT (ALC) 12200408  
**CUSTOMER INITIATED PAYMENTS (CIP)**  
 Go to: <https://rdupcip.sc.egov.usda.gov> and follow on-line information.  
 Your payments must be scheduled by 8:00 P.M. Eastern Time the business day before it is due.  
 For questions about CIP contact the Cash Management Branch (CMB) at (314) 457-4023.



<b>SUMMARY LIST OF BILLING</b>		
<u>Program</u>	<u>Total Amount Due</u>	<u>Overdue Amount</u>
Rural Electric And Telephone	\$ 24,415.36	
<b>GRAND TOTAL DUE</b>	<b>\$ 24,415.36</b>	
<b>PROJECTED EARNED INTEREST CREDIT</b>	<b>\$ 0.00</b>	
<b>NET TOTAL DUE</b>	<b>\$ 24,415.36</b>	
 <b><u>Projected Cushion of Credit Balance through Due Date</u></b>  		
Cushion of Credit Balance	\$ 29,482,113.04	
Projected Earned Interest	\$ .00	
<b>Total Projected Cushion of Credit Available</b>	<b>\$ 29,482,113.04</b>	

\* Per Regulation 7 CFR 1785.67 Net Total Due reflects the Grand Total Due less Projected Earned Interest Credit on Cushion of Credit up to the amount of the Grand Total Due.

Projected Earned Interest amount is subject to change due to Cushion of Credit activity after bill generation.

\*\* Overdue amounts are included in the " Total Amount Due" for the program.

**BILLING OF INTEREST AND PRINCIPAL DUE**

<b>210054</b>	<b>01/31/2022</b>	<b>\$24,415.36</b>
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REFERENCE NUMBER	DATE DUE	NET TOTAL DUE
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**SOUTH KENTUCKY RUR ELEC COOP CORP  
P O BOX 910  
SOMERSET, KY 42502-0910**

**DETAILED LIST OF BILLING**

**PROGRAM: Rural Electric And Telephone**

**TOTAL DUE =\$24,415.36**

Acct No	Note Desg	Outstanding Principal	Principal Due	Current Interest	Other Billing Item	Other Amount Due	Payment Due
RET-8-1	AV61	\$1,540,851.88	\$12,050.20	\$163.58		\$0.00	\$12,213.78
RET-8-2	AV61	\$1,539,317.10	\$12,038.16	\$163.42		\$0.00	\$12,201.58
<b>TOTALS</b>		<b>\$3,080,168.98</b>	<b>\$24,088.36</b>	<b>\$327.00</b>		<b>\$0.00</b>	<b>\$24,415.36</b>

**United States Department of Agriculture  
 Rural Development  
 Washington, DC 20250  
 Cushion of Credit  
 Statement of Account and Transactions  
 for Three Month Period Ending January 18, 2022**

SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910

Reference Number 210054

Account Number	Interest Rate	Date of Transaction	Event Name	Outstanding Balances		
				COC Deposits	Capitalized Interest	COC Available
1-1	.0900	12/31/21	Beginning Balance	\$27,068,226.01	\$3,997,311.89	\$31,065,537.90
1-1		01/04/22	COC used for FFB		(\$36,098.94)	
1-1		01/04/22	Interest Capitalization		\$306.40	
1-1		01/04/22	COC used for FFB		(\$836,241.44)	
1-1		01/04/22	COC used for FFB		(\$711,390.88)	
1-1		01/18/22	Ending Balance	\$27,068,226.01	\$2,413,887.03	\$29,482,113.04
Balance as of January 18, 2022				\$27,068,226.01	\$2,413,887.03	\$29,482,113.04

**Federal Financing Bank**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

SOUTH KENTUCKY RUR ELEC COOP CORP  
 P O BOX 910  
 SOMERSET, KY 42502-0910

Note Designation	Loan Designation	Note Date	Note Amount	Unadvanced Amount
1	AZ8	11/01/07	\$8,709,000.00	\$ .00
2	BA8	11/03/08	\$30,762,000.00	\$ .00
4	BC8	03/01/11	\$51,000,000.00	\$ .00
5	BD8	11/01/16	\$40,000,000.00	\$ .00
6	BE48	09/30/20	\$44,000,000.00	\$44,000,000.00

**Federal Financing Bank**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

SOUTH KENTUCKY RUR ELEC COOP CORP  
P O BOX 910  
SOMERSET, KY 42502-0910

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
1-1		12/31/21	Beginning Balance		\$ .00	\$ .00	\$4,042,281.77
1-1	3.4550	01/01/22	Interest Rate				
1-1		01/04/22	Note Section 9 Fee from CoC	\$1,315.13			
1-1		01/04/22	Interest from CoC	\$36,350.08			
1-1		01/04/22	Principal from CoC	\$306.40			
1-1		01/04/22	Principal from CoC	\$32,935.95			
1-1		01/18/22	Ending Balance		\$ .00	\$ .00	\$4,009,039.42
1-2		12/31/21	Beginning Balance		\$ .00	\$ .00	\$2,497,095.05
1-2	3.6490	01/01/22	Interest Rate				
1-2		01/04/22	Note Section 9 Fee from CoC	\$812.41			
1-2		01/04/22	Interest from CoC	\$23,715.90			
1-2		01/04/22	Principal from CoC	\$20,029.39			
1-2		01/18/22	Ending Balance		\$ .00	\$ .00	\$2,477,065.66
2-1		12/31/21	Beginning Balance		\$ .00	\$ .00	\$13,274,770.81
2-1	3.6990	01/01/22	Interest Rate				
2-1		01/04/22	Note Section 9 Fee from CoC	\$4,318.85			
2-1		01/04/22	Interest from CoC	\$127,803.31			
2-1		01/04/22	Principal from CoC	\$98,408.24			
2-1		01/18/22	Ending Balance		\$ .00	\$ .00	\$13,176,362.57
2-2		12/31/21	Beginning Balance		\$ .00	\$ .00	\$10,563,189.48
2-2	3.2490	01/01/22	Interest Rate				
2-2		01/04/22	Note Section 9 Fee from CoC	\$3,436.65			
2-2		01/04/22	Interest from CoC	\$89,325.51			
2-2		01/04/22	Principal from CoC	\$83,238.59			
2-2		01/18/22	Ending Balance		\$ .00	\$ .00	\$10,479,950.89
4-1		12/31/21	Beginning Balance		\$ .00	\$ .00	\$12,182,002.97
4-1	2.6570	01/01/22	Interest Rate				
4-1		01/04/22	Note Section 9 Fee from CoC	\$3,963.32			
4-1		01/04/22	Interest from CoC	\$84,244.39			
4-1		01/04/22	Principal from CoC	\$86,527.88			
4-1		01/18/22	Ending Balance		\$ .00	\$ .00	\$12,095,475.09
4-2		12/31/21	Beginning Balance		\$ .00	\$ .00	\$5,281,928.52
4-2	3.5500	01/01/22	Interest Rate				
4-2		01/04/22	Note Section 9 Fee from CoC	\$1,718.44			
4-2		01/04/22	Principal from CoC	\$32,641.74			
4-2		01/04/22	Interest from CoC	\$48,803.57			
4-2		01/18/22	Ending Balance		\$ .00	\$ .00	\$5,249,286.78
4-3		12/31/21	Beginning Balance		\$ .00	\$ .00	\$2,389,066.08
4-3	2.2070	01/01/22	Interest Rate				
4-3		01/04/22	Note Section 9 Fee from CoC	\$777.26			
4-3		01/04/22	Interest from CoC	\$13,723.38			

**Federal Financing Bank**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
4-3		01/04/22	Principal from CoC	\$18,149.57			
4-3		01/18/22	Ending Balance		\$ .00	\$ .00	\$2,370,916.51
4-4		12/31/21	Beginning Balance		\$ .00	\$ .00	\$2,426,016.60
4-4	2.2070	01/01/22	Interest Rate				
4-4		01/04/22	Note Section 9 Fee from CoC	\$789.29			
4-4		01/04/22	Interest from CoC	\$13,935.64			
4-4		01/04/22	Principal from CoC	\$18,430.27			
4-4		01/18/22	Ending Balance		\$ .00	\$ .00	\$2,407,586.33
4-5		12/31/21	Beginning Balance		\$ .00	\$ .00	\$8,507,034.72
4-5	2.8700	01/01/22	Interest Rate				
4-5		01/04/22	Note Section 9 Fee from CoC	\$2,767.70			
4-5		01/04/22	Interest from CoC	\$63,546.38			
4-5		01/04/22	Principal from CoC	\$58,493.52			
4-5		01/18/22	Ending Balance		\$ .00	\$ .00	\$8,448,541.20
4-6		12/31/21	Beginning Balance		\$ .00	\$ .00	\$842,627.56
4-6	2.2260	01/01/22	Interest Rate				
4-6		01/04/22	Note Section 9 Fee from CoC	\$274.14			
4-6		01/04/22	Interest from CoC	\$4,881.93			
4-6		01/04/22	Principal from CoC	\$6,383.47			
4-6		01/18/22	Ending Balance		\$ .00	\$ .00	\$836,244.09
4-7		12/31/21	Beginning Balance		\$ .00	\$ .00	\$842,637.74
4-7	2.2260	01/01/22	Interest Rate				
4-7		01/04/22	Note Section 9 Fee from CoC	\$274.15			
4-7		01/04/22	Interest from CoC	\$4,881.99			
4-7		01/04/22	Principal from CoC	\$6,383.55			
4-7		01/18/22	Ending Balance		\$ .00	\$ .00	\$836,254.19
4-9		12/31/21	Beginning Balance		\$ .00	\$ .00	\$829,598.51
4-9	.0410	01/01/22	Interest Rate				
4-9		01/03/22	Short Term Maturity	(\$829,598.51)			
4-9	.0460	01/03/22	Short Term Maturity	\$829,598.51			
4-9		01/04/22	Note Section 9 Fee from CoC	\$269.90			
4-9		01/04/22	Interest from CoC	\$88.53			
4-9		01/04/22	Principal from CoC	\$8,507.06			
4-9		01/18/22	Ending Balance		\$ .00	\$ .00	\$821,091.45
4-10		12/31/21	Beginning Balance		\$ .00	\$ .00	\$829,546.73
4-10	.0410	01/01/22	Interest Rate				
4-10		01/03/22	Short Term Maturity	(\$829,546.73)			
4-10	.0460	01/03/22	Short Term Maturity	\$829,546.73			
4-10		01/04/22	Note Section 9 Fee from CoC	\$269.89			
4-10		01/04/22	Interest from CoC	\$88.52			
4-10		01/04/22	Principal from CoC	\$8,506.54			
4-10		01/18/22	Ending Balance		\$ .00	\$ .00	\$821,040.19
4-11		12/31/21	Beginning Balance		\$ .00	\$ .00	\$3,024,425.62
4-11	2.6010	01/01/22	Interest Rate				
4-11		01/04/22	Note Section 9 Fee from CoC	\$983.97			
4-11		01/04/22	Interest from CoC	\$20,474.53			

**Federal Financing Bank**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
4-11		01/04/22	Principal from CoC	\$21,664.98			
4-11		01/18/22	Ending Balance		\$ .00	\$ .00	\$3,002,760.64
4-12		12/31/21	Beginning Balance		\$ .00	\$ .00	\$829,546.73
4-12	.0410	01/01/22	Interest Rate				
4-12		01/03/22	Short Term Maturity	(\$829,546.73)			
4-12	.0460	01/03/22	Short Term Maturity	\$829,546.73			
4-12		01/04/22	Note Section 9 Fee from CoC	\$269.89			
4-12		01/04/22	Interest from CoC	\$88.52			
4-12		01/04/22	Principal from CoC	\$8,506.54			
4-12		01/18/22	Ending Balance		\$ .00	\$ .00	\$821,040.19
4-13		12/31/21	Beginning Balance		\$ .00	\$ .00	\$2,588,135.52
4-13	2.3070	01/01/22	Interest Rate				
4-13		01/04/22	Note Section 9 Fee from CoC	\$842.03			
4-13		01/04/22	Interest from CoC	\$15,540.51			
4-13		01/04/22	Principal from CoC	\$19,373.38			
4-13		01/18/22	Ending Balance		\$ .00	\$ .00	\$2,568,762.14
4-14		12/31/21	Beginning Balance		\$ .00	\$ .00	\$861,130.06
4-14	2.2230	01/01/22	Interest Rate				
4-14		01/04/22	Note Section 9 Fee from CoC	\$280.16			
4-14		01/04/22	Interest from CoC	\$4,982.40			
4-14		01/04/22	Principal from CoC	\$6,526.53			
4-14		01/18/22	Ending Balance		\$ .00	\$ .00	\$854,603.53
4-15		12/31/21	Beginning Balance		\$ .00	\$ .00	\$1,119,469.05
4-15	2.2230	01/01/22	Interest Rate				
4-15		01/04/22	Note Section 9 Fee from CoC	\$364.21			
4-15		01/04/22	Interest from CoC	\$6,477.13			
4-15		01/04/22	Principal from CoC	\$8,484.48			
4-15		01/18/22	Ending Balance		\$ .00	\$ .00	\$1,110,984.57
5-1		12/31/21	Beginning Balance		\$ .00	\$ .00	\$1,875,506.84
5-1	2.5710	01/01/22	Interest Rate				
5-1		01/04/22	Note Section 9 Fee from CoC	\$610.18			
5-1		01/04/22	Interest from CoC	\$12,550.22			
5-1		01/04/22	Principal from CoC	\$10,305.67			
5-1		01/18/22	Ending Balance		\$ .00	\$ .00	\$1,865,201.17
5-2		12/31/21	Beginning Balance		\$ .00	\$ .00	\$1,874,301.79
5-2	2.5130	01/01/22	Interest Rate				
5-2		01/04/22	Note Section 9 Fee from CoC	\$609.79			
5-2		01/04/22	Interest from CoC	\$12,259.22			
5-2		01/04/22	Principal from CoC	\$10,411.99			
5-2		01/18/22	Ending Balance		\$ .00	\$ .00	\$1,863,889.80
5-3		12/31/21	Beginning Balance		\$ .00	\$ .00	\$4,702,865.91
5-3	2.8480	01/01/22	Interest Rate				
5-3		01/04/22	Note Section 9 Fee from CoC	\$1,530.04			
5-3		01/04/22	Interest from CoC	\$34,860.48			
5-3		01/04/22	Principal from CoC	\$24,512.95			
5-3		01/18/22	Ending Balance		\$ .00	\$ .00	\$4,678,352.96

**Federal Financing Bank**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
5-4		12/31/21	Beginning Balance		\$ .00	\$ .00	\$4,709,269.27
5-4	2.9770	01/01/22	Interest Rate				
5-4		01/04/22	Note Section 9 Fee from CoC	\$1,532.13			
5-4		01/04/22	Interest from CoC	\$36,489.10			
5-4		01/04/22	Principal from CoC	\$23,940.63			
5-4		01/18/22	Ending Balance		\$ .00	\$ .00	\$4,685,328.64
5-5		12/31/21	Beginning Balance		\$ .00	\$ .00	\$8,537,920.67
5-5	3.0340	01/01/22	Interest Rate				
5-5		01/04/22	Note Section 9 Fee from CoC	\$2,777.75			
5-5		01/04/22	Interest from CoC	\$67,421.50			
5-5		01/04/22	Principal from CoC	\$42,924.32			
5-5		01/18/22	Ending Balance		\$ .00	\$ .00	\$8,494,996.35
5-6		12/31/21	Beginning Balance		\$ .00	\$ .00	\$4,818,766.36
5-6	1.9380	01/01/22	Interest Rate				
5-6		01/04/22	Note Section 9 Fee from CoC	\$1,567.75			
5-6		01/04/22	Interest from CoC	\$24,306.39			
5-6		01/04/22	Principal from CoC	\$29,748.92			
5-6		01/18/22	Ending Balance		\$ .00	\$ .00	\$4,789,017.44
5-7		12/31/21	Beginning Balance		\$ .00	\$ .00	\$11,507,595.82
5-7	1.1180	01/01/22	Interest Rate				
5-7		01/04/22	Note Section 9 Fee from CoC	\$3,743.91			
5-7		01/04/22	Interest from CoC	\$33,485.53			
5-7		01/04/22	Principal from CoC	\$81,965.10			
5-7		01/18/22	Ending Balance		\$ .00	\$ .00	\$11,425,630.72
			Total Paid/Applied:				
			Current Interest	\$780,324.66			
			Note Section 9 Fee	\$36,098.94			
			Principal	\$767,307.66			
Balance as of January 18, 2022				\$1,583,731.26	\$ .00	\$ .00	\$110,189,422.52

**Rural Electric And Telephone**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

SOUTH KENTUCKY RUR ELEC COOP CORP  
P O BOX 910  
SOMERSET, KY 42502-0910

Note Designation	Loan Designation	Note Date	Note Amount	Unadvanced Amount
8	AV61	08/01/97	\$8,315,000.00	\$ .00

**Rural Electric And Telephone**  
**Statement of Account and Transactions for Three Month Period Ending January 18, 2022**

Reference Number 210054

SOUTH KENTUCKY RUR ELEC COOP CORP  
P O BOX 910  
SOMERSET, KY 42502-0910

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
8-1	.1250	12/31/21	Beginning Balance		\$ .00	\$ .00	\$1,540,851.88
8-1		01/01/22	Interest Rate				
8-1		01/18/22	Ending Balance		\$ .00	\$ .00	\$1,540,851.88
8-2	.1250	12/31/21	Beginning Balance		\$ .00	\$ .00	\$1,539,317.10
8-2		01/01/22	Interest Rate				
8-2		01/18/22	Ending Balance		\$ .00	\$ .00	\$1,539,317.10
Total Paid/Applied:							
Balance as of January 18, 2022				\$ .00	\$ .00	\$ .00	\$3,080,168.98

**United States Department of Agriculture  
Rural Development  
Washington, D.C. 20250  
Cushion of Credit  
Statement of Loan Account and  
Transactions for Three Month Period Ending December 31, 2021**

SOUTH KENTUCKY RUR ELEC COOP CORP  
P O BOX 910  
SOMERSET, KY 42502-0910

Reference Number: 210054

Account Number	Interest Rate	Date of Transaction	Event Name	Outstanding Balances		
				COC Deposits	Capitalized Interest	COC Available
1-1	.0900	09/30/21	Beginning Balance	\$27,068,226.01	\$4,092,240.04	\$31,160,466.05
1-1		09/30/21	Reversal of Interest Capitalization		(\$387,819.65)	
1-1		09/30/21	Interest Capitalization		\$310,255.72	
1-1		12/31/21	Interest Capitalization		\$7,051.14	
1-1		12/31/21	COC used for RET		(\$24,415.36)	
1-1		12/31/21	Ending Balance	\$27,068,226.01	\$3,997,311.89	\$31,065,537.90
Balance as of December 31, 2021				\$27,068,226.01	\$3,997,311.89	\$31,065,537.90



**Federal Financing Bank**  
**Statement of Loan Account and Transactions for Three Month Period Ending December 31, 2021**

Note Designation	Loan Designation	Note Date	Note Amount	Unadvanced Amount
1	AZ8	11/01/07	\$8,709,000.00	\$ .00
2	BA8	11/03/08	\$30,762,000.00	\$ .00
4	BC8	03/01/11	\$51,000,000.00	\$ .00
5	BD8	11/01/16	\$40,000,000.00	\$ .00
6	BE48	09/30/20	\$44,000,000.00	\$44,000,000.00

**Federal Financing Bank**  
**Statement of Loan Account and Transactions for Three Month Period Ending December 31, 2021**

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
1-1		09/30/21	Beginning Balance		\$ .00	\$ .00	\$4,042,281.77
1-1	3.4550	10/01/21	Interest Rate				
1-1		12/31/21	Ending Balance		\$ .00	\$ .00	\$4,042,281.77
1-2		09/30/21	Beginning Balance		\$ .00	\$ .00	\$2,497,095.05
1-2	3.6490	10/01/21	Interest Rate				
1-2		12/31/21	Ending Balance		\$ .00	\$ .00	\$2,497,095.05
2-1		09/30/21	Beginning Balance		\$ .00	\$ .00	\$13,274,770.81
2-1	3.6990	10/01/21	Interest Rate				
2-1		12/31/21	Ending Balance		\$ .00	\$ .00	\$13,274,770.81
2-2		09/30/21	Beginning Balance		\$ .00	\$ .00	\$10,563,189.48
2-2	3.2490	10/01/21	Interest Rate				
2-2		12/31/21	Ending Balance		\$ .00	\$ .00	\$10,563,189.48
4-1		09/30/21	Beginning Balance		\$ .00	\$ .00	\$12,182,002.97
4-1	2.6570	10/01/21	Interest Rate				
4-1		12/31/21	Ending Balance		\$ .00	\$ .00	\$12,182,002.97
4-2		09/30/21	Beginning Balance		\$ .00	\$ .00	\$5,281,928.52
4-2	3.5500	10/01/21	Interest Rate				
4-2		12/31/21	Ending Balance		\$ .00	\$ .00	\$5,281,928.52
4-3		09/30/21	Beginning Balance		\$ .00	\$ .00	\$2,389,066.08
4-3	2.2070	10/01/21	Interest Rate				
4-3		12/31/21	Ending Balance		\$ .00	\$ .00	\$2,389,066.08
4-4		09/30/21	Beginning Balance		\$ .00	\$ .00	\$2,426,016.60
4-4	2.2070	10/01/21	Interest Rate				
4-4		12/31/21	Ending Balance		\$ .00	\$ .00	\$2,426,016.60
4-5		09/30/21	Beginning Balance		\$ .00	\$ .00	\$8,507,034.72
4-5	2.8700	10/01/21	Interest Rate				
4-5		12/31/21	Ending Balance		\$ .00	\$ .00	\$8,507,034.72
4-6		09/30/21	Beginning Balance		\$ .00	\$ .00	\$842,627.56
4-6	2.2260	10/01/21	Interest Rate				
4-6		12/31/21	Ending Balance		\$ .00	\$ .00	\$842,627.56



**Federal Financing Bank**  
**Statement of Loan Account and Transactions for Three Month Period Ending December 31, 2021**

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
4-7		09/30/21	Beginning Balance		\$ .00	\$ .00	\$842,637.74
4-7	2.2260	10/01/21	Interest Rate				
4-7		12/31/21	Ending Balance		\$ .00	\$ .00	\$842,637.74
4-9		09/30/21	Beginning Balance		\$ .00	\$ .00	\$829,598.51
4-9	.0410	10/01/21	Interest Rate				
4-9		12/31/21	Ending Balance		\$ .00	\$ .00	\$829,598.51
4-10		09/30/21	Beginning Balance		\$ .00	\$ .00	\$829,546.73
4-10	.0410	10/01/21	Interest Rate				
4-10		12/31/21	Ending Balance		\$ .00	\$ .00	\$829,546.73
4-11		09/30/21	Beginning Balance		\$ .00	\$ .00	\$3,024,425.62
4-11	2.6010	10/01/21	Interest Rate				
4-11		12/31/21	Ending Balance		\$ .00	\$ .00	\$3,024,425.62
4-12		09/30/21	Beginning Balance		\$ .00	\$ .00	\$829,546.73
4-12	.0410	10/01/21	Interest Rate				
4-12		12/31/21	Ending Balance		\$ .00	\$ .00	\$829,546.73
4-13		09/30/21	Beginning Balance		\$ .00	\$ .00	\$2,588,135.52
4-13	2.3070	10/01/21	Interest Rate				
4-13		12/31/21	Ending Balance		\$ .00	\$ .00	\$2,588,135.52
4-14		09/30/21	Beginning Balance		\$ .00	\$ .00	\$861,130.06
4-14	2.2230	10/01/21	Interest Rate				
4-14		12/31/21	Ending Balance		\$ .00	\$ .00	\$861,130.06
4-15		09/30/21	Beginning Balance		\$ .00	\$ .00	\$1,119,469.05
4-15	2.2230	10/01/21	Interest Rate				
4-15		12/31/21	Ending Balance		\$ .00	\$ .00	\$1,119,469.05
5-1		09/30/21	Beginning Balance		\$ .00	\$ .00	\$1,875,506.84
5-1	2.5710	10/01/21	Interest Rate				
5-1		12/31/21	Ending Balance		\$ .00	\$ .00	\$1,875,506.84
5-2		09/30/21	Beginning Balance		\$ .00	\$ .00	\$1,874,301.79
5-2	2.5130	10/01/21	Interest Rate				
5-2		12/31/21	Ending Balance		\$ .00	\$ .00	\$1,874,301.79

## Federal Financing Bank

Reference Number: 210054

## Statement of Loan Account and Transactions for Three Month Period Ending December 31, 2021

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
5-3		09/30/21	Beginning Balance		\$ .00	\$ .00	\$4,702,865.91
5-3	2.8480	10/01/21	Interest Rate				
5-3		12/31/21	Ending Balance		\$ .00	\$ .00	\$4,702,865.91
5-4		09/30/21	Beginning Balance		\$ .00	\$ .00	\$4,709,269.27
5-4	2.9770	10/01/21	Interest Rate				
5-4		12/31/21	Ending Balance		\$ .00	\$ .00	\$4,709,269.27
5-5		09/30/21	Beginning Balance		\$ .00	\$ .00	\$8,537,920.67
5-5	3.0340	10/01/21	Interest Rate				
5-5		12/31/21	Ending Balance		\$ .00	\$ .00	\$8,537,920.67
5-6		09/30/21	Beginning Balance		\$ .00	\$ .00	\$4,818,766.36
5-6	1.9380	10/01/21	Interest Rate				
5-6		12/31/21	Ending Balance		\$ .00	\$ .00	\$4,818,766.36
5-7		09/30/21	Beginning Balance		\$ .00	\$ .00	\$11,507,595.82
5-7	1.1180	10/01/21	Interest Rate				
5-7		12/31/21	Ending Balance		\$ .00	\$ .00	\$11,507,595.82
Balance as of December 31, 2021					\$ .00	\$ .00	\$110,956,730.18



**Rural Electric And Telephone**  
**Statement of Loan Account and Transactions for Three Month Period Ending December 31, 2021**

Note Designation	Loan Designation	Note Date	Note Amount	Unadvanced Amount
8	AV61	08/01/97	\$8,315,000.00	\$.00

**Rural Electric And Telephone  
Statement of Loan Account and Transactions for Three Month Period Ending December 31, 2021**

Account Number	Interest Rate	Date of Transaction	Event Name	Paid/Applied	Outstanding Balances		
					Interest	Deferred Principal	Principal
8-1		09/30/21	Beginning Balance		\$ .00	\$ .00	\$1,577,000.24
8-1	.1250	10/01/21	Interest Rate				
8-1		10/29/21	Current Interest	\$156.62			
8-1		10/29/21	Principal	\$12,057.16			
8-1		11/30/21	Current Interest	\$171.50			
8-1		11/30/21	Principal	\$12,042.28			
8-1		11/30/21	Short Term Maturity	(\$1,552,900.80)			
8-1		11/30/21	Short Term Maturity	\$1,552,900.80			
8-1		12/31/21	Interest from CoC	\$164.86			
8-1		12/31/21	Principal from CoC	\$6,721.58			
8-1		12/31/21	Principal from CoC	\$5,327.34			
8-1		12/31/21	Ending Balance		\$ .00	\$ .00	\$1,540,851.88
8-2		09/30/21	Beginning Balance		\$ .00	\$ .00	\$1,575,429.35
8-2	.1250	10/01/21	Interest Rate				
8-2		10/29/21	Current Interest	\$156.46			
8-2		10/29/21	Principal	\$12,045.12			
8-2		11/30/21	Current Interest	\$171.33			
8-2		11/30/21	Principal	\$12,030.25			
8-2		12/31/21	Interest from CoC	\$164.70			
8-2		12/31/21	Principal from CoC	\$12,036.88			
8-2		12/31/21	Ending Balance		\$ .00	\$ .00	\$1,539,317.10
Total Paid/Applied:							
Current Interest				\$985.47			
Principal				\$72,260.61			
Balance as of December 31, 2021				\$73,246.08	\$ .00	\$ .00	\$3,080,168.98



SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/21 TO 09/30/21

RUN DATE 02/21/22 08:33 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	BYBA	00	01		1	01/01/21		.00	30,171,214.13	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159	01/31/21		.00	102,499.47	.00	JE 12465
JE	40	419.00	INTR	12	1603		2159	02/28/21		.00	92,894.68	.00	JE 12477
JE	40	419.00	INTR	12	1603		2159	03/31/21		.00	102,184.95	.00	JE 12489
JE	40	419.00	INTR	12	1603		2159	04/30/21		.00	100,171.38	.00	JE 12503
JE	40	419.00	INTR	12	1603		2159	05/31/21		.00	103,850.73	.00	JE 12517
JE	40	419.00	INTR	12	1603		2159	06/30/21		.00	99,831.06	.00	JE 12530
JE	40	419.00	INTR	12	1603		2159	07/31/21		.00	104,542.69	.00	JE 12540
JE	40	419.00	INTR	12	1603		2159	08/31/21		.00	104,897.85	.00	JE 12555
JE	40	419.00	INTR	12	1603		2159	09/30/21		.00	100,815.18	.00	JE 12576

NUMBER OF RECORDS FOUND - 10

TOTAL QTY .00

TOTAL DEBIT 31,082,902.12

TOTAL CREDIT .00

NET BALANCE 31,082,902.12

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/21 TO 10/31/21

RUN DATE 02/21/22 08:33 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	BYBA	00	01		1	01/01/21		.00	30,171,214.13	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159	01/31/21		.00	102,499.47	.00	JE 12465
JE	40	419.00	INTR	12	1603		2159	02/28/21		.00	92,894.68	.00	JE 12477
JE	40	419.00	INTR	12	1603		2159	03/31/21		.00	102,184.95	.00	JE 12489
JE	40	419.00	INTR	12	1603		2159	04/30/21		.00	100,171.38	.00	JE 12503
JE	40	419.00	INTR	12	1603		2159	05/31/21		.00	103,850.73	.00	JE 12517
JE	40	419.00	INTR	12	1603		2159	06/30/21		.00	99,831.06	.00	JE 12530
JE	40	419.00	INTR	12	1603		2159	07/31/21		.00	104,542.69	.00	JE 12540
JE	40	419.00	INTR	12	1603		2159	08/31/21		.00	104,897.85	.00	JE 12555
JE	40	419.00	INTR	12	1603		2159	09/30/21		.00	100,815.18	.00	JE 12576
JE	40	419.00	INTR	12	1603		2159	10/31/21		.00	2,375.93	.00	JE 12589

NUMBER OF RECORDS FOUND - 11

TOTAL QTY .00

TOTAL DEBIT 31,085,278.05

TOTAL CREDIT .00

NET BALANCE 31,085,278.05

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/21 TO 11/30/21

RUN DATE 02/21/22 08:33 AM

SO	TR	RACCT	ITEM ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	BYBA	00	01		1 01/01/21		.00	30,171,214.13	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159 01/31/21		.00	102,499.47	.00	JE 12465
JE	40	419.00	INTR	12	1603		2159 02/28/21		.00	92,894.68	.00	JE 12477
JE	40	419.00	INTR	12	1603		2159 03/31/21		.00	102,184.95	.00	JE 12489
JE	40	419.00	INTR	12	1603		2159 04/30/21		.00	100,171.38	.00	JE 12503
JE	40	419.00	INTR	12	1603		2159 05/31/21		.00	103,850.73	.00	JE 12517
JE	40	419.00	INTR	12	1603		2159 06/30/21		.00	99,831.06	.00	JE 12530
JE	40	419.00	INTR	12	1603		2159 07/31/21		.00	104,542.69	.00	JE 12540
JE	40	419.00	INTR	12	1603		2159 08/31/21		.00	104,897.85	.00	JE 12555
JE	40	419.00	INTR	12	1603		2159 09/30/21		.00	100,815.18	.00	JE 12576
JE	40	419.00	INTR	12	1603		2159 10/31/21		.00	2,375.93	.00	JE 12589
JE	40	419.00	INTR	12	1603		2159 11/30/21		.00	2,299.46	.00	JE 12602

NUMBER OF RECORDS FOUND - 12

TOTAL QTY .00

TOTAL DEBIT 31,087,577.51

TOTAL CREDIT .00

NET BALANCE 31,087,577.51

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 224.60 ADV PAYMENTS UNAPPLIED-LTD-DEBIT  
DATE RANGE FROM 01/01/21 TO 12/31/21

RUN DATE 02/21/22 08:33 AM

SO	TR	RACCT	ITEM ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
BF	99	224.60	BYBA	00	01		1 01/01/21		.00	30,171,214.13	.00	BEG YEAR BALANCE FORWARD
JE	40	419.00	INTR	12	1603		2159 01/31/21		.00	102,499.47	.00	JE 12465
JE	40	419.00	INTR	12	1603		2159 02/28/21		.00	92,894.68	.00	JE 12477
JE	40	419.00	INTR	12	1603		2159 03/31/21		.00	102,184.95	.00	JE 12489
JE	40	419.00	INTR	12	1603		2159 04/30/21		.00	100,171.38	.00	JE 12503
JE	40	419.00	INTR	12	1603		2159 05/31/21		.00	103,850.73	.00	JE 12517
JE	40	419.00	INTR	12	1603		2159 06/30/21		.00	99,831.06	.00	JE 12530
JE	40	419.00	INTR	12	1603		2159 07/31/21		.00	104,542.69	.00	JE 12540
JE	40	419.00	INTR	12	1603		2159 08/31/21		.00	104,897.85	.00	JE 12555
JE	40	419.00	INTR	12	1603		2159 09/30/21		.00	100,815.18	.00	JE 12576
JE	40	419.00	INTR	12	1603		2159 10/31/21		.00	2,375.93	.00	JE 12589
JE	40	419.00	INTR	12	1603		2159 11/30/21		.00	2,299.46	.00	JE 12602
JE	40	232.40	LOAN	13	1603		2159 12/31/21		.00	.00	24,415.36-	JE 12610
JE	40	419.00	INTR	12	1603		2159 12/31/21		.00	2,375.75	.00	JE 12610

NUMBER OF RECORDS FOUND - 14

TOTAL QTY .00

TOTAL DEBIT 31,089,953.26

TOTAL CREDIT 24,415.36-

NET BALANCE 31,065,537.90

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG’S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 28**

**RESPONSIBLE PERSON:** Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 28.** Refer to South Kentucky RECC’s response to the Attorney General’s First Request, Item 30(b), which includes the following statement: “The Commission has traditionally authorized TIERs of 2.0 with TIER calculated in a manner that excludes non-cash margins.” Provide case citations during the last decade in which TIERs of 2.0 were authorized that excluded non-cash margins and did not authorize a certain level of TIER that would produce a separate authorized level of OTIER.

**Response 28.**

In its Order in Case No. 2011-00096, dated March 30, 2012, the Commission authorized a TIER of 2.1, excluding Generation and Transmission Capital Credits, for South Kentucky Rural Electric Cooperative. The Order did not discuss OTIER.

In its Order in Case No. 2012-00023, dated March 26, 2013, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Taylor County Rural Electric Cooperative. The Order did not discuss OTIER.

In its Order in Case No. 2013-00219, dated February 27, 2014, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Jackson Energy. The Order did not discuss OTIER.

In its Order in Case No. 2015-00312, dated September 15, 2016, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Kenergy Corp, which resulted in an OTIER of 1.57.

In its Order in Case No. 2016-00365, dated May 12, 2017, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Farmers Rural Electric Cooperative, which resulted in an OTIER of 1.91.

In its Order in Case No. 2017-00374, dated April 26, 2018, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Big Sandy Rural Electric Cooperative, which resulted in an OTIER of 1.64.

In its Order in Case No. 2018-00129, dated January 25, 2019, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Inter-County Energy, which resulted in an OTIER of 1.91.

In its Order in Case No. 2018-00272, dated March 28, 2019, the Commission authorized a TIER of 2.0, excluding Generation and Transmission Capital Credits, for Grayson Rural Electric Cooperative, which resulted in an OTIER of 1.9.

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 29**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 29.** Refer to the Direct Testimony of Michelle D. Herrman (“Herrman Testimony”) page 11, lines 10 – 15, regarding the percentage costs of employee benefits paid by the Cooperative.

a. Provide the amount of the employees’ cost of medical insurance incurred as expense during the 2019 test year.

b. Provide the amount of the dependent health insurance coverage costs paid by South Kentucky RECC and recorded as expense, and the amount of the expensed dependent health insurance coverage that was the responsibility of the employees during the 2019 test year.

c. Provide the amount of the dental insurance coverage costs paid by South Kentucky RECC and recorded as expense, and the amount of the expensed dental insurance coverage costs that were the responsibility of the employees during the 2019 test year.

d. Provide the amount of the short-term disability costs incurred as expense during the 2019 test year.

e. Provide the amount of the long-term disability costs incurred as expense during the 2019 test year.

**Response 29.**

- a. Please see the response to Staff's Third Data Request, Question 5.
- b. Please see the response to Staff's Third Data Request, Question 5.
- c. Please see the response to Staff's Third Data Request, Question 5.
- d. \$240
- e. \$64,341.60

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 30**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 30.** Refer to the calculation of the electric operating ratio in the electronic version of Exhibit WSS-4 at Schedule 1.10, and further to cell F54 that includes the amounts that sum to the total electric operating expenses. Refer also to Exhibit WSS-3 at Schedule 1.0, which contains the source of the expenses used in that calculation.

a. Confirm that the calculation includes the amount of depreciation/amortization expense in the amount of total electric operating expenses. If confirmed, explain why depreciation/amortization expense is included in the computation of the operating ratio and how it would be expected to change with an increase in revenues.

b. Confirm that the calculation includes the amount of long-term debt interest expense in the amount of total electric operating expenses. If confirmed, explain why long-term debt interest expense is included in the computation of the operating ratio and how it would be expected to change with an increase in revenues.

c. Confirm that the calculation includes the amount of property taxes expense in the amount of total electric operating expenses. If confirmed, explain why property taxes

expense is included in the computation of the operating ratio and how it would be expected to change with an increase in revenues.

d. Confirm that the calculation includes the amount of other taxes expense, other interest expense, and other deductions in the amount of total electric operating expenses. If confirmed, explain why other taxes expense, other interest expense, and other deductions are included in the computation of the operating ratio and how each would be expected to change with an increase in revenues.

**Response 30.**

The methodology used to calculate the operating ratio in the development of the year-end customer adjustment has been approved by the Commission in a number of cases for investor-owned utilities. For example, see Order in Case No. 2004-00067 for Delta Natural Gas Company, Order in Case No. 2000-080 for Louisville Gas and Electric Company, and Case No. 90-158 for Louisville Gas and Electric Company.

a. Depreciation/amortization expense reflected in revenue requirements would not be expected to change with an increase in revenues

b. Long-term debt reflected in revenue requirements would not be expected to change with an increase in revenues.

c. Property taxes were not normalized to reflect year-year levels of plant; therefore, property taxes would be expected to change to reflect year-end plant.

d. Other taxes were not normalized to reflect year-end levels of expenses; therefore other taxes would be expected to change to reflect year-end levels of these expenses.

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 31**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 31.** Refer to the Application, Exhibit 22, containing the 2019 and 2020 annual reports. Refer to page 6 of 16, which shows the residential average kWh usage per month for residential customers for 2009 and 2019 as 1,087 kWh per month and 1,063 kWh per month, respectively. Further, refer to page 14 of 16, which shows the residential average kWh usage per month for residential customers for 2010 and 2020 as 1,198 kWh per month and 1,030 kWh per month, respectively. Provide the residential average kWh usage per month for residential customers for each calendar year 2009 through 2021 calculated in the same format as calculated for the annual reports.

**Response 31.**

Please see the table below.

The residential average kWh usage per month for each calendar year 2009 through 2021 as calculated for our annual reports is as follows.

	AVERAGE
	RESIDENTIAL
YEAR	KWH USAGE
2009	1,087
2010	1,198
2011	1,132
2012	1,028
2013	1,097
2014	1,148
2015	1,081
2016	1,055
2017	990
2018	1,130
2019	1,063
2020	1,030
2021	1,077

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG’S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 32**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 32.** Refer to South Kentucky RECC’s response to the Attorney General’s First Request, Item 53, Attachment at page 50, which shows that long-term debt interest expense actually incurred was only \$4,821,438 for the first eleven months of 2021 through November 30, 2021. Provide the 2021 amount of long-term debt interest expense incurred for the twelve months ended December 31, 2021, and provide the calculation of the expense for each month in the calendar year 2021.

**Response 32.**

The amount of long-term debt interest expense incurred for the twelve months ended December 31, 2021 is as follows:

RUS		\$ 9,162.12
FFB		\$ 3,169,926.03
CFC		\$ 308,595.11
COBANK		\$ 1,631,801.22
CITY OF MONTICELLO		\$ 118,433.34
2021 LTD INT EXP		\$ 5,237,917.82

To record interest expense monthly, we utilize the following methods based upon the specific vendor.

- a. RUS- RUS payments are made monthly on the last day of the month. The

recorded interest expense would align to the monthly billing statement.

b. FFB- Amortization schedules are utilized to determine the quarterly interest billings. The quarterly interest is recorded by month to coincide with the number of interest days for the month. At the end of the quarter, the interest expense is reconciled to the quarterly billing statement and adjusted if necessary.

c. CFC- The monthly interest expense is calculated using the outstanding principal balance multiplied by the interest rate and interest days. At the end of the quarter, the interest expense is reconciled to the quarterly billing statement and adjusted if necessary.

d. CoBank- The monthly billing statement is utilized to record the monthly interest expense.

e. The City of Monticello is paid one time annually. We simply use the annual interest from the amortization schedule and divide by twelve to record the monthly interest expense.

Please see the attached general ledger detail for each long-term debt interest expense account.

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 427.10 INTEREST ON REA CONST LOAN  
DATE RANGE FROM 01/01/21 TO 12/31/21

PAID BY: Michelle Herrman  
RUN DATE 02/21/22 09:08 AM

SO	TR	RACCT	ITEM ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
JE	40	232.40	LOAN	13	1603		2159 01/31/21		.00	1,169.19	.00	JE 12465
JE	40	232.40	LOAN	13	1603		2159 02/28/21		.00	1,040.95	.00	JE 12477
JE	40	232.40	LOAN	13	1603		2159 03/31/21		.00	1,311.93	.00	JE 12490
JE	40	224.30	LOAN	13	1603		2159 03/31/21		.00	80.07	.00	JE12486-COR JE12477 RUS FEB PMT
JE	40	232.40	LOAN	13	1603		2159 04/30/21		.00	1,184.33	.00	JE 12503
JE	40	232.40	LOAN	13	1603		2159 05/31/21		.00	1,097.53	.00	JE 12517
JE	40	232.40	LOAN	13	1603		2159 06/30/21		.00	1,284.24	.00	JE 12529
JE	40	232.40	LOAN	13	1603		2159 07/31/21		.00	331.30	.00	JE 12540
JE	40	232.40	LOAN	13	1603		2159 08/31/21		.00	350.75	.00	JE 12555
JE	40	232.40	LOAN	13	1603		2159 09/30/21		.00	326.36	.00	JE 12577
JE	40	232.40	LOAN	13	1603		2159 10/31/21		.00	312.88	.00	JE 12589
JE	40	232.40	LOAN	13	1603		2159 11/30/21		.00	342.83	.00	JE 12601
JE	40	232.40	LOAN	13	1603		2159 12/31/21		.00	329.56	.00	JE 12610
JE	40	224.30	LOAN	13	1603		2159 12/31/21		.00	.20	.00	JE 12609 - TO CORRECT JE 12589

NUMBER OF RECORDS FOUND - 14

TOTAL QTY .00

TOTAL DEBIT 9,162.12  
TOTAL CREDIT .00

NET BALANCE 9,162.12

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 427.11 INTEREST ON FFB LOANS  
DATE RANGE FROM 01/01/21 TO 12/31/21

Witness: Michelle Herrman  
RUN DATE 02/21/22 09:08 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
JE	40	237.11	SJOO	16	1603		2159	01/31/21		.00	263,502.34	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	02/28/21		.00	263,502.34	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	03/31/21		.00	263,114.23	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	04/30/21		.00	264,318.19	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	05/31/21		.00	264,318.19	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	06/30/21		.00	264,318.16	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	07/31/21		.00	265,403.60	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	08/31/21		.00	265,403.60	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	09/30/21		.00	265,403.58	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	10/31/21		.00	271,761.21	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	11/30/21		.00	271,761.21	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	12/31/21		.00	272,901.18	.00	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	12/31/21		.00	.00	272,901.18-	ACCR INT ON LTD-FFB LOANS
JE	40	237.11	SJOO	16	1603		2159	12/31/21		.00	247,119.38	.00	ACCR INT ON LTD-FFB LOANS

NUMBER OF RECORDS FOUND - 14

TOTAL QTY .00

TOTAL DEBIT 3,442,827.21  
 TOTAL CREDIT 272,901.18-  
 NET BALANCE 3,169,926.03

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 427.21 INTEREST ON OTHER LTD - CFC  
DATE RANGE FROM 01/01/21 TO 12/31/21

PAID BY: Michelle Herrman  
RUN DATE 02/21/22 09:08 AM

SO	TR	RACCT	ITEM ID	DEPT	WH	BH	DATE	CK/JOE/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
JE	40	237.31	SJOO	05	1603	2159	01/31/21		.00	29,156.97	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	02/28/21		.00	25,117.99	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	03/31/21		.00	27,432.75	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	04/30/21		.00	26,547.83	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	05/31/21		.00	26,162.01	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	06/30/21		.00	25,352.04	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	07/31/21		.00	26,197.09	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	08/31/21		.00	24,966.90	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	09/30/21		.00	24,484.84	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	10/31/21		.00	25,300.99	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	11/30/21		.00	23,325.98	.00	INTEREST ON LTD TO CFC
JE	40	237.31	SJOO	05	1603	2159	12/31/21		.00	24,549.72	.00	INTEREST ON LTD TO CFC

NUMBER OF RECORDS FOUND - 12

TOTAL QTY .00

TOTAL DEBIT 308,595.11  
TOTAL CREDIT .00

NET BALANCE 308,595.11

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 427.25 INTEREST ON LTD - COBANK  
DATE RANGE FROM 01/01/21 TO 12/31/21

PAF: Mrs. Michelle Herrman  
RUN DATE 02/21/22 09:08 AM

SO	TR	RACCT	ITEM	ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
JE	40	232.51	LOAN	21	1603		2159	01/31/21		.00	142,524.70	.00	JE 12464
JE	40	232.51	LOAN	21	1603		2159	02/28/21		.00	128,179.83	.00	JE 12478
JE	40	232.51	LOAN	21	1603		2159	03/31/21		.00	141,151.20	.00	JE 12489
JE	40	232.51	LOAN	21	1603		2159	04/30/21		.00	135,877.68	.00	JE 12504
JE	40	232.51	LOAN	21	1603		2159	05/31/21		.00	139,677.29	.00	JE 12518
JE	40	232.51	LOAN	21	1603		2159	06/30/21		.00	134,514.89	.00	JE 12530
JE	40	232.51	LOAN	21	1603		2159	07/31/21		.00	138,240.74	.00	JE 12539
JE	40	232.51	LOAN	21	1603		2159	08/31/21		.00	137,519.23	.00	JE 12556
JE	40	232.51	LOAN	21	1603		2159	09/30/21		.00	132,397.14	.00	JE 12578
JE	40	232.51	LOAN	21	1603		2159	10/31/21		.00	136,069.71	.00	JE 12590
JE	40	232.51	LOAN	21	1603		2159	11/30/21		.00	131,037.32	.00	JE 12602
JE	40	232.51	LOAN	21	1603		2159	12/31/21		.00	134,611.49	.00	JE 12611

NUMBER OF RECORDS FOUND - 12

TOTAL QTY .00

TOTAL DEBIT 1,631,801.22

TOTAL CREDIT .00

NET BALANCE 1,631,801.22

SOUTH KENTUCKY RECC  
PRG. ACCTANAL (ANLA)

ACCOUNT ANALYSIS  
FOR ACCT: 427.24 INTEREST ON LTD - CITY OF MONT  
DATE RANGE FROM 01/01/21 TO 12/31/21

PAYEE: Michelle Herrman  
RUN DATE 02/21/22 09:08 AM

SO	TR	RACCT	ITEM ID	DEPT	WH	BH	DATE	CK/JOB/REC/TSK PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
JE	40	237.20	SJOU	13	1603		2159 01/31/21		.00	9,869.39	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 02/28/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 03/31/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 04/30/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 05/31/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 06/30/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 07/31/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 08/31/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 09/30/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 10/31/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 11/30/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT
JE	40	237.20	SJOU	13	1603		2159 12/31/21		.00	9,869.45	.00	INT ON LTD TO CITY OF MONT

NUMBER OF RECORDS FOUND - 12

TOTAL QTY .00

TOTAL DEBIT 118,433.34  
TOTAL CREDIT .00

NET BALANCE 118,433.34

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 33**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 33.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 53, Attachment at page 50, which shows the calculations of TIER and Operating Times Interest Earned Ratio ("OTIER") for the first eleven months of 2021 through November 30, 2021. Provide the 2021 calculations of TIER and OTIER, stripped and non-stripped, for the twelve months ended December 31, 2021.

**Response 33.**

Please see the attached Statement of Operations for the twelve months ended December 31, 2021, which includes the stripped OTIER.

SKRECC 2021 FORM 7 VARIANCE ANALYSIS

STATEMENT OF OPERATIONS

Dec-21

UNAUDITED

Line No	(a)	(b)				(c)				(d)				(e)				(f)				(g)				Dec-21			
		THIS YEAR	LAST YEAR	DIFFERENCE		THIS YEAR	LAST YEAR	DIFFERENCE		THIS YEAR	BUDGET	VARIANCE		Actual	Budget	Variance		Actual	Budget	Variance									
1	Operating Revenue and Patronage Capital	\$ 133,752,012	\$ 119,151,498	\$ 14,600,513	12.25%	\$ 133,752,012	\$ 130,351,303	\$ 3,400,709	2.61%	\$ 14,409,065	\$ 12,877,872	\$ 1,531,193	11.89%																
2	Less: Cost of Purchased Power	\$ 96,010,219	\$ 82,678,137	\$ 13,332,082	16.13%	\$ 96,010,219	\$ 92,349,070	\$ 3,661,149	3.96%	\$ 10,935,444	\$ 9,113,000	\$ 1,822,444	20.00%																
3	Net Revenue	\$ 37,741,793	\$ 36,473,361	\$ 1,268,431	3.48%	\$ 37,741,793	\$ 38,002,233	\$ (260,440)	-0.69%	\$ 3,473,621	\$ 3,764,872	\$ (291,251)	-7.74%																
		28.22%	30.61%			28.22%	29.15%			24.11%	29.24%																		
4	Distribution Expense - Operation	\$ 3,936,513	\$ 4,126,358	\$ (189,845)		\$ 3,936,513	\$ 4,306,040	\$ (369,528)	-8.58%	\$ 360,137	\$ 356,328	\$ 3,808																	
5	Distribution Expense - Maintenance	\$ 8,197,243	\$ 8,074,940	\$ 122,303		\$ 8,197,243	\$ 8,921,150	\$ (723,907)	-8.11%	\$ 739,097	\$ 713,020	\$ 26,076																	
6	Consumer Accounts Expense	\$ 3,993,782	\$ 2,602,163	\$ 1,391,619		\$ 3,993,782	\$ 4,122,689	\$ (128,907)	-3.13%	\$ 388,913	\$ 342,231	\$ 46,682																	
7	Customer Service and Informational Expenses	\$ 575,022	\$ 602,211	\$ (27,189)		\$ 575,022	\$ 600,999	\$ (25,977)	-4.32%	\$ 48,471	\$ 48,477	\$ (7)																	
8	Sales Expense	\$ 42,019	\$ 41,280	\$ 739		\$ 42,019	\$ 30,127	\$ 11,891	39.47%	\$ 4,335	\$ 2,511	\$ 1,824																	
9	Administrative & General Expense	\$ 4,007,136	\$ 3,863,206	\$ 143,931		\$ 4,007,136	\$ 4,308,400	\$ (301,264)	-6.99%	\$ 388,983	\$ 323,794	\$ 65,189																	
10	Total Operation & Maintenance Expense (Less Power Cost)	\$ 20,751,714	\$ 19,310,157	\$ 1,441,557	7.47%	\$ 20,751,714	\$ 22,289,406	\$ (1,537,691)	-6.90%	\$ 1,929,935	\$ 1,786,361	\$ 143,574	8.04%																
11	Depreciation and Amortization Expense	\$ 9,627,826	\$ 9,295,542	\$ 332,285	3.57%	\$ 9,627,826	\$ 9,305,296	\$ 322,530	3.47%	\$ 813,383	\$ 775,441	\$ 37,942																	
12	Tax Expense-PSC/Property/Sales Tax Assess.	\$ 155,255	\$ 160,956	\$ (5,700)		\$ 155,255	\$ 166,800	\$ (11,545)	-6.92%	\$ 12,251	\$ 13,900	\$ (1,649)																	
13	Tax Expense-Other	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -																	
14	Interest on Long Term Debt	\$ 5,237,918	\$ 5,489,309	\$ (251,391)	-4.58%	\$ 5,237,918	\$ 5,394,130	\$ (156,212)	-2.90%	\$ 416,480	\$ 449,511	\$ (33,031)																	
15	Interest Charged to Construction - Credit	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -																	
16	Interest Expense - Other	\$ 1,857	\$ 28,588	\$ (26,731)		\$ 1,857	\$ 1,531	\$ 326		\$ 1,642	\$ 128	\$ 1,515																	
17	Other Deductions	\$ 39,284	\$ 20,452	\$ 18,832		\$ 39,284	\$ 76,470	\$ (37,186)	-48.63%	\$ 1,289	\$ 4,542	\$ (3,252)																	
18	Total Cost of Electric Service (Less Power Cost)	\$ 35,813,855	\$ 34,305,003	\$ 1,508,852	4.40%	\$ 35,813,855	\$ 37,233,633	\$ (1,419,778)	-3.81%	\$ 3,174,980	\$ 3,029,882	\$ 145,097	4.79%																
19	Patronage Capital & Operating Margins	\$ 1,927,938	\$ 2,168,358	\$ (240,420)	-11.09%	\$ 1,927,938	\$ 768,600	\$ 1,159,338	150.84%	\$ 298,642	\$ 734,990	\$ (436,348)	-59.37%																
20	Non-Operating Margins - Interest	\$ 1,007,399	\$ 1,517,050	\$ (509,651)		\$ 1,007,399	\$ 1,366,835	\$ (359,436)	-26.30%	\$ 9,403	\$ 113,903	\$ (104,500)																	
21	Non-Operating Margins - Other	\$ 2,936,328	\$ 79,304	\$ 2,857,024		\$ 2,936,328	\$ 27,460	\$ 2,908,868		\$ (265,759)	\$ 2,115	\$ (267,874)																	
22	Generation & Transmission Capital Credits	\$ 3,352,650	\$ 5,084,683	\$ (1,732,033)		\$ 3,352,650	\$ 3,496,000	\$ (143,350)		\$ -	\$ -	\$ -																	
23	Other Capital Credits & Patronage Dividends	\$ 206,460	\$ 160,860	\$ 45,600		\$ 206,460	\$ 170,000	\$ 36,460		\$ -	\$ 14,167	\$ (14,167)																	
24	Patronage Capital or Margins	\$ 9,430,774	\$ 9,010,255	\$ 420,519	4.67%	\$ 9,430,774	\$ 5,828,895	\$ 3,601,879	61.79%	\$ 42,286	\$ 865,174	\$ (822,889)	-95.11%																

TIER	2.80	2.08
OTIER	1.38	1.14

Stripped OTIER	1.12
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Stripped OTIER	
	2021
Margin Used for Ratio Calculation	1,968,556
<u>Remove Items Impacting Ratios</u>	
Bad Debt Recapture	(64,273)
EKPC Cash Patronage	-
CFC Cash Patronage	(40,618)
FEMA Reimbursement in A/R	(1,243,419)
Unmodified Operating Margins	620,245

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 34**

**RESPONSIBLE PERSON: Michelle Herrman**

**COMPANY: South Kentucky RECC**

**Request 34.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 53, Attachment at page 50, which shows the Form 7 statement of operations variance analysis for the first eleven months of 2021. Provide the same depiction of results for the twelve months ended December 31, 2021

**Response 34.**

Please see the attached Statement of Operations for the twelve months ended December 31, 2021.

SKRECC 2021 FORM 7 VARIANCE ANALYSIS

STATEMENT OF OPERATIONS

Dec-21

UNAUDITED

Line No	(a)	(b) THIS YEAR LAST YEAR DIFFERENCE				(e) THIS YEAR BUDGET VARIANCE				Dec-21 Actual Dec-21 Budget Variance			
		(b)	(c)	(d)		(e)	(f)	(g)		Dec-21 Actual	Dec-21 Budget	Variance	
1	Operating Revenue and Patronage Capital	\$ 133,752,012	\$ 119,151,498	\$ 14,600,513	12.25%	\$ 133,752,012	\$ 130,351,303	\$ 3,400,709	2.61%	\$ 14,409,065	\$ 12,877,872	\$ 1,531,193	11.89%
2	Less: Cost of Purchased Power	\$ 96,010,219	\$ 82,678,137	\$ 13,332,082	16.13%	\$ 96,010,219	\$ 92,349,070	\$ 3,661,149	3.96%	\$ 10,935,444	\$ 9,113,000	\$ 1,822,444	20.00%
3	Net Revenue	\$ 37,741,793	\$ 36,473,361	\$ 1,268,431	3.48%	\$ 37,741,793	\$ 38,002,233	\$ (260,440)	-0.69%	\$ 3,473,621	\$ 3,764,872	\$ (291,251)	-7.74%
4	Distribution Expense - Operation	\$ 3,936,513	\$ 4,126,358	\$ (189,845)		\$ 3,936,513	\$ 4,306,040	\$ (369,528)	-8.58%	\$ 360,137	\$ 356,328	\$ 3,808	
5	Distribution Expense - Maintenance	\$ 8,197,243	\$ 8,074,940	\$ 122,303		\$ 8,197,243	\$ 8,921,150	\$ (723,907)	-8.11%	\$ 739,097	\$ 713,020	\$ 26,076	
6	Consumer Accounts Expense	\$ 3,993,782	\$ 2,602,163	\$ 1,391,619		\$ 3,993,782	\$ 4,122,689	\$ (128,907)	-3.13%	\$ 388,913	\$ 342,231	\$ 46,682	
7	Customer Service and Informational Expenses	\$ 575,022	\$ 602,211	\$ (27,189)		\$ 575,022	\$ 600,999	\$ (25,977)	-4.32%	\$ 48,471	\$ 48,477	\$ (7)	
8	Sales Expense	\$ 42,019	\$ 41,280	\$ 739		\$ 42,019	\$ 30,127	\$ 11,891	39.47%	\$ 4,335	\$ 2,511	\$ 1,824	
9	Administrative & General Expense	\$ 4,007,136	\$ 3,863,206	\$ 143,931		\$ 4,007,136	\$ 4,308,400	\$ (301,264)	-6.99%	\$ 388,983	\$ 323,794	\$ 65,189	
10	Total Operation & Maintenance Expense (Less Power Cost)	\$ 20,751,714	\$ 19,310,157	\$ 1,441,557	7.47%	\$ 20,751,714	\$ 22,289,406	\$ (1,537,691)	-6.90%	\$ 1,929,935	\$ 1,786,361	\$ 143,574	8.04%
11	Depreciation and Amortization Expense	\$ 9,627,826	\$ 9,295,542	\$ 332,285	3.57%	\$ 9,627,826	\$ 9,305,296	\$ 322,530	3.47%	\$ 813,383	\$ 775,441	\$ 37,942	
12	Tax Expense-PSC/Property/Sales Tax Assess.	\$ 155,255	\$ 160,956	\$ (5,700)		\$ 155,255	\$ 166,800	\$ (11,545)	-6.92%	\$ 12,251	\$ 13,900	\$ (1,649)	
13	Tax Expense-Other	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
14	Interest on Long Term Debt	\$ 5,237,918	\$ 5,489,309	\$ (251,391)	-4.58%	\$ 5,237,918	\$ 5,394,130	\$ (156,212)	-2.90%	\$ 416,480	\$ 449,511	\$ (33,031)	
15	Interest Charged to Construction - Credit	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
16	Interest Expense - Other	\$ 1,857	\$ 28,588	\$ (26,731)		\$ 1,857	\$ 1,531	\$ 326		\$ 1,642	\$ 128	\$ 1,515	
17	Other Deductions	\$ 39,284	\$ 20,452	\$ 18,832		\$ 39,284	\$ 76,470	\$ (37,186)	-48.63%	\$ 1,289	\$ 4,542	\$ (3,252)	
18	Total Cost of Electric Service (Less Power Cost)	\$ 35,813,855	\$ 34,305,003	\$ 1,508,852	4.40%	\$ 35,813,855	\$ 37,233,633	\$ (1,419,778)	-3.81%	\$ 3,174,980	\$ 3,029,882	\$ 145,097	4.79%
19	Patronage Capital & Operating Margins	\$ 1,927,938	\$ 2,168,358	\$ (240,420)	-11.09%	\$ 1,927,938	\$ 768,600	\$ 1,159,338	150.84%	\$ 298,642	\$ 734,990	\$ (436,348)	-59.37%
20	Non-Operating Margins - Interest	\$ 1,007,399	\$ 1,517,050	\$ (509,651)		\$ 1,007,399	\$ 1,366,835	\$ (359,436)	-26.30%	\$ 9,403	\$ 113,903	\$ (104,500)	
21	Non-Operating Margins - Other	\$ 2,936,328	\$ 79,304	\$ 2,857,024		\$ 2,936,328	\$ 27,460	\$ 2,908,868		\$ (265,759)	\$ 2,115	\$ (267,874)	
22	Generation & Transmission Capital Credits	\$ 3,352,650	\$ 5,084,683	\$ (1,732,033)		\$ 3,352,650	\$ 3,496,000	\$ (143,350)		\$ -	\$ -	\$ -	
23	Other Capital Credits & Patronage Dividends	\$ 206,460	\$ 160,860	\$ 45,600		\$ 206,460	\$ 170,000	\$ 36,460		\$ -	\$ 14,167	\$ (14,167)	
24	Patronage Capital or Margins	\$ 9,430,774	\$ 9,010,255	\$ 420,519	4.67%	\$ 9,430,774	\$ 5,828,895	\$ 3,601,879	61.79%	\$ 42,286	\$ 865,174	\$ (822,889)	-95.11%

TIER	2.80	2.08
OTIER	1.38	1.14

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 35**

**RESPONSIBLE PERSONS:** Michelle Herrman and Steve Seelye

**COMPANY:** South Kentucky RECC

**Request 35.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 53, Attachment at page 50, which shows the Form 7 statement of operations variance analysis for the first eleven months of 2021 and projected for all of 2021. Refer further to line 4 which shows the projected level of Distribution Expense – Operation of \$3,932,704. Refer also to Exhibit WSS-3, Schedule 1.0, line 6, which shows the proforma level of Distribution Expense – Operation of \$4,293,105. Explain all known reasons why the projected 2021 actual level of expense is \$360,401 less than the proforma level in the Company's filing, especially considering that projected 2021 revenues reported on line 1 of each schedule are much higher, by over 8%, than the proforma revenues in the filing.

**Response 35.**

Please see the Statement of Operations provided in response to question 34 of this data request. The actual amount recorded as expense for the twelve months ended December 31, 2021 for Distribution Expense- Operation is \$3,936,513. When considering this expense category using actual to budget, the categories of Distribution

Expense- Operation and Distribution Expense- Maintenance must be considered together. The discussion below is meant to address the actual versus budget differences for both categories combined.

Revenues do not drive South Kentucky's controllable expenses. Revenues are driven by kWh sales. Higher kWh sales will increase the cost of purchased power on line 2 of the Statement of Operations, but not controllable expense categories on lines 4- 9. The cost for purchase power is driven by members' demand for electricity. This demand is greatly impacted by weather. Similarly, during 2020 this demand was heavily impacted by Government mandated closures and work rules related to the COVID-19 pandemic.

Our controllable cost categories of Distribution Expense- Operation and Distribution Expense- Maintenance can be affected by the amount of work that is capitalized. Member demand for new services can reduce the costs that are expensed on the Statement of Operations, but will increase the costs that are capitalized and reflected on the Balance Sheet. Whether expenditures are expensed or capitalized they require the same revenue stream to fund the expenditures. As we broke out of the pandemic, South Kentucky saw member demand for new Meter Services spike. In 2021 South Kentucky increased number of Meter Services by 1,131. Comparatively, in 2020 our meter services only increased 898 and in 2019 the increase was only 717. We believe the spike in 2021 is only temporary and will return to the levels seen in 2019.

The capitalized percentage of labor and the associated benefits has increased since 2018. The capitalized percentage rates were as follows: 2018- 37.17%, 2019-38.23%,

2020- 40.59%, 2021- 40.77%. In 2021, our budget only assumed a capitalized labor percentage of 38.62%. Using test year salaries and wages of \$10,254,512, the difference between actual and assumed capitalized labor is \$220,472. With the added factor for benefits and payroll taxes, this provides for a total expense reduction reflected in the Statement of Operations from budget to actual of \$360,824.

Vacant positions and position changes impact our Statement of Operations comparison of budget to actual. In 2021, we had 10 employees leave employment whose work was directly related to the areas of Distribution Operations and Distribution Maintenance. This turnover of employees leave positions vacant for a period of time. Due to our financial condition and COVID work rules, many of these positions were delayed in filling. These transition reductions result in budget to actual savings as depicted in the Statement of Operations. The actual cost reduction is difficult to quantify.

The February 2021 storm event impacted operations for approximately two weeks. During this period regularly budgeted expenses that were allocable to the FEMA restoration reimbursement total for Distribution Maintenance and Distribution Operations was \$576,498.88. The FEMA reimbursement is reflected in the Statement of Operations actual results for 2021.

The two noted quantifiable savings total, \$937,323. The difference in the budget to actual categories for Distribution Operations and Distribution Maintenance on the Statement of Operations for the year ended December 31, 2021 combine to \$1,093,435. The variance is \$156,112 is less than 1.2% of the budgeted amount for these cost categories.

**SOUTH KENTUCKY RECC**

**PSC CASE NO. 2021-00407**

**SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 36**

**RESPONSIBLE PERSONS: Michelle Herrman and Steve Seelye**

**COMPANY: South Kentucky RECC**

**Request 36.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 53, Attachment at page 50, which shows the Form 7 statement of operations variance analysis for the first eleven months of 2021 and projected for all of 2021. Refer further to line 5 which shows the projected level of Distribution Expense – Maintenance of \$8,171,167. Refer also to Exhibit WSS-3, Schedule 1.0, line 7, which shows the proforma level of Distribution Expense – Maintenance of \$8,963,189. Explain all known reasons why the projected 2021 actual level of expense is \$792,022 less than the proforma level in the Company's filing, especially considering that projected 2021 revenues reported on line 1 of each schedule are much higher, by over 8%, than the proforma revenues in the filing

**Response 36.**

Please see the Statement of Operations provided in response to question 34 of this data request. The actual amount recorded as expense for the twelve months ended December 31, 2021, for Distribution Expense-Maintenance is \$8,197,243. When considering this expense category using actual to budget, the categories of Distribution

Expense-Operation and Distribution Expense – Maintenance must be considered together.

Please see the response to Request 35 above.

**SOUTH KENTUCKY RECC  
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**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 37**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 37.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 35, Attachment at page 509, which reports a credit expense amount of (\$594,601.51) in October 2021 for account 593.00 Maintenance of Overhead Lines. Explain all reasons for the large credit amount in this expense account recorded in October 2021 and explain why this should be considered recurring or non-recurring and the reasons why.

**Response 37.**

In October 2021, South Kentucky posted the journal entry to record the FEMA reimbursement related to the ice storm of February. The entry reduced the annual expenses recorded to account 593.00. The final balance in the account for the month of October 2021 was (\$593,601.51). However, without the two credit amounts of \$464,445.03 and \$461,590.87 related to FEMA the balance in account 593.00 would have been \$331,434.39 for the month of October 2021.

The journal entry should be considered non-recurring because the FEMA reimbursed storm is an unusual event and rare in occurrence.

The journal entry is below.

JE 12599:		Debit	Credit	
DR 143.0	OTHER ACCTS RECEIVABLE	\$ 1,243,419.00		
	CR 586.00 METER EXPENSE		\$ 60,735.64	
	CR 593.00 MAINTENANCE OF O/H LINES		\$ 464,445.03	*
	CR 593.00 MAINTENANCE OF O/H LINES		\$ 461,590.87	*
	CR 593.50 MAINTENANCE OF O/H LINES-RW		\$ 171,617.56	
	CR 903.00 CUSTOMER RECORDS & COLLECT EXP		\$ 18,220.69	
	CR 908.00 CUSTOMER ASSISTANCE EXP		\$ 24,294.26	
	CR 920.00 ADM & GENERAL SALARIES		\$ 42,514.95	
TO SET UP IN ACCOUNTS RECEIVABLE THE FEDERAL SHARE OF FEMA 4592-DR-KY GRANT				
FOR THE FEBRUARY 2021 ICE STORM.				

**SOUTH KENTUCKY RECC  
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**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 38**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 38.** Refer to South Kentucky RECC's response to Staff's First Request, Item 1(a), Attachment, which is a schedule showing the operating expenses by account for the test year and for each year 2017 through 2020. Expand the Attachment response to include the operating expenses by account for calendar year 2021 and the 2021 percentage increase or decrease over the prior year for each account.

**Response 38.**

Please see attached. The attachment is a schedule of operating expenses by account expanded to include the 2021 calendar year. This attachment is an Excel spreadsheet which is being uploaded into the Commission's electronic filing system separately.

ATTACHMENTS  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY

**SOUTH KENTUCKY RECC  
PSC CASE NO. 2021-00407  
SECOND REQUEST FOR INFORMATION RESPONSE**

**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 39**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 39.** Refer to South Kentucky RECC's response to Staff's First Request, Item 1(a), Attachment, which is a schedule representing the operating expenses by account for the test year and for each year 2017 through 2020. Refer further to the expense amounts reflected for account 586.00 Meter Expenses, which show a decline in 2020 expense amounts compared to those reflected for the test year.

a. Explain all known reasons for the decline in expense during 2020 and explain whether the Company experienced a similar decline in 2021 compared to test year levels.

b. Provide the monthly expense amounts recorded for account 586.00 for each month and in total during the test year, 2019, 2020, and 2021.

**Response 39.**

a. Meter purchases are treated as special equipment. As such, the cost of the meter and the associated labor to install is capitalized at the time of purchase. The capitalization of labor results in a reduction of expenses within the 586.00 account. The

reduction to expenses in 2019 was \$100,490, in 2020 was \$147,557, and in 2021 was \$158,989.

Due to COVID work rules our labor costs were impacted in 2020. There was a reduction in overtime expense from 2019 to 2020 in the amount of \$19,780.

The difference in the total expenditures in 2019 and 2020, is a reduction in expense of \$88,812. The differences noted above total \$66,847. When considering this known difference, there is a change of less than 1.5% from 2019 to 2020.

The discussion contained in our response to Question 35 of this data request related to reduced expenses in 2021 applies to the 586.00 account as well. The account activity for account 586.00 is reported in the Statement of Operations on line 4, Distribution Expense - Operation.

b. The monthly expense amounts recorded for account 586.00 for each month and in total during the test year, 2019, 2020, and 2021 are as follows.

	Test Year				
Month	4/19-3/20	Month	2019	2020	2021
Apr	\$66,394.58	Jan	\$142,057.80	\$174,651.42	\$110,041.43
May	\$142,873.59	Feb	\$130,312.25	\$182,697.47	\$131,112.20
June	\$116,278.59	Mar	\$154,717.91	\$141,998.74	\$144,411.21
July	\$128,285.86	Apr	\$66,394.58	\$103,416.10	\$131,281.80
Aug	\$133,530.40	May	\$142,873.59	\$105,243.03	\$137,581.68
Sept	\$120,138.98	June	\$116,278.59	\$109,156.98	\$108,837.70
Oct	\$134,302.45	July	\$128,285.86	\$93,822.68	\$109,749.92
Nov	\$112,160.93	Aug	\$133,530.40	\$102,564.11	\$95,680.51
Dec	\$120,962.58	Sept	\$120,138.98	\$103,642.22	\$122,680.03
Jan	\$174,651.42	Oct	\$134,302.45	\$101,051.43	\$23,018.74
Feb	\$182,697.47	Nov	\$112,160.93	\$92,561.82	\$109,460.64
Mar	\$141,998.74	Dec	\$120,962.58	\$102,397.44	\$112,877.11
<b>Totals</b>	<b>\$1,574,275.59</b>		<b>\$1,502,015.92</b>	<b>\$1,413,203.44</b>	<b>\$1,336,732.97</b>

**SOUTH KENTUCKY RECC**  
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**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 40**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 40.** Refer to the Application, page 7, where it attributes the proposed rate increase in part to the lost revenue rebates from EKPC related to discontinuation of energy assistance programs (\$100,906). In South Kentucky RECC's response to the Attorney General's First Request, Item 6(c), the Company states that certain energy efficiency programs remain in place as described in the Application, Exhibit 31.

a. Explain why EKPC discontinued reimbursement of energy efficiency programs.

b. Explain why the Company did not discontinue the energy efficiency programs when EKPC discontinued reimbursement of the programs.

c. Confirm that the Company continued the same energy efficiency programs for which EKPC discontinued reimbursement. If this cannot be confirmed, then provide a corrected statement and explain why the original statement was incorrect.

d. Provide the present status of these specific programs for which EKPC discontinued reimbursement.

**Response 40.**

a. EKPC discontinued reimbursement for select energy efficiency programs after EKPC proposed, and the Commission subsequently approved, the DSM program tariff changes as reviewed in the two Kentucky Public Service Commission cases 2019-00059 and 2019-00060.

b. South Kentucky RECC did eliminate the programs when EKPC discontinued the specific programs that were approved for cancellation by the Commission in the two Kentucky Public Service Commission cases 2019-00059 and 2019-00060.

c. Denied. In our Application Exhibit 31, we state that the Commission approved South Kentucky's request to *modify* the following programs: (1) Direct Load Control Program – DSM - Residential; (2) Direct Load Control Program – DSM - Commercial; (3) Touchstone Energy Home - DSM; (4) Button-Up Weatherization Program - DSM; and (5) Heat Pump Retrofit Program – DSM. These programs were not discontinued by EKPC; and we continue to provide these programs to our members.

We go on to say that at the same time the Commission approved a new DSM program, ENERGY STAR® Manufactured Home Program.

The following statement in the Exhibit 31 to the application is a correct statement as the eliminated programs were not fully eliminated during the test year period and other continued as modified or were newly introduced. “South Kentucky continued to offer Demand-Side Management/Energy Efficiency programs to its members during the test year with the assistance of EKPC. In the test year, South Kentucky paid out \$114,521.76

to its members for these programs, but was reimbursed in full by EKPC, and thus, there was no impact to the test year expenses.”

d. South Kentucky RECC eliminated the specific program offering that EKPC discontinued when EKPC discontinued the specific programs that were approved by the Commission in cases 2019-00059 and 2019-00060.

**SOUTH KENTUCKY RECC**  
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**AG'S SECOND REQUEST FOR INFORMATION—02/17/22**

**REQUEST 41**

**RESPONSIBLE PERSON:** Michelle Herrman

**COMPANY:** South Kentucky RECC

**Request 41.** Refer to South Kentucky RECC's response to the Attorney General's First Request, Item 31(d) and the journal entry (1) to record patronage capital allocations.

a. Provide the remaining journal entry(ies), including the credit to members' equity and patronage capital.

b. Identify the Company's representative(s), by name and job title, who sits on the EKPC Board.

**Response 41.**

a. Our response to the Attorney General's First Request Item 31(d) is as follows.

1. Patronage capital allocations from EKPC are recorded on line 26 (account #423.00) of the statement of operations as a credit, and on line 8 (account #123.10) of the balance sheet as a debit.

Other journal entries related to Generation and Transmission patronage capital allocations are as follows:

2. To move Patronage Capital Allocations to Operating Margins as part of our year end closing entries. Line 26 (account #423.00 G&T Cooperative Capital Credits) of the statement of operations as a debit, and on line 32 (account #219.10 Operating Margins) of the balance sheet as a debit.

3. To transfer prior year Operating Margins to Patronage Capital Assignable. Line 32 (account #219.10 Operating Margins) of the balance sheet as a debit, and on line 31 (account #201.20 Patronage Capital Assignable) of the balance sheet as a credit.

4. To record the Patronage Capital Assigned to the member for the prior year per the Board of Directors approval. Line 31 (account #201.20 Patronage Capital Assignable) of the balance sheet as a debit, and on line 31 (account #201.10 Patrons Capital Assigned) of the balance sheet as a credit.

b. South Kentucky's representative on EKPC's Board is Director Boris Haynes.