

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

In the Matter of:

ELECTRONIC APPLICATION	)	
OF SOUTH KENTUCKY RURAL	)	CASE NO.
ELECTRIC COOPERATIVE	)	2024-00402
CORPORATIONFOR A GENERAL	)	
ADJUSTMENT OF RATES	)	

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SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
CORPORATION'S VERIFIED RESPONSE TO  
COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION  
ENTERED FEBRUARY 10, 2025

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Comes now South Kentucky Rural Electric Cooperative Corporation (South Kentucky),  
by counsel, and does hereby tender its Verified Response to Commission Staff's First Request  
for Information entered February 10, 2025.

Filed: March 3, 2025

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

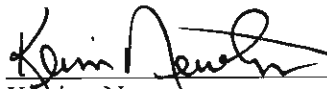
In the Matter of:

Electronic Application of South Kentucky )	
Rural Electric Cooperative Corporation for )	
a General Adjustment of Rates and Other )	Case No. 2024-00402
General Relief )	


**VERIFICATION OF KEVIN NEWTON**

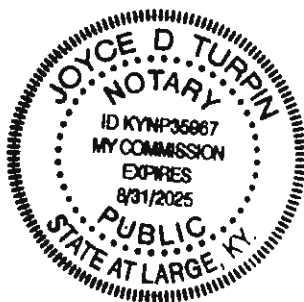
COMMONWEALTH OF KENTUCKY )  
 )  
 COUNTY OF PULASKI )

Kevin Newton, Chief Executive Officer of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's First 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.

  
 Kevin Newton

The foregoing Verification was signed, acknowledged and sworn to before me this 3rd day of March, 2025, by Kevin Newton.

  
 Commission expiration: Aug 31, 2025



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 and Other ) General Relief )	Case No. 2024-00402
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VERIFICATION OF CARRIE BESSINGER

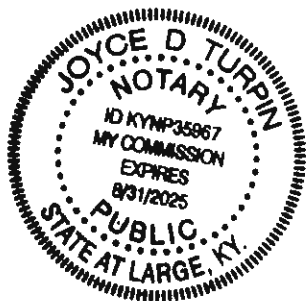
COMMONWEALTH OF KENTUCKY     )  
  )  
COUNTY OF PULASKI             )

Carrie Bessinger, Chief Financial Officer of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff’s First 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 her knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
Carrie Bessinger

The foregoing Verification was signed, acknowledged and sworn to before me this 3rd day of March, 2025, by Carric Bessinger.

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



Witness: Kevin Newton and Carrie Bessinger

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 1:** Provide the following expense account data:

a. A schedule, in comparative form showing the operating expense account balance for the test year and each of the three most recent calendar years for each account or subaccount in South Kentucky's annual report. Show the percentage of increase or decrease of each year over the prior year.

b. A listing, with descriptions, of all activities, initiatives, or programs undertaken by South Kentucky since its last general rate case for the purpose of minimizing costs or improving the efficiency of its operations or maintenance activities. Include all quantifiable realized and projected savings.

**Response 1(a):** Please see the Excel file uploaded separately.

**Response 1(b):** South Kentucky provides the following summary of significant activities, initiatives, or programs undertaken, or continued since its last general rate case for the purpose of minimizing costs or improving the efficiency of its operations or maintenance activities:

- South Kentucky has been using the RUS Cushion of Credit account to pay RUS and FFB loan payments. If general funds had been used to make these payments South Kentucky would have needed approximately \$23 million in additional loan funds to cash flow distribution and general plant investments from 2019 through 2024. This would have

incurred interest expense on debt of approximately \$19 million over the life of a 35-year loan at a rate of 4%. South Kentucky would have incurred interest expense from the need to borrow line of credit funds for short term operating needs of an estimated \$5 million at a 7% interest rate, or approximately \$350,000 in expense for a single year. This interest expense savings should be offset by unrealized interest earnings on the Cushion of Credit account of an estimated \$6 million based on an average earnings rate of 4.7% over the past 2 years. Based on the assumptions in this calculation, using the Cushion of Credit funds in lieu of additional debt has yielded a net savings of approximately \$15.7 million.

- To help keep distribution plant maintenance costs low, South Kentucky continues to utilize contract construction crews for routine pole replacement work instead of employees. Since 2022, our construction contractor has completed approximately 450 pole replacements for a total cost savings, as compared to employee replacements, of \$930,000.
- South Kentucky has worked diligently to reduce credit card fees. In 2022, credit card fees were \$649,000. In 2023, credit card fees were \$542,000. In 2024, credit card fees were \$566,000. This reduction is because South Kentucky had a software conversion in 2022 that provided the opportunity to use a different payment processing service with a much lower fee structure than the former.
- In 2021, South Kentucky reduced the cooperative's portion of healthcare premiums to shift more of the cost to the employees. This change reduced annual expenses by approximately \$360,000, or 19%, from 2020 to 2024. Beginning in 2025, this reduction amount will be reduced again because the new union agreement in effect with an employee cost portion of 20% instead of the previous average employee cost portion of

28%.

- Instead of continually increasing postage expenses, South Kentucky is now using technology to communicate with members. South Kentucky encourages paperless billing statements and have increased the use of email and social media to keep the members informed. From 2020 through 2024, postage rates have increased an average of 6% and our membership has increased in size by approximately 5%. That's an additional 40,000 pieces of mail in billing statements alone each year.
- The software conversion also allowed South Kentucky to move to a paperless process for our service orders and work orders. This change has reduced the amount of paper used at the cooperative and has improved many processes around updating our maps and processing work orders more efficiently.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 2:** Provide the capital structure at the end of the five most recent calendar years and each of the other periods shown in Schedule A1 and Schedule A2.

**Response 2:** Please see the Excel file uploaded separately.



**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**Shelby Energy Cooperative, Inc.**  
**Case No. 2024-00402**  
**Commission Staff's First Request for Information**

**Request 3:** Provide the following:

a. A list of all outstanding issues of long-term debt as of the end of the latest calendar year together with the related information as shown in Schedule B1.

b. An analysis of short-term debt as shown in Schedule B2 as of the end of the latest calendar year.

**Response 3(a)-(b):** Please see the Excel file uploaded separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 4:** Provide South Kentucky's internal accounting manuals, directives, and policies and procedures.

**Response 4:** Please see attached RUS Form 1717-b2 "Guide for Preparing Financial and Statistical Reports for Electric Distribution Borrowers". Also reference the Audited Financial Statements provided in Exhibit 17 of the Application for a summary of significant accounting policies.

**ATTACHMENT PSC DR 1-4**

Disclaimer: The contents of this guidance document does not have the force and effect of law and is not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Utilities Service

**BULLETIN 1717B-2**

RD-GD-2002-45

**SUBJECT:** Guide for Preparing Financial and Statistical Reports for Electric Distribution Borrowers

**TO:** All Electric Distribution Borrowers

**EFFECTIVE DATE:** Date of approval.

**OFFICE OF PRIMARY INTEREST:** Assistant Administrator, Electric Program.

**FILING INSTRUCTIONS:** This bulletin replaces RUS Bulletin 1717B-2, "Guide for Preparing Financial and Statistical Reports for Electric Distribution Borrowers," dated December 31, 1993. Suggestion to borrowers: Distribute copies of this bulletin to all units responsible for elements of the report.

This Bulletin is also available on the RUS Data Collection System Website at <http://dcs.usda.gov>.

**PURPOSE:** To provide instructions to all electric distribution borrowers required to submit operating reports to RUS. These instructions implement reporting requirements in the borrower's loan contract with RUS and the laws and regulations that authorize RUS to collect this information. The guidance provided in this bulletin corresponds to the completion of a paper Form 7 and 7a. The RUS Data Collection System Website contains instructions for completion of the electronic form.



Blaine D. Stockton  
Assistant Administrator  
Electric Program

2/14/02

\_\_\_\_\_  
Date

**INSTRUCTIONS FOR THE PREPARATION OF THE  
FINANCIAL AND STATISTICAL REPORT**

**TABLE OF CONTENTS**

		Page
1	REQUIREMENTS	4
2	REPORTS	4
3	GENERAL	4
4	SPECIFIC INSTRUCTIONS	5

LIST OF EXHIBITS:

Exhibit A Specific Instructions for RUS Form 7	7
Exhibit B Specific Instructions for RUS Form 7a	29
Exhibit C Investments Under the 15 Percent Rule	35
Exhibit D Investment Descriptions	37

ATTACHMENTS:

Attachment 1	RUS Form 7
Attachment 2	RUS Form 7a

INDEX:

Financial and Statistical Reports  
 Financial Statements  
 Operating Reports  
 Reports

**ACRONYMS**

CBO	Certificates of Beneficial Ownership
CD	Certificate of Deposit
CFC	National Rural Utilities Cooperative Finance Corporation
CL	Capital Leases
CATS	Certificates of Accrual on Treasury Securities
CTC	Capital Term Certificates
DCS	Data Collection System
ERC	Energy Resources Conservation
FCSFAC	Farm Credit System Finance Assistance Corporation
FDIC	Federal Deposit Insurance Corporation

**ACRONYMS**

(continued)

<b>FERC</b>	<b>Federal Energy Regulatory Commission</b>
<b>FFB</b>	<b>Federal Financing Bank</b>
<b>FICO</b>	<b>Financing Corporation</b>
<b>FHLB</b>	<b>Federal Home Loan Banks</b>
<b>FHLMC</b>	<b>Federal Home Loan Mortgage Corporation or Freddie Mac</b>
<b>FmHA</b>	<b>Farmers Home Administration</b>
<b>FNMA</b>	<b>Federal National Mortgage Association or Fannie Mae</b>
<b>G&amp;T</b>	<b>Generation and Transmission borrower</b>
<b>GNMA</b>	<b>Government National Mortgage Association, Ginnie Mae, or Ginnies</b>
<b>GSA</b>	<b>General Services Administration</b>
<b>NOW</b>	<b>Negotiable Order of Withdrawal</b>
<b>NRUCFC</b>	<b>National Rural Utilities Cooperative Finance Corporation</b>
<b>REFCORP</b>	<b>Resolution Funding Corporation</b>
<b>REIT</b>	<b>Real Estate Investment Trusts</b>
<b>RUS</b>	<b>Rural Utilities Service</b>
<b>SBA</b>	<b>Small Business Administration</b>
<b>Sallie Mae</b>	<b>Student Loan Marketing Association</b>
<b>TIGERS</b>	<b>Training Investment Growth Receipts</b>
<b>TVA</b>	<b>Tennessee Valley Authority</b>
<b>WMATA</b>	<b>Washington Metropolitan Area Transit Authority</b>



## **1. REQUIREMENTS**

The Rural Utilities Service's (RUS) requirements regarding the submission of financial and statistical reports by electric distribution borrowers are contained in the loan contract. Also, RUS's reporting requirements are codified in 7 CFR Parts 1710 and 1717.

## **2. REPORTS**

**2.1** The preparation of a monthly financial and statistical report aids a borrower's management in effectively operating and controlling the business.

**2.2** As an aid to borrowers in developing and submitting operating information on a uniform basis, RUS furnishes a prescribed report form to be used by electric distribution borrowers. An original and one copy of RUS Form 7, pages 1 through 5, and Form 7a, Pages 1 and 2, should be submitted to RUS annually by March 1 for the period ending December 31. Quarterly reports (RUS Form 7, pages 1 and 2) are requested when a deficit exists in the prior year's operations. In addition, individual borrowers may be requested by RUS to submit RUS Form 7 (pages 1 and 2) monthly.

**2.3** If after the filing of RUS Form 7 and 7a for December 31, major adjustments in the accounts are made which significantly affect the operating statement for the year, the balance sheet, or key financial ratios, revised reports reflecting these adjustments should be submitted to RUS promptly.

**2.4** Sample copies of the revised report forms are attached to this guide. A supply of these forms will be furnished to borrowers not using the Data Collection System (DCS) system, upon request.

**2.5** Distribution borrowers having generating facilities shall continue to submit reports on the operation of such facilities in accordance with the current instructions set forth in RUS Bulletin 1717B-3, in addition to the RUS Form 7 and 7a.

**2.6** Timely reporting not only permits RUS to fulfill its reporting obligations, but helps the borrower have data promptly for effective management. It is strongly urged that attention be given to organizing your operations so that required reports will be submitted on time.

## **3. GENERAL**

The "Financial and Statistical Report" makes available to RUS information for analyses in connection with the security of Government loan funds. It is believed that this report, when supplemented by such additional information as may be desired by an individual borrower, will also be of great assistance to boards of directors and managers of the system in successfully coping with various management problems.

The report provides RUS with sufficient information to prepare an annual financial and statistical report of all RUS borrowers' electric operations. RUS provides the Federal Energy Regulatory Commission (FERC) with a copy of the RUS statistical report. Thus, most borrowers are not required to submit individual reports to FERC.

The reports prepared by borrowers must accurately reflect the financial data as shown by the books of account, and should be prepared in accordance with the detailed instructions contained in this manual. Maximum benefits can be derived from the monthly and annual report only when they are correctly prepared. Careful preparation of the report also eliminates additional correspondence. After the report has been prepared and typed, it should be carefully reviewed and verified for both clerical and/or typographical errors. Accounts referenced: RUS Uniform System of Accounts - Electric (7 CFR 1767, subpart B, and RUS Bulletin 1767B-1).

These instructions and report forms do not apply to power supply borrowers.

#### **4. SPECIFIC INSTRUCTIONS**

**4.1** The "Financial and Statistical Report," RUS Form 7, Pages 1 through 5, and Form 7a, "Investments, Loan Guarantees and Loans - Distribution," are composed as follows:

##### Form 7

- Part A. Statement of Operations
- Part B. Data on Transmission and Distribution Plant
- Part C. Balance Sheet
- Part D. Notes to Financial Statements
- Part E. Changes in Utility Plant
- Part F. Materials and Supplies
- Part G. Service Interruptions
- Part H. Employee - Hour and Payroll Statistics
- Part I. Patronage Capital
- Part J. Due From Consumers for Electric Service
- Part K. kWh Purchased and Total Cost
- Part L. Long-Term Leases
- Part M. Annual Meeting and Board Data
- Part N. Long-Term Debt and Debt Service Requirements
- Part O. Power Requirements Data Base – Annual Summary

Form 7a

- Part I. Investments
- Part II. Loan Guarantees
- Part III. Ratio
- Part IV. Loans

**4.2** The following system is used in this guide for reference to items reported on RUS Forms 7 and 7a:

A capital letter designates the part, a number designates the item or line number, and a lower case letter designates the column. Example: A15d indicates Part A, Item 15, Column d.

**4.3** "Red" (or negative) figures on the report should be indicated by enclosing the amount in parentheses (--). Do not use parentheses to indicate that an amount is to be deducted when the format provides for the deduction to be made. Example: The entry for Form 7 - C4 should not be enclosed with parentheses as Net Utility Plant is to be determined by subtracting line 4 from line 3.

**4.4** A column for "Budget" has been provided on RUS Form 7, Page 1, Part A, "Statement of Operations," for the convenience of borrowers. When used, this should consist of the cumulative monthly figures taken from the previously prepared annual budget. A budget is a plan for future guidance of the business in which probable revenue and expense is estimated and allocated. If there is a substantial difference between the budget item and the actual, it would be appropriate to make an analysis of operations to determine if remedial action is needed. While reporting of the "Budget" information is optional, RUS may require borrowers to report budget information on a case-by-case basis.

**4.5** Much care should be exercised in the insertion of the statistical data required by the report, particularly that which cannot be verified on the report.

**4.6** Borrowers should report all amounts to the "nearest dollar" and eliminate the cents. All totals and subtotals should be the sums of the rounded figures used.

**EXHIBIT A**  
**SPECIFIC INSTRUCTIONS FOR RUS FORM 7**  
**FINANCIAL AND STATISTICAL REPORT**

**PART A, STATEMENT OF OPERATIONS**

**Column**

**a Last Year**

This column reflects cumulative annual totals through the month covered by the report, entries for which should be obtained from Column b of this same part (RUS Form 7, Part A) of the operating report for the corresponding month of the prior year.

**b This Year**

Cumulative annual totals are also reflected in this column, entries for which should be obtained from the year-to-date totals of the general ledger trial balance for the corresponding month.

**c Budget (Optional)**

Entries for this column should be obtained from the operating budget using cumulative annual totals for the corresponding month.

**d This Month**

Entries for this column should be obtained from the monthly totals of the general ledger trial balance of the appropriate accounts for the month involved.

**Item No.**

**1 Operating Revenue and Patronage Capital**

The entry for Column b is obtained by adding Part O, Items 12 and 13 of the "Total Year to Date" column.

**2 Power Production Expense**

Accounts 500 through 554

**3 Cost of Purchased Power**

Accounts 555, 556, and 557

**4 Transmission Expense**

Accounts 560 through 573

**5 Distribution Expense - Operation**

Accounts 580 through 589

**Item No.** (continued)

- 6     **Distribution Expense - Maintenance**  
Accounts 590 through 598
- 7     **Customer Accounts Expense**  
Accounts 901 through 905
- 8     **Customer Service and Informational Expense**  
Accounts 907 through 910
- 9     **Sales Expense**  
Accounts 911 through 916
- 10    **Administrative and General Expense**  
Accounts 920 through 931 and 935
- 11    **Total Operation and Maintenance Expense**  
Total of Items 2 through 10
- 12    **Depreciation and Amortization Expense**  
Accounts 403.1 through 403.7 and 404 through 407 (including 407.3 & 407.4)
- 13    **Tax Expense - Property and Gross Receipts**  
Account 408.1 and 408.6. Some States have enacted laws providing for payments in lieu of property taxes. These taxes should be reported as "Tax Expense - Property and Gross Receipts."
- 14    **Tax Expense - Other**  
All subaccounts of Accounts 408, except 408.1 and 408.6 plus Accounts 409.1, 410.1, 411.1, 411.4 and 420
- 15    **Interest on Long-Term Debt**  
Account 427. Do not include any interest earned on Balance of Advance Payments. It is non-operating income, item 21.
- 16    **Interest Charged to Construction - Credit**  
Account 427.3
- 17    **Interest Expense - Other**  
Account 431
- 18    **Other Deductions**  
Accounts 409.2, 410.2, 411.2, 411.5, 411.6, 411.7, 411.8, 411.9, 425, 426.1 through 426.5, 428, 428.1, 429, 429.1 and 430

**Item No.** (continued)

- 19 **Total Cost of Electric Service**  
Total of Items 11 through 18
- 20 **Patronage Capital and Operating Margins**  
Item 1 minus Item 19
- 21 **Non-Operating Margins - Interest**  
Account 419 and 432. Include interest earned on Balance of Advance Payments, if any.
- 22 **Allowance for Funds Used During Construction**  
Account 419.1
- 23 **Income (Loss) from Equity Investment**  
Account 418.1 plus the amounts recorded in Account 421 relating to the income or loss from investments recorded on the equity method of accounting for investments.
- 24 **Non-Operating Margins - Other**  
Net total of Accounts 415, 417, 418, 421, 421.1, less Accounts 416, 417.1, 421.2, and 422
- 25 **Generation and Transmission Capital Credits**  
Account 423
- 26 **Other Capital Credits and Patronage Dividends**  
Account 424
- 27 **Extraordinary Items**  
Net total of Accounts 409.3 plus 434 minus 435 plus or minus 435.1
- 28 **Patronage Capital or Margins**  
Total of Items 20 through 27

**PART B, DATA ON TRANSMISSION AND DISTRIBUTION PLANT**

All entries for Column a should be obtained from Column b of this part of the Operating Report for the prior year.

**Item No.****1 New Services Connected**

In Column b insert the total of all new individual services connected this year to date. The data should include new construction and exclude connections to new consumers on previously connected services.

**2 Services Retired**

In Column b place the number of all individual service installations physically removed during the year.

**3 Total Services in Place**

In Column b insert the number of services as of the end of the reporting period. (Report all services in place whether or not they are in use.)

**4 Idle Services (Exclude Seasonals)**

The number of idle services in Column b should be the total number of delivery points to which service wires remain physically in place but for which no bill is being rendered. Seasonal consumers or patrons paying a nominal sum for the retention in place of idle facilities should be excluded from the count of idle services.

**5 Miles Transmission**

Mileage in Column b represents the total pole line miles of transmission line that have been energized. A transmission line is a line serving as a source of supply to a point where the voltage is transformed to a voltage used for distribution purposes.

**6 Miles Distribution - Overhead**

Mileage in Column b represents the present total overhead pole line miles that have been energized. Distribution lines are those which deliver electric energy from the substation or metering point to the point of attachment to the consumers' wiring and include primary, secondary, and service facilities.

**7 Miles Distribution - Underground**

Mileage in Column b represents the total underground line miles of distribution lines (primary, secondary, and services) that have been energized.

**8 Total Miles Energized**

Sum of Items 5, 6, and 7

Note: (1) Underbuild in overhead lines or joint runs in underground installations do not increase the number of line miles except for distribution underbuild on transmission poles. In such cases, distribution pole line miles would be increased by the number of underbuild miles involved.

**PART C, BALANCE SHEET**

**Assets and Other Debits**

**Item No.**

- 1**    **Total Utility Plant in Service**  
Accounts 101 (total of Accounts 301 through 399), 101.1, 102 through 106, 114, 116, 118, and 120.1 through 120.6
- 2**    **Construction Work in Progress**  
All subaccounts of Account 107
- 3**    **Total Utility Plant**  
Sum of Items 1 and 2
- 4**    **Accumulated Provision for Depreciation and Amortization**  
All subaccounts of Account 108, and Accounts 111, 115, and 119
- 5**    **Net Utility Plant**  
Item 3 less Item 4
- 6**    **Non-Utility Property (Net)**  
Account 121 less Account 122
- 7**    **Investments in Subsidiary Companies**  
Account 123.11
- 8**    **Investments in Associated Organizations - Patronage Capital**  
Account 123.1
- 9**    **Investments in Associated Organizations - Other - General Funds**  
The amount of the investments recorded in Accounts 123.22 and 123.23 as provided for in 7 CFR 1717, Subpart N, Investments, Loans, and Guarantees by Electric Borrowers.



**Item No.** (continued)**10** **Investments in Associated Organizations - Other - Nongeneral Funds**

The amount of the investments in Accounts 123.22 and 123.23. The following are classified as such investments:

(1) All National Rural Cooperative Finance Corporation (CFC) – Capital Term Certificates (CTC) except those purchased more than 24 months in advance of their due date.

(2) Investments which have been specifically excluded by the Administrator or his designated representative.

(Note: The above investments are nongeneral fund items regardless of the account in which they are reported. However, the only excludable investments to be reported, for Item 10 are those which are reported in Accounts 123.22 or 123.23. The sum of the amounts reported for Items 9 and 10 should equal the sum of the balances in Accounts 123.22 and 123.23.)

**11** **Investments In Economic Development Projects**

Report investments in Economic Development Projects recorded in accounts 123, Investments in Associated Organizations, and 124, Other Investments. (Note: These Economic Development investment amounts should not be reported on any other line of the Balance Sheet.)

**12** **Other Investments**

Report amount in Account 124 not related to Economic Development Projects included in Item 11.

**13** **Special Funds**

Accounts 125 through 128

**14** **Total Other Property and Investments**

Total of Items 6 through 13

**15** **Cash - General Funds**

Accounts 131.1, 131.12, 131.13, 131.14, and 135. Item 46, "Accounts Payable," should be utilized for checks written and not paid as of the date of this report.

**16** **Cash - Construction Funds - Trustee**

Accounts 131.2 and 131.3. Item 46, "Accounts Payable," must be credited for checks written and not paid as of the date of this report.

**17** **Special Deposits**

Accounts 132 through 134

**Item No.** (continued)

- 18    **Temporary Investments**  
      Account 136
- 19    **Notes Receivable (Net)**  
      Account 141 and 145 less Account 141.1
- 20    **Accounts Receivable - Sales of Energy (Net)**  
      Account 142.1 less Account 144.1
- 21    **Accounts Receivable - Other (Net)**  
      Accounts 142.2, 143 and 146 less Accounts 144.2 through 144.4
- 22    **Materials and Supplies - Electric and Other**  
      Accounts 151 through 157, 158.1, 158.2 and 163
- 23    **Prepayments**  
      Accounts 165.1 and 165.2
- 24    **Other Current and Accrued Assets**  
      Accounts 171 through 174
- 25    **Total Current and Accrued Assets**  
      Total of Items 15 through 24
- 26    **Regulatory Assets**  
      Accounts 182.2 and 182.3
- 27    **Other Deferred Debits**  
      Accounts 181 through 190, except 182.2 and 182.3
- 28    **Total Assets and Other Debits**  
      Total of Items 5, 14, 25 through 27

**Liabilities and Other Credits****Item No.**

- 29    **Memberships**  
      Accounts 200.1 and 200.2
- 30    **Patronage Capital**  
      Accounts 201.1 and 201.2

**Item No.** (continued)**31** **Operating Margins - Prior Years**

Account 219.1 and Account 219.4 when it applies to operating margins.

**32** **Operating Margins - Current Year**

Total of Items 20, 25, 26, and the portion of Line 27 that relates to operating margins of the current RUS Form 7, Part A, Column b less that portion of current year margins transferred from Account 219.1 to Account 201.2 and included in the amount reported for Line 28, "Patronage Capital or Margins."

**33** **Non-Operating Margins**

Total of Account 219.2 plus Account 219.4 when it applies to non-operating margins, and Items 21, 22, 23, 24, and the portion of Line 27 that relates to non-operating margins, of the current RUS Form 7, Part A, Column b.

**34** **Other Margins and Equities**

Total of Accounts 208, 211, 215, 216.1, 217, 218, and 219.3

**35** **Total Margins and Equities**

Total of Items 29 through 34.

**36** **Long-Term Debt - RUS (Net)**

Accounts 224.1, 224.3, 224.5, 224.7 and 224.9 less Accounts 224.2, 224.4, 224.6, 224.8, and 224.10; also enter the amount of Account 224.6 in the space for "Payments-Unapplied." Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

**37** **Long-Term Debt - RUS - Economic Development (Net)**

Report amounts recorded in accounts 224.16, Long-Term Debt - Economic Development Notes Executed, less 224.17, RUS Notes Executed - Economic Development - Debit. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 49.

**38** **Long-Term Debt – FFB – RUS Guaranteed**

Report amounts recorded in accounts 224.14 less 224.15 that relate to FFB loans. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

**39** **Long-Term Debt - Other - RUS Guaranteed**

Report amounts recorded in accounts 224.11, 224.12, 224.14, 225, 226 less Accounts 123.21, 224.13 and 224.15 pertaining to Non-FFB debt whose repayment is guaranteed by RUS. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

**Item No.** (continued)

- 40**     **Long-Term Debt - Other (Net)**  
Report amounts in Accounts 221, 222, 223, 224.11, 224.12, 224.14, 225, 226 less 123.21, 224.13 and 224.15 pertaining to debt whose repayment is NOT guaranteed by RUS. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.
- 41**     **Total Long-Term Debt**  
Total of Items 36 through 40.
- 42**     **Obligations Under Capital Leases - Noncurrent**  
Account 227
- 43**     **Accumulated Operating Provisions**  
Accounts 228.1 through 228.4, and 229. Note: If the cumulative amount recorded in Account 228 is a debit balance, the amount should be reported on Line 12, Other Investments.
- 44**     **Total Other Noncurrent Liabilities**  
Sum of items 42 and 43
- 45**     **Notes Payable**  
Accounts 231 and 233
- 46**     **Accounts Payable**  
Accounts 232.1, 232.2, 232.3 and 234.
- 47**     **Consumers Deposits**  
Account 235
- 48**     **Current Maturities Long-Term Debt**  
Report amounts due within one year of the obligations reported on items 36, 38, 39 and 40.
- 49**     **Current Maturities Long-Term Debt – Economic Development**  
Report amounts due within one year of the obligations reported on item 37.
- 50**     **Current Maturities – Capital Leases**  
Account 243
- 51**     **Other Current and Accrued Liabilities**  
Accounts 236.1 through 236.7, 237, 238.1, 238.2, 239, 240, 241, and 242.1 through 242.5

- 52**    **Total Current and Accrued Liabilities**  
Total of Items 45 through 51
- 53**    **Regulatory Liabilities**  
Account 254
- 54**    **Other Deferred Credits**  
Accounts 252, 253, 253.1, 255, 256, 257, 281, 282, and 283
- 55**    **Total Liabilities and Other Credits**  
Total of Items 35, 41, 44, and 52 through 54

**PARTS D, NOTES TO FINANCIAL STATEMENTS**

Part D provides space for important disclosure notes to the financial statements not included in other parts of this form.

A partial checklist of these disclosure notes is as follows:

Prepaid or deferred charges that are being amortized for a period exceeding 12 months.

Capital leases for lessee; sales or financing leases for lessor.

Unbilled revenue -- Report of the amount not billed to consumers for which kWhs have been consumed. Please state if this amount is or is not included in Part C, line 20.

Accounting changes.

Contingent Assets and Liabilities

Deferred compensation\Pension plans -- employers.

Deferred Debits or Credits, and Extraordinary Items.

Margin Stabilization Plans.

Short-term obligations expected to be refinanced.

Deferred credits that are being amortized for a period exceeding 12 months.

Related party transactions.

**PART E, CHANGES IN UTILITY PLANT**

**Item No.**

- 1 **Distribution Plant**  
Accounts 360 through 373
- 2 **General Plant**  
Accounts 391 through 399.
- 3 **Headquarters Plant**  
Accounts 389 through 390.
- 4 **Intangibles**  
Accounts 301, 302, and 303
- 5 **Transmission Plant**  
Accounts 350 through 359
- 6 **All Other Utility Plant**  
Accounts 101.1, 102 through 106, 114, 116, 118, 120.1 through 120.6, and 310 through 346.
- 7 **Total Utility Plant in Service**  
Total of Items 1 through 6. Amount in column e should agree with Part C, Item 1.
- 8 **Construction Work in Progress**  
Account 107. Amount in column e should agree with Part C, Item 2.
- 9 **TOTAL UTILITY PLANT**  
Total of Items 7 and 8. Amount in column e should agree with Part C, Item 3.

**Column**

- a **Balance Beginning of Year**  
The balances in this column for each item should be the same as shown in "Balance End of Year" column of the previous years' report.

**Column** (continued)**b**     **Additions**

This column should show the additions to plant during the year including any corrections for additions for the current or preceding year for each item. The amount of the additions should be net cost (gross cost less contributions in aid of construction credited to the plant accounts). Include in this column transfers involving Account 103, "Experimental Electric Plant Unclassified," Account 106, "Completed Construction Not Classified - Electric," and Account 107, "Construction Work in Progress - Electric," made to close the record for items in these accounts. A credit will be shown in this column for Accounts 103, 106, and 107 if the "Balance End of Year" in either Accounts 103, 106, or 107 is less than "Balance Beginning of Year." Any amount paid for electric plant purchased during the year should be shown in Column b.

**c**     **Retirements**

This column should show the value of physical retirements for each item of plant made during the year including any corrections for retirements for the current or preceding year. Any amount received during the year for electric plant sold should be shown in Column c. Do not include contributions in aid of construction in this account. See instructions for Column b above.

**d**     **Adjustments and Transfers**

Include in this column:

1.       Transfers between utility plant purchased or sold and the utility plant in service accounts.
2.       Transfers between utility plant in service accounts and utility plant leased to others.
3.       Transfers between utility plant in service accounts and utility plant held for future use.
4.       Reclassifications or transfers within the utility plant in service accounts.

Do not include corrections of additions and retirements for the current or preceding year in this column. (These should be shown in Column b or Column c, respectively.) **Do not include transfers from Account 107 to 106, or 106 to the electric plant in service accounts. (These are to be shown in Column b.)**

Ordinarily, this column should total to zero. However, when utility plant purchased is transferred to the utility plant in service accounts, a difference will occur because of the accumulated provision for depreciation. When the utility plant in service accounts are credited with utility plant sold, a difference will develop. This is because of the adjustment to the accumulated provision for depreciation and the gain or loss.

**Column** (continued)**e** **Balance End of Year**

These balances should be determined at year-end directly from the accounts. Each item and column total should be verified to see that "Balance Beginning of Year" plus "Additions" minus "Retirements" and plus or minus "Adjustments and Transfers" equal "Balance End of Year." The amount for Item 8 should agree with RUS Form 7, Part C, Item 2. The amount for Item 9 should agree with RUS Form 7, Part C, Item 3.

**PART F, MATERIALS AND SUPPLIES****Item No.****1** **Electric**

**Column a:** Enter the total of the balances in Accounts 151 through 154 and 163 at the end of the previous year.

**Column b:** Enter the total of materials purchased during the year and recorded in Accounts 151, 152, and 154, plus net additions to Accounts 153 and 163 excluding inventory adjustments which are to be reported in Column f.

**Column c:** Enter the amount of the materials returned to stores from retirement of plant during the year.

**Column d:** Enter the net amount of materials used during the year (materials charged out less materials returned to stores). Include stores expense assigned to those materials. Do not include credits for inventory adjustments that are to be reported in Column f.

**Column e:** Enter the amount of all materials and supplies sold during the year.

**Column f:** Enter the net amount of inventory adjustments (shortages, overages, and breakage) made during the year.

**Column g:** Enter the total of the balances in Accounts 151 through 154 and 163 as of the end of the year.

**2** **Other**

Enter in Column a the total of Accounts 155, 156, 157, 158.1, and 158.2 at the end of the previous year. Enter in Column b the amount of other purchases (at cost) for the year. Enter in Column c any trade-in merchandise or other material put into stock. Enter in Column d any merchandise or other materials taken from stock for the cooperative's use. Enter in Column e all merchandise and other material sold during the year. Enter in Column f any adjustments (net) for shortages, overages, breakage, etc. Enter in



Column g the total of the balances in Accounts 155, 156, 157, 158.1, and 158.2 on December 31 (Note: Columns a plus b and c, less d and e, plus or minus f, as appropriate, equal Column g).

## **PART G, SERVICE INTERRUPTIONS**

The importance and manner of measuring and reporting continuity of service is described in RUS Bulletin 161-1. This bulletin provides for coding of causes that fit the four classifications shown in this part.

Average hours interruptions per consumer are obtained by multiplying the time of each interruption by the number of consumers affected and dividing by the average number of consumers receiving service.

### **Column**

**a Power Supplier**

Enter in this column the average interruption hours per consumer resulting from failure of the power supplier's facilities.

**b Extreme Storm**

It is intended that this column exclude common or expected weather conditions and include extreme weather conditions resulting in extraordinary interruption time and equipment damage. Usually there is a series of concurrent interruptions resulting from conditions that exceed design assumptions.

**c Prearranged**

This column includes service interruptions caused by a decision to de-energize all or part of the system.

**d All Other**

Include in this column all service interruptions not included in Columns a, b, and c.

**e Total**

This column represents the sum of all causes, and represents either the average interruption hours per consumer for the current year (Item 1), or the average for 5 years (Item 2).

### **Item No.**

**1 Present Year**

Enter data for the current year in the appropriate column.

**2 Five Year Average**

Enter data for the most recent 5 years including the current year. In the event that statistics are not available for a full previous 5 years, use the best estimate possible until actual figures become available

## **PART H, EMPLOYEE - HOUR AND PAYROLL STATISTICS**

The object of this part is to obtain statistics on all work performed for the borrower by the cooperative's employees based on payroll records.

### **Item No.**

**1**     **Number of Full-Time Employees**

The number reported should be the number of employees hired full-time for normal operations of the system. It should not include employees added to do emergency work, employees added for seasonal employment, or for special assignments. If an employee works for the first 6 months of the year, quits in July, and is replaced immediately or later by another employee, these two employees should be reported as one full-time employee.

**2**     **Employee-Hours Worked - Regular Time**

Report the total number of employee-hours worked for which the employees received a regular rate of pay. Include all employees both salaried and those paid by the hour. All leave with pay is to be counted as hours worked. All leave without pay is not to be counted.

**3**     **Employee-Hours Worked - Overtime**

Report the total number of employee-hours worked for which a premium rate of pay was received by the employee.

**4**     **Payroll - Expensed**

Enter the amount of payroll that was charged to the operation and maintenance expense accounts (Accounts 500 through 598 and 901 through 931 and 935) during the year.

**5**     **Payroll - Capitalized**

Enter the amount of payroll that was used in construction and retirement work (all payroll charged to Accounts 107.1 through 107.3, 108.8, plus all payroll directly charged to the plant Accounts 301 through 399).

**6**     **Payroll - Other**

Enter the amount of payroll that was not included in Items 4 and 5.

**PART I, PATRONAGE CAPITAL**

**Item No.**

**1 Capital Credits Distributions**

**a. General Retirements**

**Column (a) - This Year**

Enter the total of those retirements made during the current year that covered a specific period or a specific percentage of a period. See Item 1b(a) for additional instructions.

**Column (b) - Cumulative**

This entry should be determined in accordance with the instructions from Item 1a except that the period covered is from inception through and including the current year. It also may be determined by using the balance for this item for the prior year and adding the entry in Item 1a(a) for the current year.

**b. Special Retirements**

**Column (a) - This Year**

Enter the total of those retirements made during the current (reported) year, such as estate settlements (Note: The total of the entries in Items 1 and 2 in column a should equal total patronage capital retirements for the year).

**Column (b) - Cumulative**

The entry should be determined in accordance with the instructions for Item 2a except the period covered is from inception through and including the current year. It also may be determined by using the balances for this item for the prior year and adding the entry in Item 2a for the current year.

**c. Total Retirements**

**Column (a) - This Year**

Enter total of 1a and 2a

**Column (b) - Cumulative**

Enter total of 1b and 2b

**2 Capital Credits Received**

**a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power**

**Column (a) - This Year**

Self-explanatory

**b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System**

Column (a) - This Year

Self-explanatory

**c. Total Cash Received**

Column (a) - This Year

Enter total of 2a and 2b

**PART J, DUE FROM CONSUMERS FOR ELECTRIC SERVICE**

**Item No.**

**1 Amount Due Over 60 Days**

Include both connected and disconnected consumers.

**2 Amount Written Off During Year**

Include total charges during the current year to Account 144.1 representing the write-off of uncollectible accounts.

**PART K, kWh PURCHASED AND TOTAL COST**

Enter in Column a the name of each wholesale power supplier from which power was purchased for resale. Column b is for RUS use only. Enter in Column c the total kWh purchased from each supplier. Enter in Column d the total cost of power from each supplier. This shall include energy, demand, wheeling and other charges associated with the power purchased from each supplier. Enter in Column e the average cost per kWh purchased (in cents). This calculation is made by dividing Column d by Column c.

When the power bill includes charges or credits for items other than charges for demand and energy, such as fuel cost adjustments, wheeling, equipment rentals, taxes, etc., the amounts thereof should be determined and entered in Column f or g as appropriate.

**PART L, LONG-TERM LEASES**

Report in this part by lessor, the type of property, and the amount of rental for the year (accrued or paid) on all restricted property that the borrower holds under long-term lease from other parties.

Restricted Rentals as defined in 7 CFR Part 1718, Subpart B, "Mortgage for Distribution Borrowers," shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water

rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of 3 years and covering property having an initial cost in excess of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers. Long-Term Lease as defined in 7 CFR Part 1718, Subpart B, "Mortgage for Distribution Borrowers," shall mean a lease having an unexpired term (taking into account terms of renewal at the option of the lessor, whether or not such lease has previously been renewed) of more than 12 months.

General plant is not to be included in the data to be reported in this part. Leases accounted for as capital leases (CL), the cost of which is included in utility (or non-utility) plant, should also be disclosed here with proper additional information included in Part D, "Notes to Financial Statements," and Part N, "Long-Term Debt and Debt Service Requirements." Identify these leases by placing "(CL)" following the name of the lessor.

### **PART M, ANNUAL MEETING AND BOARD DATA**

#### **Item No.**

**1**     **Date of Last Annual Meeting**

Use date scheduled even if no legal meeting was held. If such is the case, so state.

**2**     **Total Number of Members**

The number of members in the cooperative that are eligible to vote is to be reported in this block. This number is to be determined on the basis of one vote to one member. It will customarily be less than the number of billed consumers as usually some members are billed for more than one account. If exact figures are not available, enter best estimate and use asterisk (\*) to show the figure is an estimate.

**3**     **Number of Members Present at Meeting**

Report number of members present in person as determined by registration or votes cast. Only report persons eligible to vote. Do not report total number of persons in attendance.

**4**     **Was Quorum Present?**

A "yes" or "no" answer is sufficient.

**5**     **Number of Members Voting by Proxy or Mail**

Report the number of absentee ballots cast. Include both proxy votes and absentee votes. If none, so state.

**6**     **Total Number of Board Members**

List number on board when all vacancies are filled.

**Item No.** (continued)**7** **Total Amount of Fees and Expenses for Board Members**

Include all fees, expenses, and per diem paid to board members for all purposes during the current year, including attendance at board meetings, training seminars, delegated board business, association meetings, amounts paid for insurance, and other expenses directly associated with individual board members.

**8** **Does Manager Have Written Contract?**

A "yes" or "no" answer is requested.

**PART N, LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS**

This section is to be prepared by all borrowers that list an amount on line 36 through 40 plus line 42 of Part C, RUS Form 7. Report all loans made to the utility system here. Loans made by the reporting utility system to others (e.g., economic development loans to finance local projects) should not be reported in this part of the report. Part N, line 12a, Total, should match the sum of the amount reported on line 41, "Total Long-Term Debt," plus the sum of the amount reported on line 42, "Obligations Under Capital Leases - Noncurrent, Part C, Balance Sheet.

**Item No.**

- 1-11** Enter required data for each lender. List each lender separately. Include all types of long-term obligations including long-term lease obligations (capital) as reported on lines 36, 37, 38, 39, 40, and 42, Part C, Balance Sheet.
- 12** Enter the total of Items 1 through 11 for each column.

**Column****a** **Balance End of Year**

Enter the outstanding long-term debt balance for each lender.

**b** **Interest**

Enter the sum of the amount for current interest billed during the year by each lender. This amount includes interest charged to construction as well as interest charged to expense. Do not deduct the interest earned on Balance of Advance Payments accounts.

**c** **Principal**

Enter the sum of the amounts billed for principal during the year by each lender. If a portion of the principal amount is being refinanced (e.g., the proceeds from a RUS or RUS-guaranteed loan are used to pay off a CFC intermediate-term construction loan), that amount should not be included in this column as part of the principal billed. The

principal amount being refinanced, however, should be asterisked and the refinanced portion should be shown under Part D, "Notes to Financial Statements."

Do not include in Columns b and c amounts billed that are applicable to another year's transaction such as billings for past due accounts, note assumptions, etc.

Amounts reported in Columns b and c should include billings due for payment by the end of the year. If a billing was not received for such a payment, the amount that will be billed should be estimated and included as part of the amounts reported in these columns.

**d**    **Total**

Enter the total of amounts in Columns b and c for each lender.

**PART O. POWER REQUIREMENTS DATA BASE – ANNUAL SUMMARY**

All revenue from operating electric plant including kWh sales, penalties, income from utility property, and miscellaneous items is to be reported in this part. Please note that if unbilled revenue is estimated (accrued) and reported in Form 7, Part A, Item 1, then the unbilled revenue must be included in the applicable classes on this form in Part O, also. It must be added to the billed revenue for Residential Sales, Residential Sales - Seasonal, etc. It should not be reported as Sales for Resales - Other.

**Item No.**

**1 - 9**    **Line a**

**Number Consumers Served**

Enter the number of consumers, by classification, having a current service connection in December in Column a. Enter the average number of consumers served based on the number of months that revenue is reported in Column b.

**Special Circumstances for Number Consumers Served**

Residential consumers (seasonal and non-seasonal) should be counted on the basis of the number of residences served. If one meter serves two residences, then two consumers should be counted. If a water heater is metered separately from other appliances on the same premises, do not count the water heater load as a separate consumer.

Security or safety lights, billed to a residential customer, should not be counted as an additional consumer, nor should they be included in the Public Street and Highway Lighting Classification.

Seasonal consumers expected to resume service during the next seasonal period should be counted during off-season periods as well.

A residence and commercial establishment on the same premises, receiving service through the same meter and being billed under the same rate schedule, would be classified as one consumer based on the rate schedule. If the same rate schedule applies to both the residential and the commercial class, the consumer should be classified according to principal use.

Consumers for Public Street and Highway Lighting should be counted by the number of billings, regardless of the number of lights per billing.

Installations erected for billboards or advertising purposes should be counted by billing and included in the appropriate commercial classification.

**1 - 9** **Line b**  
**kWh Sold**

Enter the number of kWh sold during the year for each consumer classification in Column c, Total Year to Date.

**1 - 9** **Line c**  
**Revenue**

Enter the dollar value of billings for the year for each consumer classification in Column c, Total Year to Date.

**10** **Total Number of Consumers**

Enter the total of Lines 1a through 9a, Column a, December, and Column b, Average No. Consumers Served.

**11** **Total kWh Sold**

Enter the total of Lines 1b through 9b, Column c, Total Year to Date.

**12** **Total Revenue Received from Sales of Electric Energy**

Enter the total of Lines 1c through 9c, Column c, Total Year to Date.

**13** **Other Electric Revenue**

Report amounts in accounts 412, 414, 449.1, 450, 451, and 453 through 456 less account 413. Enter the total in column c, Total Year to Date. Check: Line 12 total plus Line 13 total must agree with Part A, Line 1, Column b.

**14** **kWh - Own Use**

Enter the total of the kWh consumed for corporate purposes in Column c, Total Year to Date. Show only kWh purchases under wholesale power contract for resale or self-generated and used for this purpose. Do not report energy purchased directly from a supplier solely for corporate purposes.



**15 Total kWh Purchased**

Enter the total of the kWh delivered by the power suppliers in the Column c, Total Year to Date. Transformer loss adjustments for low or high side delivery, if any, should be reported as kWh delivered.

**16 Total kWh Generated**

Enter the total of the net generation in Column c, Total Year to Date. Check: These figures should agree with those reported in RUS Form 12d, 12e, 12f, and 12g.

**17 Cost of Purchases and Generation**

Enter the total of Part A, Column b, Lines 2, 3, and 4, in Column c, Total Year to Date.

**18 Interchange - kWh - Net**

Energy flow between two electric systems, but not included in power billings is to be entered on this line. Energy received into the systems should be reported as a positive figure and energy delivered out of the system should be reported as a negative number. When the flow is both "in" and "out", the difference should be reported. Enter the total in Column c, Total Year to Date.

**19 Peak - Sum All kW Input (Metered)**

Please check the appropriate box indicating coincident or non-coincident peak.

Enter the highest monthly demand reported in Column c, Total Year to Date.

Include both generated and purchased power. For purchased power, use metered demand plus adjustments for transformer losses. Do not include adjustments made for billing purposes.

**EXHIBIT B**  
**SPECIFIC INSTRUCTIONS FOR RUS FORM 7a**  
**INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION**

This form implements the reporting requirements placed on RUS borrowers in 7 CFR 1717, Subpart N.

**General Instructions**

1. RUS Form 7a, Investments, correspond to those reported in the Balance Sheet (RUS Form 7, Page 2, Part C, Balance Sheet). Also, all investment items summarized on the Balance Sheet are also reported here and classified as either included, that is subject to the 15% Rule\*, or excluded.

\*The 15 percent Rule states: "A Borrower in compliance with all provisions of its RUS mortgage, RUS loan contract, and any other agreements with RUS may, without prior written approval of the Administrator, invest its own funds or make loans or guarantees not in excess of 15 percent of its total utility plant without regard to any provisions contained in any RUS mortgage or RUS loan contract to the effect that the borrower must obtain prior approval from RUS, ..." [Reference 7 CFR 1717.654, "Transactions below the 15 percent level," 1717.655, "Exclusion of certain investments, loans, and guarantees," and 1717.656, "Exemption of certain borrowers from controls."]

2. *Please cross check each item listed in PART I. INVESTMENTS, to ensure that the total of each category on the Form 7a (e.g., 1. Non-Utility Property (Net)) matches the balance sheet amount on Form 7.*

3. Exhibit C of this bulletin classifies most investments as either Included or Excluded. In developing our guidelines, we referred to 7 CFR 1717.655, "Exclusion of certain investments, loans, and guarantees." If you need further clarification, contact your RUS Regional Division office for assistance. Exhibit D of this bulletin describes each type of investment in greater detail and classifies it as included or excluded.

4. Almost all investments must be reported separately, however, there are exceptions: Energy Resources Conservation (ERC) loans, and Loans to Employees, Officers, and Directors, each of these types of investments should be combined and reported as a total. A full description of each investment is needed by RUS to verify its proper classification as included or excluded.

5. Loan guarantees that a RUS borrower makes (e.g. member guarantees of its power supplier's loan from RUS) in conformance with the terms of a formal agreement with RUS are excludable.

6. If you need more space than the printed forms provide, please show the remainder of your investments, separately, on a continuation page with headings like the Form 7a, keyed to the report name, item name, and number. A continuation form is enclosed.

Please review the following material carefully.

**ITEMS INCLUDED IN 15% RULE CALCULATION:**

All items properly reported in the Balance Sheet, RUS Form 7, Part C. Balance Sheet, items: 6 through 13, 15, 17 through 19, plus 21 must be reported as Included, or Excluded items, as defined below. The sum of the Included items, plus the sum of the borrower's commitments to invest in the 12 months following the reporting period, plus the sum of loans (the balances of loans outstanding) which the borrower has guaranteed, except those amounts excluded, added together, may not exceed 15% of Total Utility Plant to comply with the 15% Rule. [Reference 7 CFR 1717.655, "Exclusion of certain investments, loans, and guarantees."]

**EXCLUDED INVESTMENTS:**

The following list includes nearly all Approved Exclusions [Reference 7 CFR 1717.655]

1. Patronage Capital allocated from a power supply cooperative of which the borrower is a member.
2. Loans, investments, security, obligations entered into prior to the date of the borrower's initial RUS Mortgage.
3. Securities or deposits issued, guaranteed or fully insured as to payment by the U.S. Government or any agency thereof. Though not an exhaustive list, this includes:
  - (a) U.S. Savings Bonds
  - (b) U.S. Treasury Bonds, Notes, Bills, Certificates
  - (c) Checking, Savings, and Certificates of Deposit, up to the limit of the amount insured by an instrumentality of the U.S. Government. [However, the amount exceeding \$100,000 (in any single institution) insured by the Federal Deposit Insurance Corporation (FDIC) should be reported on Form 7a, Part I, as an Included item.]
  - (d) Securities issued by the following Federal agencies and guaranteed as to payment by the full faith and credit of the U.S. Government (payable from the U.S. Treasury):  
Farm Credit System Financial Assistance Corporation (FCSFAC),  
Farmers Home Administration (FmHA),  
Federal Financing Bank (FFB),  
General Services Administration (GSA),  
Government National Mortgage Assoc. (GNMA),  
Maritime Administration Guaranteed Ship Financing Bonds issued after 1972,  
Small Business Administration (SBA),  
Washington Metropolitan Area Transit Authority (WMATA) Bonds.
  - (e) Other securities or deposits issued, guaranteed or fully insured as to payment by any agency of the United States Government. Unlike those listed above, these instruments may not be guaranteed by the full faith and credit of the U.S. Government, but are excludable.

4. Capital term certificates, bank stock, or similar securities of the supplemental lender which have been purchased as a condition of membership in the supplemental lender, or as a condition of receiving financial assistance from such lender, i.e., subscription or loan related capital term certificates from CFC, or stock from CoBank or Banks for Cooperatives.
5. Capital Credits issued by the supplemental lender received as an outcome of receiving financial assistance from that lender.
6. CFC Commercial Paper, CoBank Cash Investment Service, and Surplus Funds Program (St. Paul Bank for Cooperatives).
7. Any other investment that has been given formal written approval by the Administrator of RUS as an exclusion from the 15% Rule should be shown in Excluded column. For clarity, footnote such investments, and explain their special exemptions, otherwise the reviewer will assume they are classified improperly.
8. Investments funding post-retirement benefits are an excluded investment. [Reference Financial Accounting Standards Board Statement 106]
9. Reserves, if required by Revenue Bond Agreement; or amounts set aside to ensure prompt payment of loans made, guaranteed, or secured by a lien accommodated by RUS are excluded. However, only funds required for payments due within a three-month period after the report date may be excluded unless the "Agreement" requires a larger fund.

## **PART I. INVESTMENTS**

Report all items in the following Balance Sheet categories on Form 7, Part C:

1. Non-Utility Property (Net):  
Report items summarized as Balance Sheet item 6.
2. Investments in Associated Organizations:  
Report items summarized as Balance Sheet items 7, 8, 9 and 10.
3. Investments in Economic Development Projects:  
Report items summarized as Balance Sheet item 11.
4. Other Investments:  
Report items summarized as Balance Sheet item 12.
5. Special Funds:  
Report items summarized as Balance Sheet item 13.

6. Cash-General:  
Report items summarized as Balance Sheet item 15.
7. Special Deposits:  
Report items summarized as Balance Sheet item 17.
8. Temporary Investments:  
Report items summarized as Balance Sheet item 18.
9. Notes and Accounts Receivable (Net):  
Report items summarized as Balance Sheet item 19 and 21.
10. Commitments To Invest Within 12 Months:  
These items do not appear on the RUS Form 7, Part C, Balance Sheet. Report any legally binding commitments to invest within the 12 months following the reporting period.

Column headings:

Column (a), Investment Description, giving issuer's name e.g. C.D. 1st National Bank, Omaha NE, or US Treasury Certificates, other investments, giving the name, the city and state of their address, type of investment.

Column (b), Included Amount: See Exhibit C of this bulletin.

Column (c), Excluded Amount: See Exhibit C of this bulletin.

Column (d), Income or Loss: For each investment that is accounted for under the equity method of accounting and reported in Section 2, Investments in Associated Organizations, 3, Investments in Economic Development Projects, and 4, Other Investments, indicate the amount of income or loss recognized during the reporting period. If there were no investments to account for under the equity method of accounting, please enter zero. For each receivable reported in section 9, Accounts & Notes Receivable (Net), indicate the amounts, if any, charged to the provision for uncollectible notes receivable. If there were no charges for uncollectible notes receivable, please enter zero.

Column (e), Rural Development: Identify investments in rural economic development by placing an "X" in column e. Include investments in any/all types of projects or products that were made to improve the economy and/or quality of life in your area.

Examples of Rural Economic Development Investments include (but are not limited to): energy resources and conservation loans, rural development loans/grants, water/wastewater, satellite/cable TV, natural/propane gas, telephone/Internet, power quality, load management, agricultural services, housing, industrial parks/organizations, incubator buildings, public health/safety, financing/revolving loan funds, security services, etc.

## **PART II. LOAN GUARANTEES**

In this part, the reporting RUS borrower should list each loan guarantee they have given. They should not list those they receive from RUS or any other source. For example, a reporting borrower's guarantee of a bank's loan to a local rural development project should be reported here. By contrast, a Federal Financing Bank loan to your organization, the reporting RUS borrower, the repayment of which is guaranteed by RUS, should not be reported here.

List each loan your organization has guaranteed. This includes but is not limited to guarantees of loans to rural development projects, subsidiary organizations, associated/nonassociated organizations, power supply organizations.

**Excluded Guarantees:** Guarantees that a borrower makes in conformance with the terms of a formal agreement with RUS are excludable. For example, if a reporting RUS borrower guarantees the repayment of a loan made by a bank to a subsidiary of the power supplier, but the terms of that loan were not specifically agreed to by RUS, the guarantee is Includable. By contrast, a member's guarantee of its power supplier's loan, made as required by RUS, is Excludable.

**Column (a), Organization:** Identify the legal person, or entity whose loan is guaranteed, giving the name, the city and state of their address.

**Column (b), Maturity Date:** This is the date when the final payment on the loan guarantee by your organization is payable. If the final date has been extended, the new final date payment should be furnished here.

**Column (c), Original Amount:** The original loan amount owed upon execution of the note, usually the face amount, or a portion thereof, if it is a partial guarantee.

**Column (d), Loan Balance:** The remaining balance of the original loan amount that is outstanding, or portion thereof if it is a partial guarantee.

**Column (e), Rural Development:** Identify loan guarantees in rural economic development by placing an "X" in column e. Include loan guarantees in any/all types of projects or products that were made to improve the economy and/or quality of life in your area.

**Examples of Rural Economic Development Investments include (but are not limited to):** energy resources and conservation loans, rural development loans/grants, water/wastewater, satellite/cable TV, natural/propane gas, telephone/Internet, power quality, load management, agricultural services, housing, industrial parks/organizations, incubator buildings, public health/safety, financing/revolving loan funds, security services, etc.

**Line 4, Totals,** report the totals of Original Amounts and Loan Balances for all guarantees.

**Line 5, Total - Included Loan Guarantees,** report the sums of the Original Amounts and remaining Loan Balances or portion of the loan balances (shown in column d) that your

organization guaranteed, which are not excludable, that is, those which are subject to the 15% Rule limitation.

**PART III, RATIO OF INVESTMENTS AND LOAN GUARANTEES TO TOTAL UTILITY PLANT**

Divide the sum of the Included Investments (Part I, item 11, Total of Investments, column (b)) plus Included Loan Guarantees (Part II, Totals, Column (d)) by the Total Utility Plant (Form 7, Part C, Balance Sheet, item 3). This percentage should be expressed as a whole number with one decimal digit, e.g. 12.9%. Note: the balance of the "Loans" Part IV is not included.

**PART IV, LOANS**

List each note receivable, draft, demand loan, time loan, and similar evidence of indebtedness for each loan made by your organization. However, loans to your Employees, Officers, and Directors, and Energy Resources Conservation Loans (both items printed on the form) should be reported as totals.

Column (a) Name of the debtor organization

Column (b) Final maturity date

Column (c) Original loan amount

Column (d) Outstanding loan balance, or carrying value

Column (e) "X" for loans made for Rural Development purposes

**EXHIBIT C**  
**INVESTMENTS UNDER THE 15 PERCENT RULE**  
**Investments to be INCLUDED in the 15 Percent Calculation**

Annuity-type investments	Money market mutual funds
Asset management accounts	Mortgage-backed securities (unless backed by full faith and credit of a U.S. Government Agency)
Brokerage Accounts (non-FDIC)	Municipal bonds
Cash and CD's* (uninsured part)	Mutual funds
Commercial paper (except NRUCFC)	Options (stock)
Common stock	Patronage capital, other than that from power suppliers and supplemental lenders
Convertible certificates (bonds, debentures, preference stock)	Preferred stock
Corporate bonds	Real Estate Investment Trusts
Energy resources conservation loans	Repurchase agreements
Futures contracts	Unit investment trusts
Lines of credit (to others, including G&T's)	Warrants
Loan guarantees NOT required by RUS	Zero coupon bonds
Loans - personal	
Membership certificates	

**Investments to be EXCLUDED from 15 Percent Calculation**

Capital term certificates, bank stocks, etc., purchases as condition of supplemental lender membership or financing	Patronage capital, from power supply cooperative from supplemental lenders
CoBank cash investment services certificates	Post Retirement Benefits - Funded Revenue Bond (Debt Service) Reserves
Commercial paper issued by NRUCFC	Surplus Funds Program (St. Paul Bank for Cooperatives)
Deferred compensation (including MINT)	U.S. Savings Bonds
Loan guarantees required by RUS	U.S. Treasury Bills
Mortgage backed securities backed by full faith and credit of a U.S. Government agency (e.g., Ginnies, FCSFAC, FmHA CBO's, Frannies, FFB, GSA, and TVA)	U.S. Treasury Bonds
NRUCFC membership certificates	U.S. Treasury Notes
NRUCFC securities (debt)	U.S. Governments backed by full faith and credit, U.S. Treasury: e.g., Maritime Administration Guaranteed Ship Financing Bonds (issued after 1972)
	Farm Credit System Financial Assistance Corporation
	FmHA, SBA, and WMATA



Investments Which May Be EXCLUDED Within Certain Limits

\* Several forms of investment may be excluded from the 15 percent calculation to the extent that they are insured by U.S. Government agencies, such as FDIC, etc. However, any such investments in excess of the insured amount (typically \$100,000) are Included in the 15 percent calculation.

**EXHIBIT D**  
**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Annuity	Provides regular, guaranteed income payments for life or set time period.	Includable
Asset Management Account	One-stop financial plan that included brokerage account, checking, debit and credit card, money market fund.	Includable
Brokerage Accounts	Stock Brokers, banks, other agents providing investment services	Includable
Capital term certificates, bank stock, or similar securities	Securities of the supplemental lender which have been purchased as a condition of membership in the supplemental lender, or as a condition of receiving financial assistance from such lender.	Excludable
Cash, Uninsured	See U.S. Government issued, guaranteed, or fully insured securities or deposits.	Includable
Certificate of Deposit (CD) (Less than \$100,000) In FDIC Bank	Receipt for set sum of money left in bank for set period of time at an agreed-upon interest rate; at end of period, bank pays deposit plus interest.	Excludable
CoBank Cash Investment Services	Short-term unsecured notes sold by the CoBank.	Excludable

**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Commercial Paper	Short-term unsecured notes sold by large corporations.	Includable
Commercial Paper, NRUCFC	Short-term unsecured notes sold by NRUCFC.	Excludable
Common Stock	Security that represents ownership in a company.	Includable
Convertible	Bond, debenture, or preferred share of stock which may be exchanged by owner for common stock, usually of same company.	Includable
Corporate Bond	Debt obligation of corporation.	Includable
Debt Service Reserve	Cash set aside to ensure prompt payment of (1) Revenue Bonds, or (2) RUS: Loans, Guarantees, or RUS Lien Accommodated Loans	Excludable: AMT. DUE IN THE 3 MONTHS FOLLOWING REPORT DATE
Deferred Compensation	Periodic payments made to an employee after retirement, either for the employee's life or for a specified number of years, for specific duties performed during periods of active employment.	Excludable

## INVESTMENT DESCRIPTIONS

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Energy Resources Conservation (ERC) Loans	Loans made by RUS borrower to its consumers for the cost of labor and materials for the following energy conservation measures: <ol style="list-style-type: none"><li>1. Caulking</li><li>2. Weather-stripping</li><li>3. Ceiling insulation</li><li>4. Wall insulation</li><li>5. Floor insulation</li><li>6. Duct insulation</li><li>7. Pipe insulation</li><li>8. Water heater insulation</li><li>9. Storm windows</li><li>10. Thermal windows</li><li>11. Storm or thermal doors</li><li>12. Clock thermostats</li><li>13. Attic ventilation fans</li></ol>	Includable
Futures contracts	Contracts covering sale of financial instruments or physical commodities for future delivery; includes agricultural products, metals, Treasury bills, foreign currencies, and stock index futures (i.e., Standard and Poor's 500).	Includable
Line of Credit	Bank's moral commitment to make loans to a company for a specific maximum amount for a given period of time, typically 1-year. There is usually no commitment fee charged on the unused line. However, a compensating balance requirement often exists.	Includable

## INVESTMENT DESCRIPTIONS

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Loan Guarantee	Guarantees for the payment of debt obligations of others; i.e., including but not limited to rural development projects, subsidiary organizations, associated/nonassociated organizations, power supply organizations, etc.	Includable Excludable  if formally approved by RUS/ or required by RUS loan contract.
Loans - Employees, Directors, Officers, and Others	Agreement by which an owner of property (the lender) allows another party (the borrower) to use the property for a specified time period, and in return the borrower will pay the lender a payment (usually interest), and return the property (usually cash) at the end of the time period. A loan is usually evidenced by a Promissory Note. Loans to a power supply cooperative, G&T, of which the cooperative is a member, are excludable, if these loans have been given specific RUS approval for exclusion or are required by RUS.	Includable
Membership Certificate	Security that represents ownership in a company.	Includable

**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Money market deposit account (if FDIC insured and Under \$100,000)	A type of money market fund at a bank or savings and loan association with limited checking privileges.	Excludable
Money market mutual fund	An investment company which buys short-term money market instruments.	Includable
Mortgage-backed securities	Securities representing a share ownership of mortgages guaranteed as to payment by an Agency of the Federal governments; includes Ginnie Maes, Fannie Maes, Freddie Macs, etc.	Excludable
Mortgage-Backed securities	Not guaranteed as to payment by an agency of the Federal Government.	Includable
Municipal bond	Debt obligation of state, city, town or their agencies.	Includable
Municipal bond Public Utility Cooperative (Municipalities)	Debt obligation of public utility cooperative that is required by law to obtain financing through bonds.	Includable
Mutual fund	Investment trust in which your dollars are pooled with those of hundreds of others and invested by professional managers in stocks or bonds.	Includable

**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
National Rural Utilities Coopera- tive Finance Corporation (NRUCFC) membership certificate	Security that represents ownership in NRUCFC.	Excludable
NRUCFC Patronage Capital	Amounts paid or payable by NRUCFC arising from its furnishing credit services to member cooperatives, i.e., the refund of excess of its charges over its actual cost of service.	Excludable
NRUCFC Securities, Other	All securities issued by NRUCFC, except patronage capital, are excludable investments.	Excludable
Negotiable order of withdrawal (NOW) account	NOW interest-bearing checking account.	Excludable if FDIC & under \$100,000
Options	The right to buy (call) or sell (put) a stock at a given price (strike price) for a given period of time.	Includable

## INVESTMENT DESCRIPTIONS

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Patronage Capital, other than power suppliers and supplemental lenders	Amounts paid or payable by the other associated companies in connection with the furnishing of supplies, etc., which are in excess of the cost of service and all other amounts which the associated companies are obligated to credit to the cooperative as patronage capital.	Includable
Patronage Capital, G&T Power Suppliers	Amounts paid or payable by the cooperative in connection with the furnishing of electric energy which are in excess of the cost of service and all other amounts which the G&T power supplier is obligated to credit to the cooperative as patronage capital.	Excludable
Preferred stock	Stock sold with a fixed dividend; if company is liquidated, has priority over common stock.	Includable
Real estate investment trusts (REIT)	Corporation or trust that invests in or finances real estate: offices, shopping centers, apartments, hotels, etc.; sold as securities.	Includable



**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Repurchase Agreement	Short-term buy/sell deal involving any money market instruments (but usually Treasury bills, notes, and bonds) in which there is an agreement that securities will be resold to the seller on an agreed-upon date, often the next day. The money market fund holds the securities as collateral and charges interest for the loan.	Includable
Savings account	Account in which money deposited earns interest.	Excludable if FDIC insured & less than \$100,000
SuperNOW account	Interest-bearing bank account.	Excludable if FDIC insured & less than \$100,000
Surplus Funds Program, (St. Paul Bank for Cooperatives)	Short-term unsecured notes sold by the Banks of Cooperatives. (St. Paul, Springfield, and CoBank).	Excludable
Treasury bills	Short-term U.S. Treasury securities; maturities: 13, 26, 52 weeks.	Excludable

**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
Treasury bonds	Long-term U.S. Treasury securities; maturities: 10 years or more.	Excludable
Treasury notes	Medium-term securities of U.S. Treasury, maturities: not less than 1 year and not more than 10 years.	Excludable
Unit investment trust	Fixed portfolio of securities deposited with a trustee; offered to public in units; categories include municipal bonds, corporate bonds, public utility common stocks, etc.	Includable
U.S. Savings Bonds	Debt obligations of U.S. Treasury designed for small investor.	Excludable
U.S. Government issued, guaranteed, or fully insured, securities or deposits	Securities or deposits issued, guaranteed, or fully insured, as to payment by the U.S. Government, or any agency thereof.	Excludable
	Deposits are fully insured, up to a \$100,000 limit, by the following agencies: 1. Federal Deposit Insurance Corporation (FDIC) 2. National Credit Union Share Insurance Fund	Excludable

**INVESTMENT DESCRIPTIONS**

<b><u>Type of Investment</u></b>	<b><u>Description</u></b>	<b><u>Includable or Excludable</u></b>
U.S. Government issued, guaranteed, or fully insured, securities or deposits (continued)	Securities fully backed with the full faith and credit of the U.S. Government are as follows: <ol style="list-style-type: none"> <li>1. Farm Credit System Financial Assistance Corporation (FCSFAC)</li> <li>2. Farmers Home Administration (FmHA) Certificates of Beneficial Ownership (CBO)</li> <li>3. Federal Financing Bank (FFB)</li> <li>4. General Services Administration (GSA)</li> <li>5. Government National Mortgage Association (GNMA), also known as Ginnie Mae</li> <li>6. Maritime Administration Guaranteed Ship Financing Bonds, issued after 1972</li> <li>7. Small Business Administration (SBA)</li> <li>8. Washington Metropolitan Area Transit Authority (WMATA) Bonds</li> </ol>	Excludable
	The following investments are securities backed by the full faith and credit of U.S. Government agencies and are Excludable Investments: <ol style="list-style-type: none"> <li>1. Farm Credit System</li> <li>2. Federal Home Loan Banks (FHLB)</li> <li>3. Federal Home Loan Mortgage Corporation (FHLMC) (Freddie Mac)</li> </ol>	Excludable

U.S. Government  
issued, guaranteed,  
or fully insured,  
securities or deposits  
(continued)

4. Federal National Mortgage  
Association (FNMA)  
(Fannie Mae)
5. Financing Corporation  
(FICO)
6. Resolution Funding  
Corporation (REFCORP)
7. Student Loan Marketing  
Association (Sallie Mae)
8. Tennessee Valley Authority  
(TVA)
9. United States Postal  
Service

Warrant

Gives holder right to  
purchase a given stock at  
a stipulated price over  
a fixed number of years.

Includable

Zero coupon bond

Debt instruments; sold at  
discount from face value  
with no annual interest  
paid out; capital appreciation  
realized upon maturity;  
includes Training Investment  
Growth Receipts (TIGERS),  
and Certificates of Accrual  
on Treasury Securities (CATS).

Includable

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 5:** Provide South Kentucky's long-term construction planning program.

**Response 5:** Please see the attached Construction Work Plan.

**ATTACHMENT PSC DR 1-5**



## **2020-2023 Construction Work Plan**

**Kentucky 54 Wayne  
Somerset, Kentucky**



**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
CORPORATION**

**KENTUCKY 54 WAYNE  
SOMERSET, KENTUCKY**

**CONSTRUCTION WORK PLAN (CWP)  
January 2020 – December 2023**

**ENGINEERING CERTIFICATION**

Upon completion of the construction proposed herein, the above electric distribution system can provide adequate and dependable service to the projected 70,335 members. The peak demand calculated under *extreme* forecast, is estimated to be approximately 548MW in the winter 2023-2024.

The loads estimated for the 2020-2023 period are consistent with the 2018 South KY RECC Power Requirements Study and the applicable RUS bulletins. The Long Range System Study (LRSS) was completed in 2007 and the construction included herein is in accordance with the LRSS.

I certify that this 2020-2023 Construction Work Plan was prepared by me or under my direct supervision, and that I am a duly registered Professional Engineer under the laws of the State of Kentucky.

John Kevin Newton  
Kentucky P.E. No. 21,520

Dakota Brown, EIT

Engineer's Certification



## **Table of Contents**

### **I. Executive Summary**

<b>A. Purpose of the Report, Results of Const., &amp; General Basis</b>	1
<b>B. Service Area &amp; Power Supply</b>	2
<b>C. System Organization &amp; Operation</b>	3
<b>D. Status of Previous Construction Work Plan</b>	3
<b>E. KY PSC Electric Distribution Service Area</b>	5
<b>F. Summary of Proposed 2020-2023 Construction &amp; Costs</b>	6

### **II. Basis of the Study & Proposed Construction**

<b>A. Design Criteria</b>	6
<b>B. Historical Line &amp; Equipment Costs</b>	8
<b>C. Conductor Change Out Program</b>	11
<b>D. Analysis of Current System Studies (LF, LRSS, RUS form 300)</b>	12
<b>E. Existing &amp; Projected Substation Loading</b>	15
<b>F. System Reliability</b>	16
<b>G. Historical Annual Energy, Load and Member Data</b>	16
<b>H. Circuit Loading &amp; Voltage Conditions</b>	17

### **III. Required Construction Items**

<b>A. Code 100 – New Services</b>	17
<b>B. Code 300 – System Improvements</b>	18
<b>C. Code 601 – Transformers &amp; Meters</b>	21
<b>D. Code 602 – Service Changes</b>	21
<b>E. Code 603 – Line Sectionalizing &amp; Gap Arrestors</b>	21
<b>F. Code 604 – Line Regulators</b>	22
<b>G. Code 605 – Line Capacitors/Controls</b>	22
<b>H. Code 606 – Pole Replacements</b>	22
<b>I. Code 607 – Miscellaneous Replacements</b>	22
<b>J. Code 608 – Non-Site Specific Conductor Replacements</b>	23
<b>K. Code 612 – Step-Transformers</b>	23
<b>L. Code 615 – Communications</b>	23
<b>M. Code 702 – Outdoor Lighting</b>	24
<b>N. Code 704 – SCADA</b>	24
<b>O. Substation, Meter Point Additions, &amp; Changes</b>	24

### **IV. Conclusions**

24

#### **USB Drive - Milsoft Windmil Load Flow Cases**

- 1- Existing System/Existing Load (530MW)
- 2- Existing System/Future Load (545MW)
- 3- Future System/Future Load (545MW)

## **List of Figures**

<b>Figure 1.1.</b> KY Public Service Commission (PSC) Electric Distribution Service Area	5
<b>Figure 2.1.</b> SKRECC Operations & Maintenance Survey (RUS Form 300)	13

## **List of Tables**

<b>Table 1.1.</b> 2015-2018 CWP Project Statuses	4
<b>Table 1.2.</b> Yearly Index of New Construction & System Improvement Costs	6
<b>Table 2.1.</b> Prior Two Year Historical Data & Construction Required	8
<b>Table 2.2.</b> Substation 2017/2018 Winter Loading	15
<b>Table 2.3.</b> SAIDI – System Average Interruption Duration Index	16
<b>Table 2.4.</b> Historical & Projected Annual Energy, Load, & Member Data	16
<b>Table 3.1.</b> System Improvement Results	20



## **I. EXECUTIVE SUMMARY**

### **A. PURPOSE OF THE REPORT**

This report documents data configured during the winter of 2017-2018 that illustrates an engineering analysis and summarizes the proposed construction for South Kentucky Rural Electric Cooperative Corporation's (SKRECC) electric distribution system for the Construction Work Plan (CWP) period of 2020-2023.

This plan provides engineering support in the form of descriptions, costs, and justifications of required new and alteration of facilities to provide quality and reliable electric service for its new and existing members. SKRECC's intention for this report is to fulfill the specifications and direction of the Rural Utilities Services (RUS) Work Plan criteria to attain financial support for its proposed construction requirements.

### **RESULTS OF THE PROPOSED CONSTRUCTION**

Upon completion of the construction of facilities proposed herein, the system will provide adequate and dependable service to approximately 64,009 residential members utilizing an average of 1,089 kWh per member per month; 6,295 small commercial members, and 31 large commercial members provided for on an individual basis. It is estimated 7,920 idle services.

### **GENERAL BASIS OF THE STUDY**

The 2023 projected number of consumers and total peak system loads were derived directly from SKRECC's 2018 Power Requirements Study (PRS) prepared jointly by East Kentucky Power Cooperative (EKPC) and SKRECC as approved by the RUS. The projected load increases are uniformly spread throughout the system except for specified high growth areas that were noted individually.

New distribution, transmission, and power supply construction requirements are considered simultaneously as a "one system" approach for the orderly and economic development of the total system. All of the proposed construction and recommendations herein, relative to power supply and delivery, were discussed with the cooperative's power supplier, EKPC.

A complete list of the lines and equipment with their estimated cost (based on 2 year historical data) required to serve additional members is developed in Sections II & III. A similar list and cost of necessary service upgrades to existing members is also included in these sections.

An analysis, using RUS guidelines and the design criteria herein, for thermal loading, voltages, physical conditions, and reliability are performed on all of the substations with relation to their distribution feeders and associated equipment on the projected system. Milsoft's distribution analysis software (WINDMIL) is used to analyze each distribution circuit including the base 2017-2018 peak load conditions with the addition of year 2023 calculated load. The exhibits in Sections II & III form the rest of the basis of this analysis.

For each inadequacy that was determined, alternate solutions were investigated and economically evaluated, so that the most cost effective construction, if required, is proposed.

## **B. SERVICE AREA & POWER SUPPLY**

South Kentucky Rural Electric Cooperative Corporation's headquarters is in Somerset, KY located in the South Central region of the state. Its distribution system serves a large portion of rural areas of all or part of Wayne, Russell, Pulaski and McCreary Counties, and sections of Adair, Casey, Lincoln and Laurel Counties. The system covers the major geographical portions of these counties, with Kentucky Utilities Company serving more of the urban type regions and some rural areas along the main roads. The urban areas including district offices within the SKRECC service area include Russell Springs, Monticello, Albany, and Whitley City.

Most of the service area is rural in nature with some tourism, farming, and small commercial establishments. The geographic area consists of significant rolling hills, some rocky, rough terrain and some grazing lands along streams and tributaries. The population of our service area is increasing at a modest rate. Manufacturing and the development of industrial parks is occurring system wide.

The following data is from SKRECC's 12/31/2018 Form 7:

Number of Consumers:	67,871
MWh Purchased:	1,379,206
MWh Sold:	1,324,987
Maximum kW Demand:	439,402
Total Utility Plant:	\$267,830,383.26
Consumers per Mile:	9.83

Currently, 34 of SKRECC's 42 substations are constructed with 69/12.47 kV operating voltage, leaving the remaining 8 constructed for 69/24.94 kV. The total distribution line mileage is 6,900 with installed conductor sizes ranging from 6ACWC to 336ACSR.

SKRECC purchases its power from East Kentucky Power Cooperative (EKPC), a NERC affiliated G&T in the SERC Region. They provide the interconnected generation and transmission system with distribution substation infrastructure for SKRECC's supply. EKPC is

the Cooperative responsible owner and operator of the generation, transmission, and distribution substation assets.

EKPC provides all of SKRECC's power and energy requirements, by virtue of a standard "all requirements" power contract. EKPC is an RUS financed G&T Cooperative centrally located in Winchester, KY.

### **C. SYSTEM ORGANIZATION AND OPERATION**

As previously mentioned, SKRECC's headquarters is located in Somerset, Kentucky, near the central location of the distribution system. SKRECC's member owned distribution system is governed, operated, and maintained under the supervision of a Board of Directors, Management Staff, and Engineering/Construction team and leaders. Additional support staff of technicians, administrators, contractors, and aides are used to compliment the system operations.

SKRECC utilizes contractor construction crews for both large system improvements and member line extensions as needed.

### **D. STATUS OF PREVIOUS CONSTRUCTION WORKPLAN**

Projects that did not meet 100% completion from the previous 2015-2018 Construction Work Plan were reviewed and determined if addition to this CWP is necessary. Each of these were evaluated to either carryover or eliminate entirely from the Construction Work Plan process due to system adaptations or other rationale. Please refer to Table 1.1 on the next page for the previous Construction Work Plan project statuses.

**Table 1.1. 2015-2018 CWP Project Statuses**

<b>Work Plan #</b>	<b>Substation</b>	<b>Line Description</b>	<b>Change Description</b>	<b>Distance</b>	<b>Begin Pole #</b>	<b>End Pole #</b>	
301.51	Russell Springs	Loveless Road	8ACWC to #2ACSR	0.30	172702	172716	<b>COMPLETE</b>
301.52	Russell Springs	Old Clear Springs Road	#4ACSR to #2ACSR	0.30	155809	155817	<b>COMPLETE</b>
301.53	Russell Springs	C W Hale Road	6ACWC to #2ACSR	0.50	167580	167536	<b>COMPLETE</b>
301.54	Russell Springs	Miller Short Road across Hwy 76	#4ACSR to #2ACSR	0.40		164682	<b>IN PROGRESS</b>
302.51	Windsor	Combest Lane of Hwy 837	8ACWC to #2ACSR	1.10	146288	146346	<b>COMPLETE</b>
302.52	Windsor	Fines Beasley	8ACWC to #2ACSR	0.50	143436	143445	<b>COMPLETE</b>
302.53	Windsor	Luttrell Road	8ACWC to #2ACSR	0.50	138581	138588	<b>COMPLETE</b>
303.51	Nancy	Fawn Road	6ACWC to #2ACSR	0.80	124501	124516	<b>CARRYOVER</b>
307.51	Shopville	Acorn-Ano	6ACWC to #2ACSR	0.50	190096	141123	<b>COMPLETE</b>
312.51	Sewellton	Veterans Memorial Park Road	#4ACSR to #2ACSR	0.20	170354	170366	<b>COMPLETE</b>
312.52	Sewellton	Miller's Creek Tap	8ACWC to #2ACSR	0.30	186059	186065	<b>COMPLETE</b>
312.53	Sewellton	Mervin Lawless Line	#4ACSR to #2ACSR	0.40	186594	186587	<b>COMPLETE</b>
312.54	Sewellton	Feed from Old store at 1058 + 379	#4ACSR to #2ACSR	0.30	186058	186044	<b>IN PROGRESS</b>
312.55	Sewellton	Over the Rock House	#6CU to #2ACSR	0.20	186130	242945	<b>COMPLETE</b>
312.56	Sewellton	Sugar Camp Road	#6CU to #2ACSR	1.30	186262	189153	<b>DELETED</b>
313.51	Zula	George Garman Road	#6CU to #2ACSR	1.00	224834	246091	<b>IN PROGRESS</b>
314.51	Monticello	Steve Debord	#4ACSR to #2ACSR	0.20	193956	193952	<b>COMPLETE</b>
314.52	Monticello	Bell Hill Road	#4ACSR to #2ACSR	2.10	238299	238346	<b>COMPLETE</b>
315.51	Bronston	Island View Drive/Twin Rivers	#4ACSR to #2ACSR	0.80	133946	133970	<b>COMPLETE</b>
316.51	Mt. Victory	Denton Phelps	6ACWC to #2ACSR	0.80	179172	169996	<b>COMPLETE</b>
317.51	Whitley City	Skull Bone	6ACWC to #2ACSR	0.50	182032	182063	<b>COMPLETE</b>
317.52	Whitley City	Bell Farm	6ACWC to #2ACSR	1.40	181703	181717	<b>CARRYOVER</b>
317.53	Whitley City	Rock Creek	6ACWC to #2ACSR	2.80	181703	181695	<b>CARRYOVER</b>
317.54	Whitley City	Hickory Knob Church Road	6ACWC to #2ACSR	3.30	181571	181606	<b>COMPLETE</b>
318.51	Pine Knot	Kingtown	#4ACSR to #2ACSR	1.50	192392	192477	<b>COMPLETE</b>
318.52	Pine Knot	Mine 18 Part A	6ACWC to #2ACSR	1.50	192673	192764	<b>COMPLETE</b>
318.53	Pine Knot	Mine 18 Part B	6ACWC to #2ACSR	1.20	192673	192808	<b>COMPLETE</b>
327.51	Slat	Patrick Road	6ACWC to #2ACSR	0.50	184803	184817	<b>COMPLETE</b>
327.52	Slat	New Hope Church Road	6ACWC to #2ACSR	0.50	231609	231619	<b>COMPLETE</b>
327.53	Slat	Kennett Lane	6ACWC to #2ACSR	0.30	230844	230847	<b>COMPLETE</b>
331.51	Wiborg	Incline Road	6ACWC to #2ACSR	1.20	161599	161755	<b>COMPLETE</b>
331.52	Wiborg	Hammonds Camp	#4ACSR to #2ACSR	1.30	162484	165288	<b>COMPLETE</b>
331.53	Wiborg	Don Horn Tap	6ACWC to #2ACSR	2.00	160518	160556	<b>COMPLETE</b>
331.54	Wiborg	Gus Skinner	6ACWC to #2ACSR	2.50	123062	152906	<b>COMPLETE</b>
331.55	Wiborg	Freemon Prong	6ACWC to #2ACSR	1.60	177781	177848	<b>COMPLETE</b>
334.51	Gap of Ridge	Hegnarer - Duncan Ramsey Road	6ACWC to #2ACSR	0.60	208362	208464	<b>COMPLETE</b>
338.11	Homestead	Green Acres	#4ACSR to 1/0ACSR	0.60	502354	502414	<b>COMPLETE</b>
338.12	Homestead	Apple Tree Park	6HD	0.20	502096	502122	<b>COMPLETE</b>
338.51	Homestead	Green Acres	#4ACSR to 1/0ACSR	0.70	502354	502414	<b>COMPLETE</b>
338.52	Homestead	Shrewsbury Avenue	6HD	0.50	501137	501045	<b>COMPLETE</b>
338.53	Homestead	Don Patton Road	6HD	0.40	501549	501560	<b>COMPLETE</b>
338.54	Homestead	Clay Street	6HD	0.20	501458	501451	<b>COMPLETE</b>
338.55	Homestead	Apple Tree Park	6HD	0.20	502096	502122	<b>COMPLETE</b>
340.51	Gregory Road	Zion to Turkey	6ACWC to #2ACSR	1.70	235136	234627	<b>COMPLETE</b>
314.11	Monticello	Green Ford	6ACWC to #2ACSR	1.00	238491	238599	<b>DELETED</b>
340.12	Gregory Road	Paul Dick	6ACWC to #2ACSR	0.80	220930	220948	<b>DELETED</b>

# Electric Distribution Service Areas

## PSC Regulated Rural Electric Utilities

- Big Sandy RECC
- Blue Grass Energy Cooperative
- Clark Energy Cooperative
- Cumberland Valley Electric
- Farmers RECC
- Fleming-Mason Energy Cooperative
- Grayson RECC
- Inter-County Energy Cooperative
- Jackson Energy Cooperative
- Jackson Purchase Energy Corporation
- Kenergy Corporation
- Licking Valley RECC
- Meade County RECC
- Nolin RECC
- Owen Electric Cooperative
- Salt River Electric Cooperative
- Shelby Energy Cooperative
- South Kentucky RECC
- Taylor County RECC

## PSC Regulated Investor Owned Utilities

- Duke Energy Kentucky, Inc.
- Kentucky Power
- Kentucky Utilities Company (KU)
- Louisville Gas and Electric Company (LG&E)

## TVA Regulated Utilities

- Gibson EMC (TN)
- Pennyrile RECC
- Tri-County REMC
- Warren RECC
- West Kentucky RECC

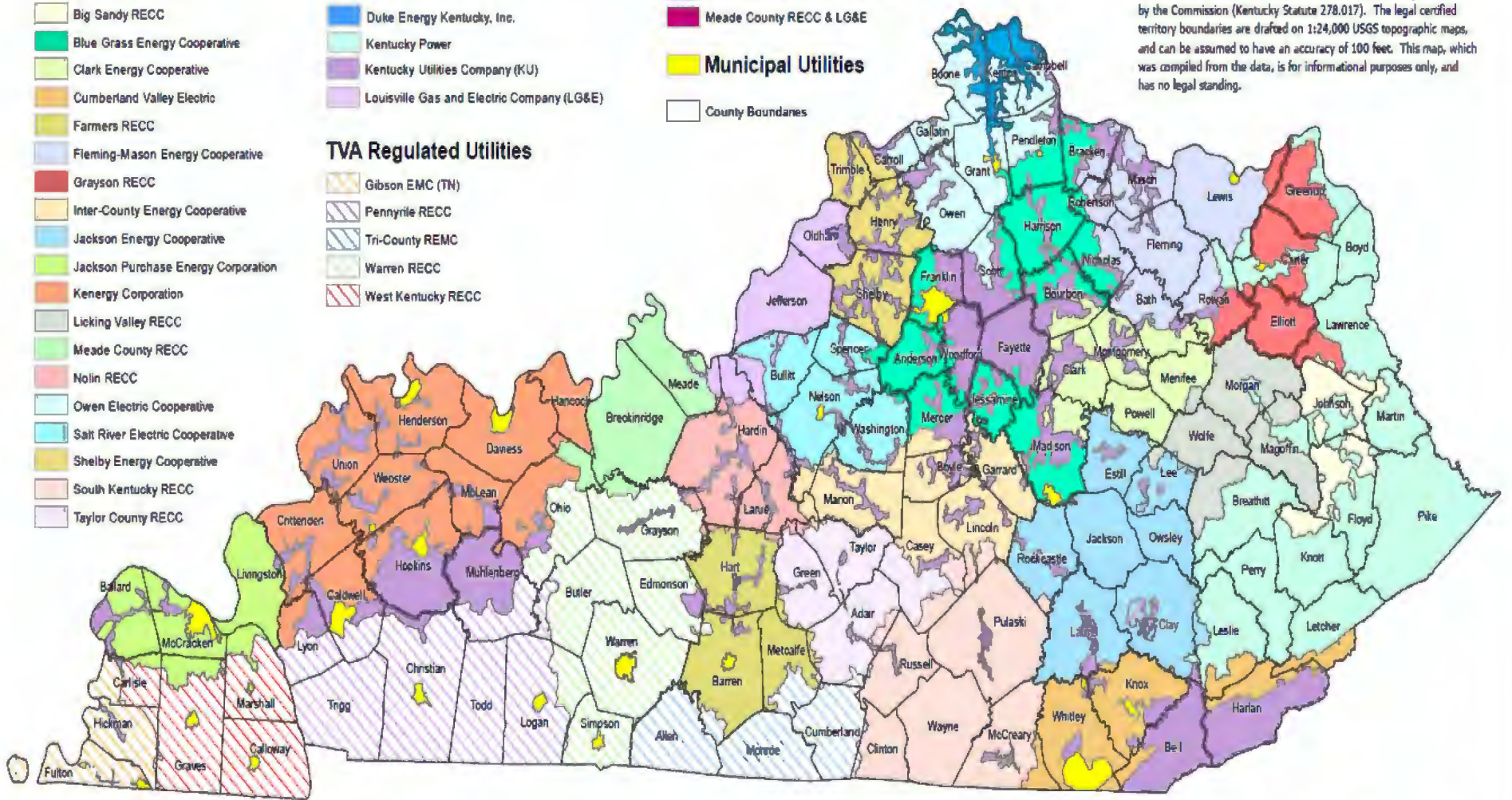
## Multi-Service Areas

- Jackson Energy Cooperative & KU
- Meade County RECC & LG&E

## Municipal Utilities

- County Boundaries

The electric service areas are compiled from certified territory maps on file with the Public Service Commission. These are legal documents which define the retail service area of electric suppliers regulated by the Commission (Kentucky Statute 278.017). The legal certified territory boundaries are drafted on 1:24,000 USGS topographic maps, and can be assumed to have an accuracy of 100 feet. This map, which was compiled from the data, is for informational purposes only, and has no legal standing.



Kentucky has 30 municipal systems serving over 500,000 customers. Ten of these are provided wholesale power by the Tennessee Valley Authority (TVA) and are regulated by them. The others are self-regulated by the municipality.

The boundaries for the municipal systems were either derived from the Public Service Commission's certified territory maps, or from boundaries submitted for informational purposes to the PSC from the municipalities. If the municipal service area boundaries were unknown, a circle was placed around the urbanized area.



Kentucky Public Service Commission  
January 7, 2019

Figure 1.1. KY Public Service Commission (PSC) Electric Distribution Service Area.

## F. SUMMARY OF PROPOSED 2020-2023 CONSTRUCTION & COSTS

The costs of the recommended construction program over the 2020-2023 period are summarized as follows:

**Table 1.2.** Yearly Index of New Construction & System Improvement Costs

Total Yearly Costs	2020	2021	2022	2023	2020-2023
New Construction	\$5,066,480	\$5,299,350	\$5,541,632	\$5,793,682	\$21,701,145
System Improvements	\$6,551,430	\$5,560,485	\$5,591,679	\$5,574,121	\$23,277,715

Total Yearly Costs	2020	2021	2022	2023	Total 2020-2023 CWP Costs
	\$11,617,910	\$10,859,835	\$11,133,311	\$11,367,803	\$44,978,859

The total amount above is subject to RUS loan funds. Specifics of new construction items and system improvements begin in Section III.

## II. BASIS OF THE STUDY & PROPOSED CONSTRUCTION

### A. DESIGN CRITERIA

The RUS General Field Representative reviewed each of the following design criteria items on September 12, 2019.

Construction proposed herein is required to meet the following minimum standards for voltage, thermal load, safety, and system reliability.

1. The minimum voltage on primary distribution lines of 117 volts on a 120-volt base (125 volts at the source after re-regulation).
2. Primary conductors loaded over 75% of their thermal loading are evaluated for uprating. Thermal conductor ratings are calculated using the ANSI/IEEE STD 738-91 method of calculation.
3. The following equipment will have maximum loading to be flagged using the following nameplate percentages:
  - a. Power transformers                      130% winter; 100% summer
  - b. Regulators                                    130% winter; 100% summer
  - c. Voltage Conv. Trans.                      130% winter; 100% summer
  - d. Reclosers                                      70% winter or summer
  - e. Line Fuses                                      70% winter or summer



4. Former conductors (and associated poles and hardware as required) will be replaced as needed.
5. Poles and/or crossarms will be replaced if found to be physically deteriorated by visual inspection and/or tests.
6. All distribution lines are to be designed and constructed according to RUS standard construction specifications and guidelines.
7. New lines and line conversions will be built according to the standard primary voltage levels as recommended in the Long Range Plan.
8. New primary conductor sizes will be determined on a case-by-case basis using the economic conductor sizing computer program and presently known constants and variables. The final proposed conductor may be modified to conform to SKRECC's standard sizes and recommendations of the Long Range Plan.
9. Conversions to multiphase will be considered to correct voltage drop and phase balance problems. Single phase and vee phase lines operating at 7.2/12.47 kV with loads exceeding 250 kW per phase will be considered for multi-phasing. Single phase and vee phase lines operating at 14.4/24.9 kV with loads exceeding 430 kW per phase will be considered for multi-phasing. Operating and engineering practices used to develop the loading criteria are based on a single phase line interruption that may cause operation of the ground trip on three phase oil circuit reclosers. This is due to 35 ampere unbalance at 7.2 kV and 30 ampere unbalance at 14.4 kV, which can be more than doubled during cold load pick up.
10. Voltage conversions from 7.2/12.47 kV to 14.4/24.9 kV will be considered to relieve thermally loaded conductors, reduce voltage drop, and relieve single and vee phase lines exceeding 250 kW per phase. Major factors used to determine if voltage conversions are appropriate rather than multi-phasing and/or conductor replacement are:
  - a. Overall economics
  - b. Condition of conductor.
  - c. Location of project relative to existing 14.4/24.9 kV.
  - d. Ability to reuse retired 7.2/12.47 kV transformers.
  - e. Impact of planned outages during conversions to critical loads such as hospitals, water treatment facilities, etc.
  - f. Special operating conditions and factors
11. Capacitors will be considered for improvement of substation power factors at peak loading and improvement of line voltage.
12. It is recommended that proposed construction items required for voltage improvements whose forecasted need is based solely on calculated voltages from computerized circuit analysis printouts, not be authorized for construction until such calculated voltages are measured in the field and extrapolated to peak loading conditions, and then compared to calculated values to corroborate that actual values exceed the minimum design level.

## B. HISTORICAL LINE & EQUIPMENT COSTS

**Table 2.1.** Prior Two Year Historical Data & Construction Required

CODE 100 NEW SERVICES	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of New Services								
Overhead	519	525	522	550	560	570	580	2,260
Underground	409	422	416	430	440	450	460	1,780
							TOTAL	4,040
Ave. Length								
Overhead '	220	236	228'	225	225	225	225	225'
Underground	148	150	149'	150	150	150	150	150'
Cost of New Line								
Overhead Costs	\$1,901,540	\$2,151,089	\$2,026,315	\$2,228,050	\$2,336,617	\$2,449,692	\$2,567,450	\$9,581,809
Underground Costs	\$1,140,745	\$1,142,221	\$1,141,483	\$1,204,430	\$1,269,413	\$1,337,211	\$1,407,935	\$5,218,990
Average Cost per OH Service	\$3,664	\$4,097	\$3,881	\$4,051	\$4,173	\$4,298	\$4,427	\$4,237
Average Cost per UG Service	\$2,789	\$2,707	\$2,748	\$2,801	\$2,885	\$2,972	\$3,061	\$2,930

CODE 300 LINE CHANGE & CONVERSION	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Total Cost of Line Chg.				\$104,340	\$141,000	\$141,000	\$141,000	\$527,340

CODE 601 TRANSFORMERS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of New Transformers	957	748	853	850	850	850	850	3,400
Total Cost of Transformers	\$930,290	\$882,510	\$906,400	\$935,000	\$963,050	\$991,942	\$1,021,700	\$3,911,691
Ave. Cost per Transformer	\$972	\$1,180	\$1,076	\$1,100	\$1,133.00	\$1,166.99	\$1,202.00	\$1,150

CODE 601 METERS / DISCONNECTS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of New Meters	2,188	120	1,154					0
Number of New Disc. Collars	1,120	1,232	1,176					0
Number of New Meters w/ Disc.				1,250	1,250	1,250	1,250	5,000
Cost of Meters w/ Disc.			\$0	\$300,000	\$309,000	\$318,270	\$327,818	\$1,255,088
Ave. Installed Cost per Meter w/ Disc.			\$0	\$240	\$247	\$255	\$262	\$251

\* Installations beginning in this CWP will Include Meter & Disconnect as a Single Device

CODE 602 SERVICE CHANGES	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Service Changes	181	217	199	200	205	210	215	830
Cost of Service Changes	\$710,435	\$868,370	\$789,403	\$800,000	\$844,600	\$891,156	\$939,745	\$3,475,501
Ave. Installed Cost	\$3,925	\$4,002	\$3,963	\$4,000	\$4,120	\$4,244	\$4,371	\$4,184

CODE 603 LINE SECTIONALIZING	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Cost of Sectionalizing	\$40,089	\$159,078	\$99,584	\$100,000	\$100,000	\$100,000	\$100,000	\$400,000

CODE 603 GAP ARRESTORS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Arrestors	0	1186	1186	1,100	1,100	1,100	1,100	4,400
Total Cost	\$0	\$126,365	\$126,365	\$143,000	\$147,290	\$151,709	\$156,260	\$598,259
Ave. Installed Cost	\$0	\$107	\$107	\$130	\$134	\$138	\$142	\$136

\* Gap Arrestor Replacement Program began in 2005, added to Code 603 in this 2020-2023 CWP Period

CODE 604 LINE REGULATORS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Voltage Regulators					3	3	3	9
Total Cost				\$0	\$33,990	\$35,010	\$36,060	\$105,060
Ave. Installed Cost				\$11,000	\$11,330	\$11,670	\$12,020	\$46,020

CODE 605 LINE CAPACITORS/ CONTROLS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Capacitors/Controls								0
Total Cost								\$0
Ave. Installed Cost								\$0

CODE 606 POLE REPLACEMENTS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Poles	898	921	910	1,000	1,000	1,000	1,000	4,000
Total Cost	\$2,289,073	\$2,841,407	\$2,565,240	\$2,750,000	\$2,832,500	\$2,917,475	\$3,004,999	\$11,504,974
Ave. Installed Cost	\$2,549	\$3,085	\$2,817	\$2,750	\$2,833	\$2,917	\$3,005	\$2,876

CODE 607 MISC. REPLACEMENTS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Jobs	128	125	127	130	130	130	130	520
Total Cost	\$189,294	\$169,157	\$179,226	\$188,500	\$194,155	\$199,980	\$205,979	\$788,614
Ave. Installed Cost	\$1,479	\$1,353	\$1,416	\$1,450	\$1,494	\$1,538	\$1,584	\$1,517

\* Category for Replacement of Guys, Anchors, Crossarms, Insulators, Switches w/ Existing Pole

CODE 608 NON-SITE SPECIFIC CONDUCTOR REPLACEMENTS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Total Cost of Line Replacement				\$465,590	\$494,450	\$518,810	\$498,350	\$1,977,200

CODE 609 AUTO-TRANSFORMERS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of 1000 kVA Auto-Transformers								0
Total Cost								\$0
Ave. Installed Cost								\$0

CODE 615 COMMUNICATIONS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Radio System Total Cost				1,100,000				\$1,100,000

CODE 702 OUTDOOR LIGHTS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Outdoor Lights	379	385	382	390	400	410	420	1,620
Total Cost	\$317,029	\$379,694	\$348,362	\$390,000	\$412,000	\$434,969	\$458,945	\$1,695,914
Ave. Installed Cost	\$836	\$986	\$911	\$1,000	\$1,030	\$1,061	\$1,093	\$1,045.91

CODE 702 OUTDOOR LIGHT REPLACEMENTS	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of Lights Replacement	2,320	1,940	2,130	1,500	1,250	1,000	750	4,500
Total Cost of Replacement	\$1,448,554	\$1,292,401	1,370,478	\$900,000	\$772,500	\$636,540	\$491,727	\$2,800,767
Ave. Installed Cost Replacement	\$624	\$666	\$645	\$600	\$618	\$637	\$656	\$628

CODE 704 SCADA	April 2017- March 2018	April 2018- March 2019	Yearly Average Prior Two Years	2020	2021	2022	2023	2020-2023
Number of RTUs				1	1	1	1	4
Total Cost				\$9,000	\$9,270	\$9,548	\$9,835	\$37,653
Ave. Installed Cost				\$9,000	\$9,270	\$9,548	\$9,835	\$9,413

Total Yearly Costs	2020	2021	2022	2023	2020-2023
New Construction	\$5,066,480	\$5,299,350	\$5,541,632	\$5,793,682	\$21,701,145
System Improvements	\$6,551,430	\$5,560,485	\$5,591,679	\$5,574,121	\$23,277,715

Total Yearly Costs	2020	2021	2022	2023	Total 2020-2023 CWP Costs
	\$11,617,910	\$10,859,835	\$11,133,311	\$11,367,803	\$44,978,859

### C. CONDUCTOR CHANGE OUT PROGRAM

Copper Weld conductors (primarily 6A and 8A CWC) will remain the first priority to be replaced. The following is a summary of the mileage left on the distribution system:

Single Phase, 6A; 8A CWC	1,151mi
Two Phase, 6A; 8A CWC	10.61mi
Three Phase, 6A; 8A CWC	6.23mi

Aside from Copper Weld, other copper conductors still in service will remain second priority to be replaced. The following is a summary of the mileage of these conductors left on the distribution system:

Single Phase, 1/0 STRCU	1.48mi
Three Phase, 1/0 STRCU	6.57mi
Single Phase, 2-3 STRCU	23.40mi
Three Phase, 2-3 STRCU	7.29mi

Another concern is #4 ACSR conductor. This conductor will be replaced on an as needed basis.

## D. ANALYSIS OF CURRENT SYSTEM STUDIES (LF, LRSS, RUS FORM 300)

### LOAD FORECAST (LF)

The load forecast used in this CWP is the 2018 Load Forecast prepared jointly by East Kentucky Power and South Kentucky RECC engineering personnel. It has been approved by South Kentucky RECC's management and Board of Directors.

### LONG RANGE SYSTEM STUDY 2007 (LRSS)

Patterson & Dewar Engineers, Inc., completed a LRSS for SKRECC's distribution system in early 2007, in which the construction included herein is in accordance with. A comparison of the current 2008 Load Forecast and the LRSS for total consumers and total system peak kW demands is as follows:

2007 LRSS Load Levels	Long Range System Study and Load Forecast		2015-2018 CWP	
	Cons.	MW*	Cons.	MW*
LL 1- 2005	61696 actual	314.5		
LL 2- 2010	66846	485		
LL 3- 2013	70749	524		
LL 4- 2016	74684	564	68,204	559
LL 5- 2026	86790	724		

\* For extreme winter scenario (10% probability)

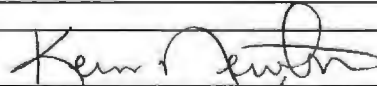
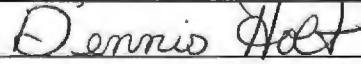
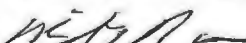
### 2018 OPERATIONS & MAINTENANCE SURVEY

In December of 2018, the RUS General Field Representative, alongside the Operations and Engineering Department of SKRECC completed the Operations and Maintenance Survey (RUS Form 300). In general, the distribution facilities, operations and maintenance, and engineering programs are adequate with improvements and modifications acquired each year. The following recommendations were noted:

1. Telephone poles are left standing close to electric poles and need to be removed. Cable TV attachments require constant monitoring to ensure contract compliance and code requirements are being met.
2. Several problem trees were observed in rural areas. A more aggressive policy is recommended.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0025. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>REVIEW RATING SUMMARY</b>						BORROWER DESIGNATION  KY 54			
						DATE PREPARED  December 18, 2018			
Ratings on form are:		0: Unsatisfactory -- No Records		2: Acceptable, but Should be Improved -- See Attached Recommendations					
NA: Not Applicable		1: Corrective Action Needed		3: Satisfactory -- No Additional Action Required at this Time					
<b>PART I. TRANSMISSION and DISTRIBUTION FACILITIES</b>									
<b>1. Substations (Transmission and Distribution)</b>				<i>(Rating)</i>		<b>4. Distribution - Underground Cable</b>			
a. Safety, Clearance, Code Compliance				NA		a. Grounding and Corrosion Control			
b. Physical Conditions: Structure, Major Equipment, Appearance				NA		b. Surface Grading, Appearance			
c. Inspection Records - Each Substation				NA		c. Riser Pole: Hazards, Guying, Condition			
d. Oil Spill Prevention				NA					
<b>2. Transmission Lines</b>						<b>5. Distribution Line Equipment: Conditions and Records</b>			
a. Right-of-Way: Clearing, Erosion, Appearance, Intrusions				NA		a. Voltage Regulators			
b. Physical Condition: Structure, Conductor, Guying				NA		b. Sectionalizing Equipment			
c. Inspection Program and Records				NA		c. Distribution Transformers			
<b>3. Distribution Lines - Overhead</b>						d. Pad Mounted Equipment			
a. Inspection Program and Records				3		Safety: Locking, Dead Front, Barriers			
b. Compliance with Safety Codes:						Appearance: Settlement, Condition			
Clearances				3		Other			
Foreign Structures				2		e. Kilowatt-hour and Demand Meter			
Attachments				2		Reading and Testing			
c. Observed Physical Condition from Field Checking:									
Right-of-Way				2					
Other				NA					
<b>PART II. OPERATIONS and MAINTENANCE</b>									
<b>6. Line Maintenance and Work Order Procedures</b>				<i>(Rating)</i>		<b>8. Power Quality</b>			
a. Work Planning & Scheduling				3		a. General Freedom from Complaints			
b. Work Backlogs:									
Right-of-Way Maintenance				3					
Poles				3		<b>9. Loading and Load Balance</b>			
Retirement of Idle Services				2		a. Distribution Transformer Loading			
Other				NA		b. Load Control Apparatus			
<b>7. Service Interruptions</b>						c. Substation and Feeder Loading			
a. Average Annual Hours/Consumer by Cause (Complete for each of the previous 5 years)									
PREVIOUS	POWER	MAJOR	SCHEDULED	ALL	TOTAL	<b>10. Maps and Plant Records</b> a. Operating Maps: Accurate and Up-to-Date b. Circuit Diagrams c. Staking Sheets			
5 YEARS	SUPPLIER	STORM	c.	OTHER	d.				
(Year)	a.	b.	c.	d.	e.			<i>(Rating)</i>	
2013	1.4	32.2	6.3	156.6	196.4			3	
2014	23.1	21.5	6.2	175.0	225.8			3	
2015	2.8	19.6	5.2	171.0	198.6			3	
2016	6.5	294.9	8.3	145.1	454.8			2	
2017	2.8	48.6	9.0	158.8	219.2	3			
b. Emergency Restoration Plan				3					
<b>PART III. ENGINEERING</b>									
<b>11. System Load Conditions and Losses</b>				<i>(Rating)</i>		<b>13. Load Studies and Planning</b>			
a. Annual System Losses				5.7%		a. Long Range Engineering Plan			
b. Annual Load Factor				41.2%		b. Construction Work Plan			
c. Power Factor at Monthly Peak				95.1%		c. Sectionalizing Study			
d. Ratios of Individual Substation Annual Peak kW to kVA				3		d. Load Data for Engineering Studies			
<b>12. Voltage Conditions</b>						e. Load Forecasting Data			
a. Voltage Surveys				3					
b. Substation Transformer Output Voltage Spread				3					

PART IV. OPERATION AND MAINTENANCE BUDGETS						
YEAR	For Previous 2 Years		For Present Year	For Future 3 Years		
	2016	2017	2018	2019	2020	2021
	Actual \$ Thousands	Actual \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands	Budget \$ Thousands
Normal Operation	4,111	4,150	4,218	4,345	4,475	4,609
Normal Maintenance	8,358	7,588	8,850	9,116	9,389	9,671
Additional (Deferred) Maintenance						
<b>Total</b>	<b>12,469</b>	<b>11,738</b>	<b>13,068</b>	<b>13,460</b>	<b>13,864</b>	<b>14,280</b>
<b>14. Budgeting:</b> Adequacy of Budgets for Needed Work <u>3</u> (Rating)						
<b>15. Date Discussed with Board of Directors</b> <u>1/10/2019</u> (Date)						
EXPLANATORY NOTES						
ITEM NO.	COMMENTS					
3b.	Poles with telephone attachments left standing close to the electric pole should be removed. Cable TV attachments require constant monitoring and follow-up to ensure code requirements are met.					
3c.	Several problem trees were observed in rural areas.					
RATED BY:				TITLE	DATE	
				VP ENGINEERING & OPERATIONS	12/18/18	
REVIEWED BY:				PRESIDENT & CEO	12/18/18	
REVIEWED BY:				RUS GFR	12/18/18	

RUS Form 300 (Rev. 4-02) (V1.4/2002)

**Figure 2.1.** SKRECC Operations & Maintenance Survey (RUS Form 300)



## E. EXISTING & PROJECTED SUBSTATION LOADING

**Table 2.2.** Substation 2017/2018 Winter Loading

Substation	Substation Capacity		Winter 2017/2018 Actual	Winter 2023/2024 Design Load	Sub Loading at Design Load	Required Action
	Winter Rating (kVA)					
Russell Springs #1	18,140		11,385	14,084	78%	
Russell Springs #2	18,140		6,440	7,967	44%	
Windsor	18,140		8,228	10,178	56%	
Nancy	18,140		10,990	13,595	75%	
Mt. Olive	18,140		8,107	10,029	55%	
Somerset	18,140		10,649	13,173	73%	
E. Somerset	18,140		13,644	16,878	93%	*
Shopville	18,140		11,038	13,654	75%	
Norwood	18,140		13,750	17,009	94%	*
Floyd	24,840		10,644	13,167	53%	
N. Albany	18,140		10,368	12,826	71%	
S. Albany	18,140		11,967	14,804	82%	
Sewellton	24,840		8,881	10,986	44%	
Zula	18,140		10,270	12,704	70%	
Monticello	18,140		12,710	15,723	87%	*
Bronston #1	18,140		9,780	12,098	67%	
Bronston #2	18,140		12,000	14,844	82%	
Mt. Victory	8,980		2,645	3,272	36%	
Whitley City	18,140		10,333	12,782	70%	
Pine Knot	18,140		10,543	13,042	72%	
Oak Hill	18,140		12,027	14,878	82%	
Asahi	18,140		9,350	11,566	64%	
W. Somerset	18,140		13,548	16,759	92%	*
Salem	18,140		11,673	14,440	80%	
Cabin Hollow	18,140		12,251	15,155	84%	
S. Floyd	18,140		12,439	15,388	85%	
S. Oakhill	24,840		18,369	22,723	91%	*
Snow	18,140		8,718	10,785	59%	
Slat	31,050		11,981	14,821	48%	
E. Pine Knot	18,140		5,378	6,653	37%	
Cemetery Rd.	8,980		4,739	5,862	65%	
Wiborg	18,140		13,910	17,207	95%	*
Jamestown	24,840		10,793	13,351	54%	
Nelson Valley	18,140		10,495	12,983	72%	
Zollicoffer	18,140		6,326	7,826	43%	
Gap of the Rdg.	18,140		12,286	15,198	84%	
Upchurch	18,140		10,588	13,098	72%	
Webb's X-rds.	18,140		8,667	10,721	59%	
Woodstock	18,140		7,176	8,877	49%	
Homestead	52,160		26,434	32,700	63%	
Jabez	24,840		5,341	6,607	27%	
Gregory Road	18,140		3,180	3,934	22%	
<b>TOTAL</b>	<b>823,990</b>		<b>440,041</b>	<b>544,348</b>		

\* These substations will not become overloaded during the workplan period; however, load shifts where possible or power supply studies will be started during the workplan period to address their future loading concerns.

## F. SYSTEM RELIABILITY

**Table 2.3. SAIDI – System Average Interruption Duration Index**

IN MINUTES						
YEAR	POWER SUPPLIER	MAJOR EVENT	PLANNED	OTHER	TOTAL SAIDI	EXCL. MS
2014	23.082	21.492	6.150	175.038	225.762	204.270
2015	2.784	19.584	5.214	171.042	198.624	179.040
2016	6.510	294.888	8.310	145.062	454.770	159.882
2017	2.814	48.642	8.958	158.784	219.198	170.556
2018	9.036	0.006	12.324	266.472	287.838	287.832
<b>5 YR AVG.</b>	<b>8.8452</b>	<b>76.9224</b>	<b>8.191</b>	<b>183.280</b>	<b>277.238</b>	<b>200.316</b>

## G. HISTORICAL ANNUAL ENERGY, LOAD, AND MEMBER DATA

**Table 2.4. Historical & Projected Annual Energy, Load, & Member Data**

HISTORICAL ANNUAL ENERGY, LOAD, AND MEMBER DATA										
Year	Energy Purchased (MWh)	Energy Sold (MWh)	% Inc.	Energy Loss (MWh)	% Loss	Non-Coincident Peak (MW)	% Inc.	% Annual Load Factor	Number of Members Annual Ave.	% Inc.
2006	1,169,831	1,117,337	-1.4%	52,494	4.5%	337.6	7.3%	39.6%	61,869	1.6%
2007	1,232,718	1,161,833	4.0%	70,885	5.8%	354.7	5.1%	39.7%	62,408	0.9%
2008	1,347,309	1,266,216	9.0%	81,093	6.0%	417.0	17.6%	36.9%	66,276	6.2%
2009	1,293,897	1,214,861	-4.1%	79,036	6.1%	379.0	-9.1%	39.0%	66,318	0.1%
2010	1,409,563	1,328,054	9.3%	81,509	5.8%	380.0	0.3%	42.3%	66,430	0.2%
2011	1,312,896	1,276,229	-3.9%	36,667	2.8%	318.0	-16.3%	47.1%	66,361	-0.1%
2012	1,256,982	1,191,513	-6.6%	65,469	5.2%	326.0	2.5%	44.0%	66,327	-0.1%
2013	1,321,554	1,246,354	4.6%	75,200	5.7%	461.0	41.4%	32.7%	66,272	-0.1%
2014	1,374,317	1,310,882	5.2%	63,435	4.6%	466.8	1.3%	33.6%	66,530	0.4%
2015	1,320,602	1,270,980	-3.0%	49,622	3.8%	378.8	-18.9%	39.8%	66,763	0.4%
2016	1,334,195	1,252,206	-1.5%	81,989	6.1%	369.2	-2.5%	41.3%	67,067	0.5%
2017	1,274,648	1,200,951	-4.1%	73,697	5.8%	438.5	18.8%	33.2%	67,436	0.6%
2018	1,379,206	1,324,987	10.3%	54,219	3.9%	449.7	2.6%	35.0%	67,871	0.6%
Note: All Data is from the Form 7										
PROJECTED ANNUAL ENERGY, LOAD, AND MEMBER DATA										
Year	Energy Purchased (MWh)	Energy Sold (MWh)	% Inc.	Energy Loss (MWh)	% Loss	Non-Coincident Peak (MW)	% Inc.	% Annual Load Factor	Number of Members Annual Ave.	% Inc.
2019	1,394,204	1,320,521	-0.3%	73,683	5.3%	457.3	1.7%	34.8%	68,251	0.5%
2020	1,452,532	1,375,817	4.2%	76,715	5.3%	458.1	0.2%	36.2%	68,736	0.7%
2021	1,459,754	1,382,663	0.5%	77,091	5.3%	461.0	0.6%	36.1%	69,223	0.7%
2022	1,480,905	1,402,714	1.4%	78,191	5.3%	461.3	0.1%	36.6%	69,777	0.8%
2023	1,491,149	1,412,426	0.7%	78,723	5.3%	462.2	0.2%	36.8%	70,335	0.8%
Note: All Projections Above are from 2018 Power Requirement Study The Increase in Members, Demand, and Sales in 2008 were impacted from the addition of the MEPB System										

## **H. CIRCUIT LOADING AND VOLTAGE CONDITIONS**

SKRECC's distribution system has consistently been a winter peaking system; therefore, the winter peak conditions have been used as the basis for identifying system improvements.

The SKRECC 2017/2018 non-coincident winter peak was 439 MW. The corresponding peak kWh consumer billing data was used to develop the engineering analysis model in WINDMIL. In the year 2017, SKRECC's distribution system served approximately 61,391 residential members averaging 990 kWh/month, 5,995 small commercial members averaging 3,874 kWh/month, & 28 large commercial members averaging 571,916 kWh/month.

Through the use of line voltage regulators and capacitors, adequate system voltages are being maintained for current system conditions.

Please refer to the USB Drive provided for the primary analysis of the 2017/2018 & 2023 SKRECC winter peak distribution system. The analysis provides present and future based winter peak circuit loading per substation and feeder, 120 V base voltage drop, primary voltage, primary system losses, consumer billing load, primary conductor size and impedance mileage from the sub including fault current calculations.

Each file on the USB drive will contain the SKRECC distribution system with each scenario analyzed. The beginning analysis corresponds the existing system with existing load. The second scenario demonstrates the existing system with previously mentioned future 2023 calculated load. Lastly, the proposed system will be simulated with the same future calculated load as used in the previous analysis. This coincides with the system SKRECC plans to develop during this 2020-2023 CWP.

## **III. REQUIRED CONSTRUCTION ITEMS**

### **A. CODE 100 - NEW SERVICES**

SKRECC continues to experience moderate member growth in many parts of its service territory. Between April 2017 and March 2019, SKRECC added approximately 1,875 services for new members. This amounted to an average line extension cost of \$3,314 per service with an average length of 190 ft.

During the upcoming 2020-2023 work plan period, SKRECC projects that 4,040 new services will be added, with a total cost over the 2020-2023 period of \$14,800,798. The new services will add a total of 143.5 miles of line to the system. The historical data used to demonstrate these projections are provided in Section II. In this work plan, services to new consumers make up approximately 33% of the total capital required over this CWP period.

## **B. CODE 300 - SYSTEM IMPROVEMENTS**

The following criteria provide an explanation of each Code 300 Construction item and a rationale of how the decisions were made for each project.

### **2020-2023 CWP System Improvements Projects Summary**

**Project Code: 301.61 - 399.93**

**Total Miles: 3.74 mi**

**Estimated Cost: \$527,340**

Please refer to **Table 3.1. System Improvement Results.**

#### **Nancy 0301 Sievers Rd. to Naomi**

**Project Code: 303.61**

**Total Miles: 1.00 mi**

**Estimated Cost: \$141,000**

#### **DESCRIPTION OF THE PROPOSED CONSTRUCTION**

Convert 1.00 mi of 3PH 1/0ACSR to 3PH 336ACSR.

#### **REASON FOR THE PROPOSED CONSTRUCTION**

The existing 3PH has exceeded the primary conductor thermal loading design criteria. This overloading is due to moderate load growth in this specified area.

#### **RESULTS OF THE PROPOSED CONSTRUCTION**

This replacement will allow SKRECC to maintain its primary conductor design specifications previously defined. The resolution of this replacement will aid SKRECC in reducing losses, load balancing, and to continue serving the electrical demand in this particular area.

#### **ALTERNATIVE PLANS CONSIDERED**

Construction of a double circuit was considered, however, provided the location and costs associated, this conductor replacement is the optimal solution.

**South Oakhill 2502 Slate Branch Rd.**

**Project Code: 325.61**  
**Total Miles: 0.74 mi**  
**Estimated Cost: \$104,340**

**DESCRIPTION OF THE PROPOSED CONSTRUCTION**

Convert 0.74 mi of 3PH 1/0ACSR to 3PH 336ACSR.

**REASON FOR THE PROPOSED CONSTRUCTION**

The existing 3PH has exceeded the primary conductor thermal loading design criteria. This overloading is due to moderate load growth in this specified area.

**RESULTS OF THE PROPOSED CONSTRUCTION**

This replacement will allow SKRECC to maintain its primary conductor design specifications previously defined. The resolution of this replacement will aid SKRECC in reducing losses, load balancing, and to continue serving the electrical demand in this particular area.

**ALTERNATIVE PLANS CONSIDERED**

Construction of a double circuit was considered, however, provided the location and costs associated, this conductor replacement is the optimal solution.

**South Floyd 2404 Highway 1676/Mt. Zion**

**Project Code: 324.61**  
**Total Miles: 1.00 mi**  
**Estimated Cost: \$141,000**

**DESCRIPTION OF THE PROPOSED CONSTRUCTION**

Convert 1.00 mi of 3PH 1/0ACSR to 3PH 336ACSR.

**REASON FOR THE PROPOSED CONSTRUCTION**

The existing 3PH has exceeded the primary conductor thermal loading design criteria. This overloading is due to moderate load growth in this specified area.

**RESULTS OF THE PROPOSED CONSTRUCTION**

This replacement will allow SKRECC to maintain its primary conductor design specifications previously defined. The resolution of this replacement will aid SKRECC in reducing losses, load balancing, and to continue serving the electrical demand in this particular area.

**ALTERNATIVE PLANS CONSIDERED**

Construction of a double circuit was considered, however, provided the location and costs associated, this conductor replacement is the optimal solution.

**Zollicoffer 3304 South Highway 235**

**Project Code: 333.61**  
**Total Miles: 1.00 mi**  
**Estimated Cost: \$141,000**

**DESCRIPTION OF THE PROPOSED CONSTRUCTION**

Convert 1.00 mi of 3PH 1/0ACSR to 3PH 336ACSR.

**REASON FOR THE PROPOSED CONSTRUCTION**

The existing 3PH has exceeded the primary conductor thermal loading design criteria. This overloading is due to moderate load growth in this specified area.

**RESULTS OF THE PROPOSED CONSTRUCTION**

This replacement will allow SKRECC to maintain its primary conductor design specifications previously defined. The resolution of this replacement will aid SKRECC in reducing losses, load balancing, and to continue serving the electrical demand in this particular area.

**ALTERNATIVE PLANS CONSIDERED**

Construction of a double circuit was considered, however, provided the location and costs associated, this conductor replacement is the optimal solution.

**Table 3.1. System Improvement Results**

Work Plan #	Substation	Circuit #	Line Description	Change Description	Ph	Distance	Begin Pole #	End Pole #	Cost Per Mile	Total Cost
303.61	Nancy	0301	Sievers Rd. to Naomi	1/0ACSR to 336ACSR	3PH	1.00	203614	203650	\$141,000	<b>\$141,000</b>
325.61	South Oakhill	2502	Slate Branch Rd.	1/0ACSR to 336ACSR	3PH	0.74	109303	120937	\$141,000	<b>\$104,340</b>
324.61	South Floyd	2404	Hwy 1676/Mt. Zion	1/0ACSR to 336ACSR	3PH	1.00	100552	243559	\$141,000	<b>\$141,000</b>
333.61	Zollicoffer	3304	South Hwy 235	1/0ACSR to 336ACSR	3PH	1.00	228427	191771	\$141,000	<b>\$141,000</b>
						<b>TOTAL</b>				<b>3.74 mi</b>

<b>TOTAL</b>
<b>\$527,340</b>

### **C. CODE 601 - TRANSFORMERS & METERS**

SKRECC will resume purchasing non-PCB oil transformers and continue to conduct an off-site PCB testing routine on each retired transformer. During this routine, if the transformer is determined to be not suitable for field use due to PCB tolerance, an EPA approved facility will dispose of the transformer providing SKRECC with a *Certificate of Disposal*. Regarding new purchases, between April 2017 and March 2019, SKRECC required 1,705 transformers at an average cost of \$1,076. Based upon this historical data, SKRECC expects to require approximately 3,400 transformers during this 2020-2023 CWP period at a capital cost of \$3,911,691. During this same time period, SKRECC expects to require 5,000 meters with disconnect at a capital outlay of \$1,255,088.

### **D. CODE 602 - SERVICE CHANGES**

Between April 2017 and March 2019, SKRECC increased service wire capacity for 398 members. Based upon this historical data, SKRECC expects to continue this trend for an approximate 830 members during this 2020-2023 CWP period at a capital cost of \$3,475,501.

### **E. CODE 603 – LINE SECTIONALIZING & GAP ARRESTORS**

The engineering staff of SKRECC is conducting an ongoing sectionalizing analysis for the entire SKRECC Distribution System. As part of this ongoing sectionalizing study, equipment sizing, locations, etc. are determined and progressed per circuit on a case by case basis. Due to moderate load growth, existing sectionalizing equipment sizes will not be dramatically impacted. Location determinations are analyzed frequently and are often directed by scenario, relocation, or reoccurring fault impacted areas. Sectionalizing schemes are vital to safe and reliable distribution systems, therefore SKRECC recognizes and practices its importance.

Over the last several years, SKRECC has experienced many power quality issues from the gapped-type lightning arrestors on its system. For many years, the improved MOV arrestors have been utilized exclusively, however, many of the gapped-type lightning arrestors remain in service. Before the change, SKRECC estimated nearly one third of its approximate 60,000 transformers (or 20,000) were constructed with gapped-type arrestors.

This 2020-2023 CWP includes provisions for SKRECC to continue replacing the gapped-type lightning arrestors. The estimated capital expenditure of \$598,259 that has been allotted for this will allow us to change out approximately 4,400 of these lightning arrestors over the 2020-2023 period. Areas initially targeted are those where (1) reoccurring power quality problems are experienced, and/or (2) includes sensitive or high priority members such as hospitals, schools, etc.

## **F. CODE 604 - LINE REGULATORS**

During this 2020-2023 CWP period, SKRECC plans to deploy (3) sets totaling to (9) Voltage Regulators in specified locations across its system. These regulators will dramatically mitigate future voltage concerns observed from the engineering analysis procedure performed for this 2020-2023 CWP period.

## **G. CODE 605 – LINE CAPACITORS/CONTROLS**

SKRECC and EKPC consistently monitor substation power factors on a monthly basis and determine any change necessary to maintain a minimum power factor of 95% at substation peak. Once a power factor correction is determined, SKRECC will dictate the size and location most feasible for both parties in order to obtain the expected results. EKPC supplies all capacitors and controls on SKRECC's system.

## **H. CODE 606 - POLE REPLACEMENTS**

The physical condition of SKRECC's electric plant is satisfactory according to Work Order Inspections completed by Patterson and Dewar Engineers. A significant number of pole replacements have been made in recent years, along with an ongoing inspection program that is carried out by one, in-house, full-time line inspector.

SKRECC's distribution system contains approximately 148,000 wood poles. RUS guidelines recommend that approximately 10% of the pole plant be inspected annually. This corresponds to approximately 14,800 pole inspections per year. Our current inspection program exceeds this number, as we inspect approximately 20,000 poles on an annual basis with our ground line inspection program. We also visually inspect one half of our system each year as dictated by the Public Service Commission.

During the 2020-2023 CWP period, SKRECC is projected to replace 4,000 poles (1,000 per year) at a total cost of \$11,504,974. Both the number of poles and the costs associated are based upon recent historical data of SKRECC's pole replacement activity.

## **I. CODE 607 - MISCELLANEOUS REPLACEMENTS**

Between April 2017 and March 2019, SKRECC replaced 253 miscellaneous equipment items at an average cost of \$1,416. This miscellaneous equipment includes guys, anchors, crossarms, insulators, and switches in regards to circumstances in which the pole is not being replaced. Based upon this historical data, SKRECC anticipates to replace approximately 520 miscellaneous equipment items at a capital cost of \$788,614.



## **J. CODE 608 – NON-SITE SPECIFIC CONDUCTOR REPLACEMENTS**

### **Miscellaneous Conductor Replacements**

**Total Estimated Miles: 32 mi**

**Estimated Cost: \$1,977,200**

#### DESCRIPTION OF CONSTRUCTION

Convert single phase and/or multiphase Copper ACWC/CU and #4ACSR conductor types to a better quality conductor.

#### REASON FOR CONSTRUCTION

SKRECC continues to pursue the plans and actions required to replace existing Copper ACWC/CU and #4ACSR with better quality conductor meeting the design specifications and criteria previously stated in this report. These type conductors produce reliability constraints, deterioration traits, and other related issues on the SKRECC system.

#### RESULTS OF CONSTRUCTION

These replacements will allow SKRECC to improve the quality of its distribution system, reduce line loss, and better enhance the reliability to its members.

#### ALTERNATIVE PLANS CONSIDERED

As part of SKRECC's initiative to replace these conductors, these miscellaneous replacements will remain a part of the SKRECC ongoing Conductor Replacement Program.

## **K. CODE 612 - STEP-TRANSFORMERS**

SKRECC does not expect to require any additional auto-transformers during this 2020-2023 CWP period.

## **L. CODE 615 - COMMUNICATIONS**

In recent years, SKRECC has experienced numerous failures in various locations regarding its analog two-way radio system. This analog system has become antiquated as a result from advanced technologies and absent hardware. SKRECC is proposing to implement a digital two-way radio system in order to satisfy coverage, enhance communications, and increase its reliability.

## **M. CODE 702 - OUTDOOR LIGHTING**

SKRECC offers a lighting program that provides a variety of lights to all members, including both traditional open bottomed globe type fixtures and directional floodlights. Homeowner associations and cities also have a choice of various fixtures including street lighting and decorative purpose installations. SKRECC is operating uniformly toward a system wide LED security light and flood light plant. Based upon historical data and the replacement of inoperable existing lights; SKRECC predicts that it will replace approximately 6,120 lights over this 2020-2023 CWP period representing a capital expenditure of \$4,496,681.

## **N. CODE 704 - SCADA**

Contingent upon the reconstruction of current EKPC/SKRECC substation infrastructure, SKRECC plans to reconfigure and replace if necessary its corresponding SCADA equipment. SKRECC also intends to engage in a Voltage Reduction Pilot program during this 2020-2023 CWP period.

## **O. SUBSTATION, METER POINT ADDITIONS, & CHANGES**

As previously noted, SKRECC does not anticipate any new substations during this 2020-2023 CWP period. SKRECC is constantly monitoring substation capacities conjointly with EKPC.

## **IV. CONCLUSIONS**

The recommendations set forth in this construction work plan will enable South Kentucky RECC to serve its cooperative members at the projected peak demand of 548MW calculated under *extreme* forecast. The recommendations contained herein are in accordance with established RUS guidelines and other criteria regarding SKRECC's Long Range System Study, calculated load forecast, and other related studies. Any questions or comments regarding this report should be directed to Dakota Brown, Engineering Manager at [dakotab@skrecc.com](mailto:dakotab@skrecc.com) or Kevin Newton, VP of Engineering & Operations at [knewton@skrecc.com](mailto:knewton@skrecc.com).

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 6:** Concerning South Kentucky's construction projects, for each project started during the last five calendar years, provide the information requested in the format contained in Schedule C. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reasons for such variances and delays.

**Request 6:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 7:** Provide the information shown in Schedule D for each construction project in progress, or planned to be in progress, during the 12 months preceding the test year.

**Response 7:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 8:** Provide, in the format provided in Schedule E, an analysis of South Kentucky's Construction Work in Progress (CWP) as defined in the Uniform System of Accounts for each project identified in Schedule D.

**Response 8:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 9:** Provide a calculation of the rate or rates used to capitalize interest during construction for the three most recent calendar years. Explain each component entering into the calculation of the rate(s).

**Response 9:** South Kentucky did not capitalize any interest for construction projects for the three most recent calendar years.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 10:** Provide the following monthly account balances for the test year for the total company and Kentucky jurisdiction operations:

- a. Plant in service (Account No. 101);
  - b. Plant purchased or sold (Account No. 102);
  - c. Property held for future use (Account No. 105);
  - d. Completed construction not classified (Account No. 106);
  - e. Construction work in progress (Account No. 107);
  - f. Depreciation reserve (Account No. 108);
  - g. Materials and supplies (include all accounts and subaccounts);
  - h. Computation and development of minimum cash requirements;
  - i. Balance in accounts payable applicable to amounts included in utility plant in service;
  - j. Balance in accounts payable applicable to amounts included in plant under construction;
- and:
- k. Balance in accounts payable applicable to prepayments by major category or subaccount.

**Response 10(a)-(g) and (i)-(k):** Please see the Excel file provided separately.

**Response 10(h):** Minimum cash balance is determined on a monthly basis based on the needs of the cooperative. South Kentucky utilizes its lines of credit with National Rural Utilities Cooperative Finance Corporation ("CFC") to manage cash flow needs.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 11:** Provide the journal entries relating to the purchase of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise currently included in rate base. Also provide a schedule showing the calculation of the acquisition adjustment at the date of purchase or each item of utility plant, the amortization period, and the unamortized balance at the end of the test year.

**Response 11:** There have been no acquisitions of an operating unit or system since South Kentucky's last rate case.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 12:** Provide a copy of South Kentucky's most recent depreciation study. If no such study exists, provide a copy of South Kentucky's most recent depreciation schedule. The schedule should include a list of all facilities by account number, service life, and accrual rate for each plant item, the methodology that supports the schedule, and the date of schedule was last updated.

**Response 12:** Please see the Application, Exhibit 9, Direct Testimony of Carrie Bessinger, Attachment CB-1.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 13:** Provide South Kentucky's cash account balances at the beginning of the test year and at the end of each month during the test year for total company and Kentucky jurisdictional operations.

**Response 13:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 14:** Provide the average number of customers on South Kentucky's system by rate schedule for the test year and two most recent calendar years.

**Response 14:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 15:** Provide a schedule, in the format provided in Schedule F, of electric operations net income, per kWh sold, per company books for the test year and three calendar years preceding the test year.

**Response 15:** Please see the Excel file provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 16:** Provide the comparative operating statistics as shown in Schedule G.

**Response 16:** Please see the Excel file provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 17:** Provide the information requested in Schedule H1 for budgeted and actual numbers of full- and part-time employees by employee group, by month, and by year; and regular wages, overtime wages, and total wages by employee group, by month, for the test year and three most recent calendar years preceding the test year. Explain any variance exceeding 5 percent. Complete the information requested in Schedule H1.

**Response 17:** Please see the Excel file provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 18:** State whether South Kentucky, through an outside consultant or otherwise, performed a study or survey to compare its wages, salaries, benefits, and other compensation to those of other utilities in the region, or to other local or regional enterprises since South Kentucky's last base rate case.

a. If comparisons were performed, provide the results of the study or survey, including all workpapers and discuss the results of such comparisons. State whether any adjustments to wages, salaries, benefits, and other compensation in the rate application are consistent with the results of such comparisons.

b. If comparisons were not performed, explain why not.

**Response 18(a)-(b):** The wage and salary studies are being provided pursuant to a motion for confidential treatment.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 19:** Provide the most recent wage, compensation, and employee benefits studies, analyses, or surveys conducted since South Kentucky's last base rate case or that are currently utilized by South Kentucky.

**Response 19:** Please see the information provided confidentially in response to Item 18.



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 20:** For each employee group, state the amount, percentage increase, and effective dates for general wage increases and, separately, for merit increases granted in the past three calendar years.

**Response 20:** For years 2022 – 2024 employees received market pay adjustments on July 1 of each year based on the compensation study. In December each year employees received an additional pay raise if their pay rate was less than the midpoint for their market rate based on the compensation study. Please see the Excel spreadsheet provided separately for further details on wage increases that have been awarded.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 21:** Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and three most recent calendar years. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each officer, and to whom each officer reports. For employees elected to executive office status since the test year in South Kentucky's most recent rate case, provide the salaries for the persons they replaced.

**Response 21:** Please see the Excel file provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 22:** Provide a listing of all health care plan categories, dental plan categories, and vision plan categories available to corporate officers individually and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union, and Non-Union Hourly employees (e.g., single, family). Include the associated employee contribution rates and employer contribution rates of the total premium cost for each category, and each plan's deductible(s) amounts.

**Response 22:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

Witness: Kevin Newton and Carrie Bessinger

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 23:** Provide all current labor contracts and the most recent labor contracts previously in effect.

**Response 23:** Please see the Attachment PSC DR 1-23.

**ATTACHMENT PS DR 1-23**



**AGREEMENT BETWEEN**  
**SOUTH KENTUCKY RECC**  
**AND**  
**INTERNATIONAL BROTHERHOOD OF ELECTRICAL**  
**WORKERS LOCAL 2100**

EFFECTIVE DATE: December 12, 2024

EXPIRATION DATE: December 11, 2027



## AGREEMENT

**THIS AGREEMENT** is made and entered into effective the 12<sup>th</sup> day of December, 2024, between South Kentucky Rural Electric Cooperative Corporation, (hereinafter referred to as “Employer or Cooperative”) and the International Brotherhood of Electrical Workers, AFL-CIO-CLC, Local Union No. 2100, (hereinafter referred to as the “Union”).

### **PREAMBLE**

The Cooperative and the Union mutually recognize and agree that the Coop's employees, represented by the Union, are essential, skilled, and highly valued individuals without which the Cooperative could not operate.

The Cooperative and the Union mutually understand and agree that the Cooperative and employees represented by the Union are jointly engaged in providing the essential public service of providing electric power to the customers they serve. The Parties recognize that the wellbeing, livelihoods, security, and health and safety of the Cooperative's members-customers and the communities in which they live depend upon the efficiency and reliability of this electric power, and the safe restoration of any interruption in this electric power.

The Parties further recognize that Employer is a 100% member owned cooperative, and so the cost of electricity provided by the Cooperative is entirely borne by its member-customers. The Cooperative must operate efficiently and cost-effectively to avoid harm to the household budgets of its individual customers and risk to the continued operation of its business customers.

All provisions of this Agreement should and must be understood and interpreted in light of these core characteristics of Employer and essential role played by the employees represented by the Union.

### **JURISDICTION**

**Section 1.** This Collective Bargaining Agreement applies to employees represented by IBEW Local Union 2100 as defined in Article 1, Section 1 - Union Recognition.

**Section 2.** This Collective Bargaining Agreement does not apply to any employees covered under any other Agreements between the Cooperative and other Local Unions.

**Section 3.** If an employee(s) covered by this Agreement is assigned to work in any territory covered by a Collective Bargaining Agreement between the Cooperative and another Local Union, this Agreement shall apply to said employee(s) terms and conditions of employment.

### **ARTICLE 1 – UNION RECOGNITION**

**Section 1.01: Recognition.** For the purpose of collective bargaining with respect to rates of pay, wages, hours of employment, and all other conditions of employment, the Cooperative recognizes the Union as the sole collective bargaining representative of all full-time and regular part-time Lead Material Coordinators, Materials Coordinators, Warehouse & Procurement Coordinators, Construction Crew Foremen, Construction Line Foremen, Service Technicians, Construction Line Technicians, Construction Lead Line Technicians, Construction Apprentice Line Techs, Meter Technicians, ROW Coordinators, Tree Trimmers, Staking Engineers, Transportation Mechanics, Facilities Coordinators and Construction Contractor Coordinators employed by South Kentucky Rural Electric Cooperative Corporation as certified by the National Labor Relations Board Region 9, Case 09-RC-320361.

The bargaining unit excludes all other employees as follows Call Center Representatives, Member Services Representatives, Work Order Coordinators, AMI/Dispatch Coordinators, Computer Mapping Technicians, Dispatchers, guards, office clerical employees, professional employees, managerial employees, and supervisors as defined in the Act. as certified by the National Labor Relations Board Region 9, Case 09-RC-320361.

**Section 1.02: Definition of “Employee” and “Employees”.** Whenever the terms "employee" or "employees" are used in this Agreement, they shall refer only to employees in the bargaining unit as identified herein unless specifically stated otherwise.

**Section 1.03: Gender Neutral.** Should the use of the masculine or feminine gender be used in this agreement, it shall be construed as including both genders and not intended for gender limitation(s).

**Section 1.04: Regular Employees (Full-Time and Part-Time).**

- a) **Regular Full-Time Employee:** Regular full-time employees are defined as employees (excluding Temporary Employees) who have satisfactorily completed their probationary period and are available to work a normal workweek of five (5) days and/or forty (40) hours per week.
- b) **Regular Part-Time Employee:** Regular part-time employees are defined as employees who work less than thirty (30) hours per workweek. The Cooperative will inform the Union of the employment of regular part-time employees. An employee’s assignment to “Light Duty” due to physical restrictions, or on any leave recognized under this Agreement, shall not change their employment status (full-time/part-time, etc.).

**Section 1.05: Temporary Employee.** Temporary employees are employees whose employment is with the definite understanding that the employment is not of a permanent nature, no more than 180 actual days worked on Monday through Friday. Employees that exceed 180 actual days worked on Monday through Friday as a temporary employee will become regular employees and all benefits will apply to them as stated in the Article on Benefits. The Cooperative will inform the Union of the employment and assigned Department of such employees and the expected

duration of their employment. The Use of temporary employees will not result in the lay-off of regular full-time or regular part-time employees.

**Section 1.06: Probationary Employee.** Probationary employees are those employees who have not satisfactorily completed ninety (90) actual days worked on Monday through Friday. Probationary employees may be discharged, at the discretion of the Cooperative, at any time during the probationary period and such discharge shall not be subject to arbitration. Upon satisfactory completion of ninety (90) actual days worked on Monday through Friday, probationary employees will become regular employees, where seniority will be retroactive to the first day of employment.

## **ARTICLE 2 - MANAGEMENT RIGHTS:**

The Parties recognize the sole and exclusive right of the Cooperative to manage its business, to decide any and all matters pertaining to its operations and its processes, and to take any action in accordance with its judgment which it deems appropriate in the management of its facilities and the direction of the working forces not in direct conflict with any express and specific provision of this Agreement. The Cooperative shall be the sole judge of the qualifications and competence of all employees and applicants for employment. The Cooperative shall not discriminate against any employee because of his or her membership in the union or his or her union activity.

For purposes of clarity and illustration, but not limitation, the Parties list some of the specific rights reserved to the Cooperative, as follows:

- To supervise and direct the working forces;
- To determine the nature and extent of the business to be carried on by the Cooperative.
- To determine the suppliers and customers with whom it will deal, and the prices and terms upon which its materials, equipment and supplies will be purchased, leased or otherwise acquired;
- To sell or otherwise transfer any asset or all or any portion of the Cooperative's business provided that the Cooperative shall engage in effects bargaining with the union should any such sale or transfer eliminate or change any job of a bargaining unit member;
- To determine its services and products to be sold or provided and the means and methods for selling or providing them;
- To provide such information and make such proposals, requests, and filings, as the Cooperative may deem necessary or appropriate, directly or through an association, with the Kentucky Public Service Commission, the Rural Utilities Service, the Federal Energy Regulatory Commission, and any and all other federal, state, or local regulatory agencies and bodies to which the Cooperative may be subject, and comply with all orders, directives, and standards of such regulatory agencies and bodies;
- To determine the size and composition of the working force provided that the Cooperative shall engage in effects bargaining with the union should any change in the size and composition of the work force eliminate or change any job of a bargaining unit member;
- To determine the assignment of work,
- To determine who to hire for any job;
- To establish and enforce quality, production, construction and service standards for its employees, services, and products;

- To establish new departments; discontinue existing departments; introduce new or improved equipment, facilities, service methods, computer, camera, electronic devices, or software provided that the Cooperative shall engage in effects bargaining with the union should any of these changes eliminate or change any job of a bargaining unit member;
- To change, combine, create, and discontinue jobs or operations provided that the Cooperative shall engage in effects bargaining with the union should any of these changes eliminate or change any job of a bargaining unit member;
- To determine when and if vacancies in the working force shall be filled;
- To determine the hours of operation; and discontinue temporarily or permanently, in whole or in part, any operations of the business of the Cooperative covered or affected by this Agreement provided that the Cooperative shall engage in effects bargaining with the union should any of these changes eliminate or change any job of a bargaining unit member, and this shall not relieve the Parties of complying with Article 9 on Hours of Work;
- The right from time-to-time to make and enforce such reasonable rules applicable to employees covered by this Agreement, including but not limited to, rules concerning work, health and safety, alcohol and substance abuse, and to enforce, change, abolish or modify existing rules applicable to employees covered by this Agreement, as it may from time-to-time deem necessary or advisable.
- Except as herein limited, all of the rights, functions and prerogatives of management which the Cooperative had prior to entering into this Agreement.

In no event shall any right, function or prerogative of the Cooperative ever be deemed or construed to have been modified, diminished or impaired by any past practice or course of conduct, or otherwise, other than by an explicit provision of this Agreement.

The Parties acknowledge that this Agreement sets out the entire Agreement between the Cooperative and the Union. Except as herein limited the Parties acknowledge and agree that all subjects and issues not expressly addressed in this Agreement are reserved to the Cooperative. The Cooperative shall have, but only have, the duty to bargain with the Union during the term of this Agreement expressly provided in this Agreement. The Cooperative's duties are limited to complying with the express terms to which it has agreed in this Agreement.

### **ARTICLE 3 - UNION/COOPERATIVE RELATIONSHIP**

**Section 3.01. Bargaining Unit Work.** Members of the bargaining unit shall be paid in accordance with their job classification under this Agreement. Nevertheless, nothing in this Agreement, including job classification, shall limit or prohibit the Cooperative from assigning any employee to perform any work that he/she is qualified to perform. Managers and other non-bargaining unit members may perform bargaining unit work but shall not displace the employment of bargaining unit members, and bargaining unit members shall have priority to perform work whenever they are available.

**Section 3.02. Subcontracting or Outsourcing.** The Cooperative shall not subcontract or outsource bargaining unit work if it causes a layoff, occurs when employees are on layoff, occurs

when layoffs are pending, or occurs when there is an overall reduction of bargaining unit work hours.

**Section 3.03. Mutual Aid.** Nothing in this Agreement shall prevent the Cooperative from securing temporary assistance from employees of other utilities, as needed, to promptly restore service to members in the event of storm damage or similar outage.

**Section 3.04. Amendments and Memorandum of Understandings.** Amendments to this Agreement may be made in writing. Amendments proposed in by one party shall be considered by the other and discussed by the parties jointly, but if, as a result of such negotiations, no amendments are agreed to, the disagreement shall not constitute a dispute subject to the Grievance Procedure.

Any future agreements, amendments, or memorandum of understandings during the term of this Agreement that are prepared by the Cooperative and the Union, shall require the signature or confirming signature of the Union Business Manager and the Chief Executive Officer of the Cooperative or their designated representatives and shall be binding on both parties.

**Section 3.05. Labor Management Committee.** A labor-management committee will be established with up to six members named equally (three each) by management and the Union. The committee will meet by mutual consent when both management and the Union both determine such a meeting will be helpful in addressing any issue. The Cooperative agrees that the committee will receive training on how to structure and conduct labor-management meetings from the Federal Mediation and Conciliation Service (FMCS).

**Section 3.06. Separability.** It is understood and agreed that the provisions of this Agreement are in all respects subject to all applicable laws and governmental regulations now or hereafter in effect and to the lawful rulings and orders of all regulatory commissions now or hereafter having jurisdiction. Should any provision of this Agreement be found to be in conflict with any applicable laws or lawful rulings or regulations, the parties shall promptly meet for the purpose of discussing and/or modifying that portion of the Agreement only.

**Section 3.07. Nondiscrimination.** It is the continuing policy of the Cooperative and the Union that the provisions of this Agreement shall be applied to all employees without regard to race, color, religion, national origin, ethnicity, age, gender, disability, sexual orientation, veteran status or other condition protected by law. There shall also be no discrimination, interference or coercion by the Cooperative or any of its agents against any employee because of their membership in the Union or because of any lawful activity on behalf of the Union, and the Union agrees that it will not discriminate against any employee because the employee chooses not to become a member of the Union.

## ARTICLE 4 - UNION RIGHTS AND REPRESENTATION

### Section 4.01: Union Steward:

- a) **Union Steward:** The Cooperative recognizes the right of the Union to designate a Steward(s), who shall act as a representative of the Union as provided herein. The Union shall furnish the names of all Stewards to the Cooperative in writing. The Union Steward shall be authorized to take up grievances that may arise during this Agreement. The Cooperative shall not discriminate against any Union Steward because of their faithful performance of duties as a Union Steward.
- b) **Stewards Attendance at Grievance Meetings:** The Cooperative agrees to meet with and confer with the Union Steward who has information relevant to a dispute concerning Union and employee grievances. Grievance and other meetings held between the Steward and representatives of the Cooperative shall be held during working hours for the Steward provided that the date, time, and circumstances permit the meeting to occur without in any way interfering with the Steward's completion of his/her work duties, or otherwise disrupt the timely completion of the work of the Cooperative. Otherwise, meetings shall be held during the non-work time of the Union Steward.

**Section 4.02: Union Representation.** The Union (Officer or Steward) shall be given the right to be present at any examination of an employee by a representative of the Employer in connection with an investigation if the employee requests a union representative and reasonably believes that the examination may result in disciplinary action against the employee. This right to a representative shall not be used to delay or hinder the investigation beyond the time reasonably required to secure the presence of a union representative. The Cooperative shall pay for the time required for the employee union representative to be present for an investigative interview.

**Section 4.03: Union Access.** Authorized representatives of the Union shall be allowed access to the premises of the Cooperative where employees are employed under this Agreement to inspect and/or investigate operations and to meet with officials of the Cooperative for compliance with the terms and conditions of this Agreement herein. The Union shall notify and obtain the consent of the President/CEO (or his/her designee) before entering the Cooperative's property, or communicating with Cooperative employees during working hours, provided that the President/CEO (or his designee) shall not unreasonably withhold such permission.

**Section 4.04: Union Time.** Upon fourteen (14) days' notice, the Cooperative shall excuse Union Officers and Stewards from duty to attend to Union business. Time off for union business shall be limited to ten (10) calendar days per person per year, except that if a union member is appointed or elected to be an officer of the local union, that member will be excused up to fifteen (15) days

per year for union business. No such time-off for Union business shall be at the Cooperative's expense. Excused persons shall report to their supervisors immediately upon returning to duty.

**Section 4.05: Stickers.** The Cooperative will allow IBEW logos to be placed on hard hats, provided placement of the stickers violates no occupational health and safety rules, and does not cover or interfere with Cooperative logos on the hard hats. It is agreed that such stickers will be mutually agreed upon IBEW and/or Local 2100 insignia. No sticker or other placement of IBEW logos shall be affixed to Cooperative vehicles or other Cooperative owned/leased physical or real property.

**Section 4.06: Fire Retardant Clothing.** The Union and the Cooperative will mutually agree upon an IBEW and/or Local 2100 insignia which will be available to include on fire retardant clothing for members of the bargaining unit.

**Section 4.07: Bulletin Boards.** The Cooperative shall provide one designated Union bulletin board at the headquarters building and each District Office to post official Union notices in the employee breakroom.

## **ARTICLE 5 – DUES DEDUCTION**

### **Section 5.01: Checkoff Authorization.**

- a) **Deductions:** The Cooperative agrees to deduct, through payroll deduction, from the pay of each employee who executes a written authorization, an amount equal to the current Union dues as set forth in the Local Union ByLaws and the Constitution of the International Brotherhood of Electrical Workers. The amount of these deductions will be paid to the Financial Secretary of the Local Union. The deductions will be renewed for successive periods of one year unless revoked by written notice by certified mail to the Cooperative within ten (10) days prior to the anniversary date of the authorization or the expiration of the Agreement. The Union shall notify the Company of any changes in the dues amounts to be deducted.
- b) **Sufficient Funds:** When sufficient pay is not available in any payroll period, they shall be deducted when pay is sufficient in any succeeding payroll period ending in the same month or the following month.
- c) **Deduction Records:** The Cooperative shall furnish the Union with a record of names and the total amounts deducted. In addition, the Cooperative will furnish a list of names and reporting areas of newly hired employees, transfer of employees, promotion of employees, and names of employees who terminate their employment.
- d) **Indemnity:** The Local Union shall indemnify and save the Cooperative harmless against any and all claims, demands, lawsuits, or other forms of liability that may arise out of or



because of action taken by the Cooperative in making payroll deductions of Union membership dues as hereinabove defined.

## ARTICLE 6 - GRIEVANCE PROCEDURE

**Section 6.01: Notice of Grievance.** Should a grievance arise between the Parties in connection with the application, interpretation, or alleged violation of any provision of this Agreement, the complaining or aggrieved party shall serve notice thereof, in writing on the Cooperative's Director of Human Resources ("HR Director"), or his/her designee, no later than five (5) workdays from the date the grievance occurred or reasonably comes to the attention of the complaining party. The written grievance must designate the specific provision(s) alleged to have been violated. Nothing in this Article shall be interpreted as preventing employees from resolving any issue or dispute with their direct supervisor.

**Section 6.02: Steps of the Grievance Procedure.** Should a grievance be submitted in accordance with Section 1, every effort shall be made to settle such grievance or dispute amicably. In any event, the following procedure shall be utilized:

a) **Grievance(s) Filed by the Union:**

**Step 1:** Within ten (10) working days after presenting a written grievance to the HR Director, the HR Director (or his/her designee), and up to three (3) other persons of her/his choosing shall meet in a Step 1 grievance meeting with the applicable Union steward and up to three (3) other persons of his/her choosing to discuss the matter. The HR Director or his/her designee shall have ten (10) working days after the Step 1 grievance meeting to render his/her written decision to the Union Steward. A copy of this decision will be sent to the Business Manager of the Local Union.

**Step 2:** If satisfactory adjustment is not reached at the Step I grievance meeting, the Union may appeal by notifying the Cooperative's President/CEO within 3 working days after notice of the Cooperative's First Step Decision. Within ten (10) working days after the Cooperative receives the Union's appeal, the President/CEO plus up to three (3) other persons of his/her choosing, and the Union's Business Manager, plus up to three (3) other persons of his/her choosing, shall meet to discuss the matter in a Step 2 Grievance meeting. The President/CEO may designate another manager to act for him/her in receiving and responding to grievance by advance written notice to the Business Manager of the Union. The President/CEO, or his/her designee, shall have ten (10) working days after the meeting to render his/her decision in writing to the Business Manager of the Local Union.

**Step 3:** If satisfactory adjustment is not reached in the Step 2 grievance meeting, the matter may be referred to arbitration upon written demand from the Union, served within ten (10) working days after the Union has received a written decision from the President/CEO or

his/her designee. The arbitration will be conducted in accordance with Article 6 on Arbitration.

**b) Grievance(s) Filed by the Cooperative:**

**Step 1:** Grievances filed against the Union shall be filed directly with the Business Manager of the Local Union. Within ten (10) working days after the presentation of a written grievance, a Step I meeting shall be held between the Business Manager of the Local Union and President/CEO, or his/her designee, to discuss the matter. After hearing the matter presented, the Business Manager of the Local Union will respond in writing to the President/CEO, or his/her designee, no later than ten (10) working days following the Step 1 meeting.

**Step 2:** If satisfactory adjustment is not reached, the matter may be referred to arbitration upon written demand from the Cooperative, served ten (10) working days after the Cooperative has received a written answer from the Business Manager of the Local Union. The Parties shall select the arbitrator in accordance with the Article on Arbitration.

**Section 6.03: General Rules.**

The grievance procedure is subject to the following rules and conditions:

- a) Bargaining unit employees will investigate, present or discuss grievances during their non-work time, except that Union Steward shall have the right to meet and confer with the Cooperative over grievances during work time to the extent set out in the Article on Union Rights and Representation, Section 4.01, paragraph (b).
- b) Infrequently, due to the nature of the subject matter, the Cooperative or the Union may request that Step 1 of the grievance procedure be waived. In such cases Step 1 of the grievance procedure may be waived provided there is mutual agreement by the Cooperative and the Union to do so.
- c) Either Party may have any one of their participants appear at any meeting virtually.
- d) Any time the Cooperative offers a settlement (resolution of a grievance by an agreement of the Parties) with regard to any grievance, there will be a Union Official present, and all settlements shall be reduced to writing and signed by a Cooperative representative and the Business Manager of the Local Union.
- e) Only the Union shall have the right to prosecute grievances for the benefit of either the Union or an employee under this Agreement and only the Union shall have the right to take to arbitration any grievance that is otherwise arbitrable.

- f) The time deadlines for the Grievance Procedure may be extended by mutual consent of the Parties.
- g) No grievance may be filed or considered which is based in whole or in part on an occurrence happening prior to the execution of or after the term of this Agreement, except that grievances or arbitrations filed prior to the expiration of this Agreement may continue until resolved or arbitrated.

## **ARTICLE 7 - ARBITRATION PROCEDURE**

**Section 7.01: Notice of Arbitration.** If a party is dissatisfied with the results of Step 1 and Step 2 in the Grievance Process created in Article 5 on Grievance Procedure, the party may make a written demand for arbitration, served within ten (10) working days after receipt of the Step 2 answer to be arbitrated.

**Section 7.02: Selection of Arbitrator.** The party making the demand for arbitration shall contact the Federal Mediation and Conciliation Service and take all steps necessary for the FMCS to furnish a panel consisting of at least seven (7) names of arbitrators. Either party may reject up to one FMCS provided panel by notifying the other party of their desire to secure a substitute panel before the Parties strike any arbitrators from the first panel. The party seeking a substitute panel must promptly take all steps and bear all cost of securing a substitute panel. After securing the panel of arbitrators, the Union and Cooperative shall select a single arbitrator from the panel by alternately striking a name until such time as only one (1) name remains. The Party seeking arbitration shall exercise the first strike.

**Section 7.03: Arbitration Hearing.** No more than one grievance shall be submitted to any one arbitrator unless the Cooperative and the Union agree otherwise. Arbitrators selected shall have power to receive relevant testimony from the Parties to the dispute and hear such witnesses as the Parties may desire to present. The Parties may be represented by counsel in all proceedings held before the Arbitrator. Each party shall bear its own costs of preparing and presenting its case to the Arbitrator. All other expenses of arbitration, such as but not limited to, the Arbitrator's fee, the cost of a court reporter creating a record and transcript of the hearing, and the hiring of a space to conduct the arbitration hearing, shall be divided equally between the Cooperative and the Union.

**Section 7.04: Function of Arbitrator.** The function of the Arbitrator shall be of a judicial, rather than a legislative, nature. The Arbitrator shall not have authority to add to, ignore or modify any of the terms or provisions of this Agreement and he/she shall be limited to deciding whether or not the Cooperative acted arbitrarily, capriciously, and in bad faith. The Arbitrator shall not decide on issues which are not directly involved in the case submitted to him/her.

**Section. 7.05. Calculation of Backpay.** In any discharge or disciplinary suspension case where the Arbitrator decides that the aggrieved employee should be awarded any back pay, the Cooperative shall be entitled to full credit against such awards for the employee's gross interim earnings, unemployment compensation benefits, worker's compensation benefits received or receivable, any other compensation he/she receives from any form of employment during the period he/she was not working for the Cooperative. Subject to the foregoing qualifications and

limitations, the Arbitrator's award shall be final and binding upon the Cooperative, the Union and the aggrieved employee or employees.

**Section 7.06. Non-binding Mediation.** After a demand for arbitration has been given the Parties shall confer and discuss whether to agree to non-binding mediation prior to arbitration. If the parties agree to non-binding mediation, they may select a mutually agreeable mediator or utilize FMCS mediation services. Mediation shall be held at a mutually agreeable time and location and any fees and expenses for renting space and for compensating the mediator shall be equally shared by both Parties.

## **ARTICLE 8 - DISCIPLINE AND DISCHARGE**

**Section 8.01: Maintenance of Discipline and Just Cause.** The maintenance of discipline is the responsibility of the Cooperative, and to that end, the Cooperative has the right to discipline employees for just cause.

**Section 8.02: Progressive Discipline.** When the Cooperative determines that discipline is appropriate. The parties agree that, as a general matter, progressive corrective action is the best and most effective way to change behavior and maintain positive employee morale. Discipline will be administered as follows:

- a) **First Level Warning (Verbal Warning):** The documented first level warning is used to inform the employee of a minor infraction of Cooperative or team rules or of failure to perform job duties in an acceptable manner. Generally, a first level warning occurs after an employee has received counseling from their Manager related to the issue(s).
- b) **Second Level Warning (Written Warning):** The second level warning is used when performance and/or attendance problems persist or when action more severe than a first level warning is warranted.
- c) **Third Level Warning (Second Written Warning):** The third level warning is used when performance and/or attendance problems persist or when action more severe than a second level warning is warranted.
- d) **Suspension without Pay:** A suspension without pay (generally three or more scheduled working days) is issued when performance and/or attendance problems persist or when the offense is so serious that a first and/or second level warning is not appropriate.
- e) **Termination:** If all prior disciplinary actions do not resolve the situation, or if the nature of the violation is so serious that a first or second level warning or a suspension is not appropriate, the employee is subject to termination.

- f) **Discharge Based on Egregious Act:** The Cooperative has the right to immediately discharge an employee based on an egregious act. This includes acts calling for immediate discharge under Cooperative Administrative Policies in existence at the time of the ratification of this Agreement.
  
- g) **Effect of Warnings and Prior Discipline.** A warning for any cause may constitute a basis for future discipline, including termination, for any subsequent infraction for any cause. Documentation of Verbal and Written Warnings shall remain active for six (6) months, provided the employee has corrected such behavior and not incurred subsequent discipline. Suspension Without Pay and all higher disciplinary actions will remain active for twelve (12) months, provided the employee has corrected such behavior and not incurred subsequent discipline. Should the Union or employee assert that the employee has a record of past good performance, attendance, or behavior that should be considered to mitigate misconduct or reduce the degree of discipline to which the employee would otherwise be subject, then the employee's entire employment record may be considered to determine whether such mitigation or reduction is appropriate.
  
- h) **Written Plan for Corrective Action:** The Cooperative and employee may develop a Written Plan for Corrective Action as a tool for the employee to develop their personal plan on how to correct a disciplinary issue at any disciplinary step. This requires the employee to take responsibility for the action, develop their plan in writing and abide by the conditions. A Corrective Action Plan may remain in an employee's personnel file until the Plan is completed.
  
- i) **Safety Violations.** Discipline for proven safety violations shall be administered in accordance with the American Public Power Association (APPA) Safety Manual with appendix ("yellow sheets") which assigns the appropriate level of discipline under this Agreement. The Cooperative's safety rules and discipline assigned to violations may be revised and updated by a Safety Rules Committee consisting of an equal number of members appointed by the Cooperative and the Union.

**Section 8.03: Weingarten Rights.** The Union shall be given the right, upon the employee's request, to be present at any examination of an employee by a representative of the Employer in connection with an investigation if the employee reasonably believes that the examination may result in disciplinary action against him/her.

**Section 8.04: Copy to Union.** A copy of all disciplinary actions issued to Bargaining Unit employees will be forwarded to the Union as soon as practicable after issuance of such discipline.

## ARTICLE 9 - HOURS OF WORK

### Section 9.01: Hours of Work

- a) **Workweek:** All workweeks shall consist of forty (40) guaranteed hours, and employees will be available for work between the hours of 7:00 a.m. to 3:30 p.m., Monday through Friday.
- b) **Workday:** The regular workday is eight (8) hours, scheduled between the hours of 7:00 a.m. and 3:30 p.m., Monday through Friday.
- c) **Shift:** All shifts start and stop times will be in the Local Time Zone. The day shift will begin at 7:00 am and end at 3:30 p.m. All Employees must show up and be ready to work at their district offices at the start of the shift but shall not be required to return to their district office at the close of their shift provided they continue to work in the field to the end of their shift. The Cooperative may require employees to record or verify arrival and departure time through any means now used by any other employer represented by the Union. Should the Cooperative select a means for recording or verifying arrival and departure times not already used by another employer with employees represented by the Union then the Cooperative will give the Union notice and an opportunity to bargain over this other means of recording or verifying work time.
- d) **Payroll Period:** The payroll period shall consist of fourteen (14) consecutive calendar days beginning on Saturday at 12:00 a.m. (Midnight) and ending on Friday at 11:59 pm.
- e) **Lunch Period:** Each employee shall receive a thirty (30) minute lunch as close to the middle of their shift as possible.
- f) **Breaks:** Each employee shall receive a fifteen (15) minute break on Cooperative time to be taken as close to the middle in the first half of their workday as possible. A second fifteen (15) minute break on Cooperative time to be taken as close to the middle of the second half of their workday as possible.
- g) **Work Schedule Notice:** Employees shall be notified if there is any change in their next week's work schedule no later than 3:00 p.m. on Friday.

## ARTICLE 10 – OVERTIME

**Section 10.01: Overtime Hours.** Hours scheduled in excess of eight (8) hours in one day or forty (40) hours in one week are considered overtime and are not part of the normal day. No employee will be required to reduce their normal hours to account for overtime worked, or to be worked. All overtime shall be paid for at the rate of one and one-half times (1 1/2 X) basic rates, except for Sundays and holidays, which are paid at two times (2X) basic rates.

**Section 10.02: 16-hour Rule.** No employee will be permitted to work more than sixteen (16) hours consecutively. Each employee shall be responsible for tracking their work hours in order to comply with this Rule.

**Section 10.03: Rest Period.** An employee who has worked sixteen (16) consecutive hours shall, upon his/her release, take a mandatory 8-hour rest period before he/she returns to work.

- a) Any unpaid lunch periods will count toward the consecutive hours worked.
- b) If this rest period extends into his/her regularly scheduled working hours for four (4) hours or more, he/she shall be excused from his/her regular shift and paid his/her straight-time base rate for those hours. The exception to this is during a storm restoration effort that is ongoing, where the employee will report back to work immediately following his/her 8-hour rest period.
- c) If the rest period extends into his/her regularly scheduled hours for less than four (4) hours, he/she shall be excused from that portion of his/her regular shift and be paid for the excused hours at his/her straight time base rate. The employee will report to work at the end of his/her rest period unless directed otherwise by his/her manager.
- d) Rest time shall not be denied.

**Section 10.04: On-Call / Standby Pay.** Each employee required to stand by for a callout will be paid one (1) hour per scheduled eight (8) hours on call, times his/her hourly overtime rate for all days (Monday-Sunday) on standby. Standby pay is only paid if the employee is not called out during each 8-hour period. Example: Each office, whether Somerset or a district office, will have two (2) hours per weeknight, three (3) hours for each Saturday, and three (3) hours for each Sunday, available for employees assigned to standby duty. The total amount of standby pay available at each office will be sixteen (16) hours per week if not called out at all. For the purpose of calculating standby pay, the following 8-hour periods will apply: 3:30 pm to 11:30 pm, 11:30 pm to 7:30 am, and when applicable, 7:30 am - 3:30 pm.

- a) Employee is responsible for covering his/her scheduled days of duty or may trade duty. Traded duty between employees is the responsibility of those employees. The duty must be covered by each employee as traded. Prior notice to dispatch is required for an on-call employee to trade on-call duty days, and the employee accepting the trade must be qualified to perform the work. All employees involved in the trade must work the on-call duty days for which they have traded.
- b) Employees will receive the next year's call out list no later than December 1st of the current year.

**Section 10.05: Call Out.** An employee is "called out" for overtime work when he/she is given notice to report for work while off duty. "Call out" shall be assigned with the most senior employee by classification\* contacted for the first assignment. All employees subject to "call out" shall be on continuous rotation, by District, with the next most senior employee after the last employee

contacted for "call out" given the next assignment. (\*Foreman and lead lineman will be one list. Lineman/apprentices shall be a separate list. Any employees from any District may be called out if necessary.) When an employee is "called out" for overtime work or is instructed to report for overtime work:

- a) He/she shall receive a minimum of two (2) hours of pay at the overtime rate, including travel time.
- b) The Parties recognize that availability for call-out work is an essential function of the job for each employee subject to "call out" duty. Even if an employee is not on the rotation for call-out, he/she must respond to a Cooperative request for called out work.
- c) If an employee subject to call-out duty fails to answer and respond to three (3) consecutive call out occasions the employee's qualifications for his/her job is placed in doubt due to his/her unavailability.
  - I. On the occasion of missing three (3) consecutive call outs the employee shall receive a written warning for unavailability.
  - II. On the fourth (4<sup>th</sup>) consecutive missed call out, the employee shall receive a five-day suspension without pay.
  - III. On the fifth (5<sup>th</sup>) consecutive missed call out, the employee shall be terminated as the employee has shown to be unqualified for his/her position due to unavailability.
  - IV. When any of the above incidents of consecutive failures to respond to call-out is over 365 days old, that incident shall expire and not be considered for purposes of disqualification for employment due to the employee's unavailability.
  - V. For purposes of this subsection, if any employee misses a call but reaches the dispatcher and agrees to report for duty before a crew is committed to meeting the call-out need, the employee will not be considered to have missed the call.
  - VI. For purposes of this subsection, consecutive missed calls within the same 24 hour period shall count as a single missed call.
  - VII. The Cooperative shall post a list in a format selected by the Cooperative showing the anticipated order of employees being called for callout, two (2) phone numbers on file to be called by the dispatcher, one of which shall be the employee's work phone, and any missed call-outs to the date of the list.
    - The list shall be updated approximately every two (2) weeks.
    - Each employee shall be responsible for checking this list and reporting to the Cooperative any inaccuracy in the list, or PTO coverage excusing the failure to respond to the callout, within eight (8) workdays of the posting.
    - Failure to timely report an inaccuracy or applicable PTO coverage waives the inaccuracy or claim of PTO coverage.
    - Reports of inaccuracy or PTO coverage shall be made to the Director of Operations, or his/her designee.
    - Dispatch will call both numbers on the call-out list before marking the employees down as missing a call. Employees may designate one of the phone numbers on the call list as the preferred phone number which will be called first. Dispatch must leave voicemail on work phone.



**Section 10.06: Reasonable Notice.** In cases when overtime is planned or foreseen, Management shall make a reasonable effort to inform the potentially affected employees as early as reasonably possible but no later than twenty-four (24) hours' notice. Reasonable effort may include verbal communication.

**Section 10.07: Release From Work On Time.** When an employee needs to be released from work on time, the employee will notify the supervisor at the beginning of his/her shift. The supervisor will make every effort to accommodate the employee.

**Section 10.08: Hold Over.** Employees held over for overtime work after their shift will receive time and one half pay (1 ½ X).

**Section 10.09: Temporary Employees Overtime.** Temporary employees shall not work overtime when Regular employees are available to work overtime.

**Section 10.10: Hours Used in the Computation of Overtime.** For purposes of this Agreement, all hours of paid compensation such as holidays, PTO, jury duty, bereavement leave, etc., will be considered as hours worked for the purposes of overtime.

**Section 10.11: Storm Assignment.** When the Cooperative requests an employee for storm work to assist other cooperatives in need that are off South Kentucky RECC's system, the opportunity shall be filled by seniority and classification. All employees who are on Storm Assignment will be compensated at the rate of one and one-half times the straight time hourly rate of pay (1 ½ X) for all hours worked, except for Sundays and Holidays which shall be compensated at two times (2 X) straight time hourly rate of pay.

## **ARTICLE 11 - HIRING, LAYOFF, AND PROMOTIONS**

**Section 11.01: Hiring of Employees.** When the Cooperative hires new employees, the Cooperative shall notify the Union Business Manager.

**Section 11.02: Seniority.** All employees shall receive seniority credit for continuous service from the day of their last date of hire. Continuous service means that an employee can have no break in his/her employment with the Cooperative, except for approved leave or layoff of less than one (1) year. The seniority ranking of employees hired on the same date will be determined by using the last digit of the employees' Social Security number, with zero as the lowest number. If the last numbers match, they will use the last two (2) digits of the employees' Social Security number and will continue on until a lower number no longer matches.

**Section 11.03: Seniority List.** The Cooperative shall maintain two (2) seniority lists. The first is Full-Time employees, and the Second is Part-Time employees. Temporary employees shall have no seniority.

**Section 11.04: Job Openings and Awarded Positions.** All job openings shall be posted internally for two weeks prior to filling the job vacancy. All openings must be posted promptly after the Cooperative determines to fill the vacancy. If more than one internal candidate applies for the position the Cooperative may choose the most qualified of the applicants in its judgment. If both internal candidates are equally qualified the Cooperative shall choose the most senior of the internal applicants. The Cooperative may post the same position externally, if no internal candidate who is presently qualified for the job (as determined by the Cooperative) has applied for the opening within the two (2) week posting period. The Cooperative will provide the Local Union Business Manager with a copy of the job requisition posting. Until the Cooperative has selected an employee to regularly fill such permanent job vacancy, the vacant job may be temporarily filled for no longer than six (6) months. If vacancy last longer than six (6) months the Cooperative shall post the open position. A successful job bidder shall not thereafter bid for any other posted job for six (6) months. The Cooperative shall notify the Business Manager of the award of positions.

**Section 11.05: Declining Consideration.** An employee who applies for a job posting may decline such consideration at any time prior to being awarded the job by submitting a written waiver of consideration to the Cooperative and the Union.

**Section 11.06: Layoffs.** Should the Cooperative require the need to have a reduction in the workforce, reductions will be made within each job classification to be reduced by reverse seniority within that job classification. No employee may displace any other employee, however, unless the more senior employee is at the time qualified and able to perform the work of the employee being displaced. An employee who displaces another employee pursuant to this Section shall be paid at the hourly rate of pay for that job classification being filled.

- a) First and foremost, all contracted and temporary employees shall be laid off first.
- b) Second, Part-Time employees shall be laid off before Full-Time employees. A Part-time employee with the least seniority shall be laid off first. The Cooperative will continue this process through the Part-Time seniority list until the number of reductions is met. Should the Cooperative need additional reductions, the Cooperative will move to the Full-Time seniority list and continue the process, using the least junior employee until the number of reductions needed is met.

The Cooperative will provide the Business Manager of the Local Union at least thirty (30) days' notice of any reductions to be made within the workforce.

**Section 11.07: Layoff Recall.** All laid off employees shall be placed on a recall list in order of seniority for one (1) year. When the Cooperative needs to increase manning, the Cooperative shall go to the recall list and recall employees by recalling the most senior employee in the job classification needed first. Should the most senior employee in the job classification needed

decline to return to work within fourteen (14) days from the date of recall, the employee's name shall be removed from the roster, and his/her seniority shall terminate.

New employees, Temporary employees, or Contracted employees, shall not be employed in any Group until all furloughed employees in the job classification needed have had an opportunity for a particular job opening or have been removed or recalled in accordance with this Section.

**Section 11.08: Termination of Seniority Rights.** Employees shall be considered as terminated from the Cooperative and shall be removed from the seniority list, with no provision of reinstatement of past seniority under the following conditions.

- a) Resignation or just discharge from the Cooperative.
- b) Expiration of one (1) year after the day of Layoff, the employee has not been recalled to active duty.
- c) Reclassified and transferred to a nonunion position with no termination of service; however, if any such employee returns to the bargaining unit within ninety (90) days, there shall be no loss of seniority rights.
- d) Expiration of twelve (12) months after commencement of absence due to illness or injury.

Should an employee incur what the Union and Cooperative agree is a catastrophic injury where the employee is absent from work with a work-related injury, the Cooperative shall extend the employee's employment an additional twelve (12) months, provided the employee is able to furnish prior to the expiration of twelve (12) months from the date of their absence documentation demonstrating that the employee will be able to return to their full duties of his/her position within the additional twelve (12) months.

## **ARTICLE 12 – HOLIDAYS**

**Section 12.01: Observed Holidays.** For the term of this agreement, the following days will be observed as uniform and fixed Cooperative holidays.

- New Year's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Day after Thanksgiving
- Christmas Eve
- Christmas Day

- Employees' Birthday\*
- Personal Day\*

\*Employees must have completed 12 months of employment before taking the Birthday and Personal Day Holiday.

- ❖ Employees who work on an observed holiday (12:00 am to 11:59 pm) shall be paid his/her eight (8) hours of holiday allowance in addition to a rate of two (2) times his/her regular straight-time hourly rate for all hours worked on such holiday.

**Section 12.02: Saturday/Sunday Holiday Observance:**

- a) **Sunday/Monday.** When any of the observed holidays (referenced in Section 1 of this Article) fall on a Sunday, the following Monday shall be observed as the holiday.
- b) **Saturday/Friday.** When any of the observed holidays (referenced in Section 1 of this Article) fall on a Saturday, the preceding Friday shall be observed as the holiday.

**Section 12.03: Holiday Allowance.** Employees normally scheduled to work on an observed holiday or who are off duty as part of their regular schedule on an observed holiday shall be paid eight (8) hours of holiday allowance at the employee's regular straight-time rate.

**Section 12.04: Holiday Overtime Work Process.** When the Cooperative needs to schedule work on an observed holiday, the Cooperative will indicate the number of employees in each classification needed. Employees, beginning with the employee with the most classified seniority, will be asked, and he/she shall be able to choose whether or not to work the holiday. Such choices shall continue through the classification until the job requirement is met. In the event that all employees have been asked and it becomes necessary to assign employees to work the holiday, such assignments will be completed in reverse classified seniority order. This process must be completed no less than forty-eight (48) hours prior to the holiday.

**Section 12.05: Holiday Pay Eligibility.** To receive holiday pay, an employee must have worked his regularly scheduled hours on the day immediately preceding and the day immediately after the holiday, unless the employee's absence is due to an approved PTO or other paid compensation such as holidays, jury duty, bereavement, union leave, etc. Employees on leave of absence (worker's compensation, short term disability, long term disability, medical leave, leave without pay, etc.) and have not performed active work within the payroll cycle or are inactive on the payroll, are not eligible for holiday pay.

**ARTICLE 13 - PAID TIME OFF (PTO)**

**Section 13.01: Eligibility.** Employees begin to accrue Paid Time Off (PTO) upon the employee's date of hire. Eligible employees must be scheduled to work at least 32 hours per week on a regular basis to be eligible to accrue PTO. Employees working less than 32 hours per week on a regular basis and temporary employees are not eligible to accrue PTO. All PTO leave requests must be preapproved with the employee's supervisor and may be taken in no less than one-hour increments. Approval for all scheduled time away from work is subject to applicable workloads. In case of an emergency, however, an unscheduled PTO may be allowed at the discretion of the employee's supervisor.

**Section 13.02: Availability.** PTO accruals are available for use in the pay period following completion of 30 days of employment. All hours thereafter are available for use in the pay period following the pay period in which they are accrued.

**Section 13.03: Accrual and Payment of PTO.** Accruals are based upon paid hours up to 2,080 hours per year, excluding overtime. Employees working less than 40 hours per week but at least 32 hours per week will earn PTO hours on a prorated basis. Length of service determines the rate at which the employee will accrue PTO and is governed by the Full-time Accrual Rates chart provided below. PTO does not accrue on unpaid leaves of absence or PTO cash outs upon termination. Employees become eligible for the next highest applicable accrual rate on the first day of the pay period, in which the employee's employment anniversary date falls.

**Section 13.04: Full-time Accrual Rates:**

Years of Service	Accrual Rate Bi-Weekly Pay Period	Accrual Rate for* Annual PTO
0-4 years of service	6.78	22 days 176 hours
5-9 years of service	7.55	25 days 196 hours
10-14 years of service	8.32	27 days 216 hours
15-19 years of service	9.08	30 days 236 hours
20+ years of service	9.85	32 days 256 hours

\*Annual PTO accrual rates are based on an employee having 2,080 paid hours per year (40 hours per week).

\*Employees working less than a full calendar year, or less than 40 hours per week but at least 32 hours per week will earn PTO hours on a prorated basis.

\*\* A maximum of 520 hours of accrued and unused PTO in the employee's time bank may be carried over from one calendar year to the next.

**Section 13.05. Use and Scheduling of PTO.** Employees are required to use available PTO when taking time off from work. PTO may be taken in increments of as low as one-hour.

- a) Whenever possible, PTO must be scheduled in advance. PTO is subject to supervisory approval, department staffing needs and established departmental procedures. Unscheduled absences will be monitored. An employee will be counseled when the frequency of unscheduled absences adversely affects the operations of the department.
- b) An employee is required to use PTO hours according to their regularly scheduled workday. For example, if an employee works a ten-hour day, they will request ten hours of PTO when taking that day off. PTO is paid at the employee's straight time rate
- c) Employees may not borrow against their PTO banks; therefore, no advance leave will be granted, (employees may not use PTO time they have not earned).

**Section 13.06. Cash Out.** The Cooperative will schedule and give employees advance notice of two dates per year (generally in the spring and fall of each year) by which employees can cash out a portion of their earned PTO

- a) Effective from the date of ratification, up until December 31, 2024, employees may cash out any amounts in excess of 520 earned hours of PTO. The cash out will be paid at the employee's current base rate of pay.
- b) January 1, 2025, and thereafter, employees may cash out any amounts, provided they will have at least 280 earned hours of PTO remaining to cover unanticipated absences. The cash out will be paid at the employee's current base rate of pay.
- c) It will be the responsibility of the employee to utilize the cash out option to maintain a bank of no more than 520 hours going into a new calendar year. PTO hours in excess of 520 hours will not rollover into the employee's bank in the new calendar year and will be lost.

**Section 13.07. Payment Upon Separation from Employment.** An employee will be paid upon resignation, separation or retirement for all allowable PTO hours accumulated but not used.

## **ARTICLE 14 - LEAVE OF ABSENCE**

**Section 14.01. Bereavement.** Employees will be entitled to bereavement pay when there is a death as follows:

- a) Five (5) Days (40 Hours)  
Family Members: Children, Step Children, Spouse or Domestic Partner.
- b) Three (3) Days (24 Hours)  
Family Members: Parent, Grandparent or Grandchildren, including step and In-law.  
Sibling including half & step.

c) Two (2) Days (16 Hours)

Family Members: Aunt, Uncle, Niece, Nephew, Great Grandparent, Including Step and In-law.

**Pallbearer:** If an employee serves as an active pallbearer for a deceased active employee or retired employee, he/she will be given time off from work of one (1) day (8 hours), without loss of regular straight-time pay on the day of the funeral.

**Death of Active Employees:** In situations where an active employee passes away, active employees will be given time off, upon request, from work of one (1) day (8 hours), without losing regular straight-time pay on the funeral day to attend the funeral services.

**Section 14.02. Jury Duty & Witness Duty.** Regular employees who are selected to serve as jurors in the jurisdiction of their residence, or are subpoenaed as a witness in a legal proceeding, and are required to be absent from work on regularly scheduled workdays because of such duty, will receive a maximum of eight (8) hours of pay per day at their normal rate of pay during such absences, and they may retain any fees paid to them for such duty.

Employees shall notify their supervisors promptly after receiving notice of jury duty summons or witness duty subpoena, and shall obtain such certifications regarding time missed to provide to the Cooperative. If four (4) hours or more remain of an employee's scheduled shift, that employee shall return to work immediately. If four (4) hours or less remain of an employee's scheduled shift, that employee shall report for work on their next regular workday once they are released.

**Section 14.03: Military Leave.** Employees who are called or returning for duty will follow the Cooperative's policy which reflects USERRA.

**Section 14.04: FMLA Leave of Absence.** Employees needing leave under the Family Medical Leave Act will follow the guidelines set forth in the Cooperative's policy.

**Section 14.05: Seniority upon Return from Approved Leave.** Employees who return from an approved leave of absence prior to or on the approved return date will be reinstated in their former position at their rate of pay, provided that the employee remains qualified to perform their original job. The employee will retain their position on all seniority rosters in their respective job classification.

**Section 14.06: Benefit Continuation while on Leave of Absence.** Unless otherwise stated herein, employees granted any of the above leaves of absence shall have coverage of the following benefit plans continued to the end of the month in which their leave commences:

- Life Insurance
- Medical
- Dental
- Vision

If the employee desires to continue coverage under these programs during their approved leave of absence, the employee shall continue to pay the monthly premiums of the benefit, up to and including the month in which the employee returns to work from his/her leave of absence. Payments should be made before the end of the month for each month the employee is out. It is the responsibility of the employee to coordinate with the Cooperative regarding the payment of their premiums while on leave. Failure to make timely payments as prescribed shall cause the immediate cancellation of the program coverage.

Employee-paid additional life insurance will continue if the employee makes their monthly premium payments. Once an employee goes on Long Term Disability (LTD) they are moved to Class 3 which allows for one (1) times their annual salary with no Accidental Death and Disability (AD&D) benefit.

**Section 14.07: Voting Leave.** Employees will be granted up to four (4) hours without pay to vote or to request and or execute an absentee ballot. Employees may utilize PTO pay if they elect to be compensated. All requests for Voting Leave will be made to the employee's manager.

**Section 14.08: Community Service Leave.** Each employee may take eight (8) hours off each year for community service without loss of pay. The activity must be approved as Community Service Leave before the commencement of the activity. The activity must benefit the community in one of the following areas:

- Education
- Environment
- Social Service
- Health

**Section 14.09: Personal Leave of Absence,** in addition to all the other leave benefits provided under this Agreement, the Cooperative may voluntarily, on a case by case basis and in its sole discretion, grant an employee additional leave due to extraordinary circumstances for a period not to exceed six (6) months. The Cooperative shall establish the terms of the leave and the employee's status upon return. The Cooperative's decision to grant, deny, modify, or conclude any additional leave, and the terms of the leave, under this Section may not be challenged on any grounds under the grievance/arbitration provisions of the Agreement or otherwise. Since the granting of such additional leave is entirely voluntary, no Cooperative decision on such leave shall create a precedent or guide for any future Cooperative decision on personal leave. Each Cooperative decision is based upon the Cooperative's judgment alone about the unique facts of each individual case.

## **ARTICLE 15 – APPRENTICESHIP COMMITTEE POLICY JOINT APPRENTICE COMMITTEE**

**Section 15.01: Joint Committee.** The parties agree to meet and discuss the possibility of a joint apprenticeship committee during the term of this Agreement.



## ARTICLE 16 - NO STRIKE NO LOCKOUT

**Section 16.01: No Strike, No Lockout.** During the term of this Agreement and any mutually agreed-upon extensions thereof, the Union will not call, authorize, encourage, ratify, condone, aid, or engage in any strike, sit-down, slowdown, or any other action or inaction to prevent or slow work to put pressure on the Cooperative or otherwise engage in work stoppage of any kind or description, including a so called sympathy strike, or other interference with or stoppage of the work of the Cooperative and the Cooperative will not engage in any lockout of employees. The Union and employees further agree that they will not establish, honor or recognize any picket line, "bannering," public protest, or picketing in any form by any union at the Cooperative, any facility or operation of the Cooperative or any worksite or location where the Cooperative is working or asked to perform work, regardless of where it is located, except as provided in Section 16.02.

**Section 16.02: Picket Lines.** The Cooperative will not require bargaining unit members to cross any lawful and primary picket line established due to a dispute between another labor organization at a separate employer/Cooperative. Instead, separate gate(s)/entrance(s) may be established to enable bargaining unit members to gain access to the site of their work without requiring them to cross a lawful and primary picket line, and/or the Cooperative is authorized to have non-bargaining unit members to cross any picket line and perform the work that would otherwise be performed by bargaining unit members but for the lawful and primary picket line. In addition, should the Cooperative consider or negotiate any sale or transfer of the Cooperative or its assets to any third-party that would not be bound by this Agreement, the Union or its member shall be free to publicly protest and express their opposition to such sale or transfer, as long as such protest does not result in any interruption of work.

**Section 16.03: Obligations in Unauthorized Work Stoppage.** In the event that any employees in the bargaining unit individually or collectively engage in any strike, sit-down, slowdown, "work to rule" or other stoppages or interference of work against the Cooperative, the Cooperative shall notify the Union of such incident, and the Union shall notify and inform employees that such actions listed above are prohibited and advise employees to cease and return to normal operations immediately.

**Section 16.04: Effect of Prohibited Conduct.** Any employee who engages in any conduct prohibited by this Article 16, or who fails or refuses to comply with any provision of this Article 16, shall be subject to discharge by the Cooperative, and such discipline shall not be reviewed upon any grounds. The Cooperative shall be under no obligation to bargain with the Union concerning employees who violated this Article, nor concerning any subject of any strike or other action in violation of this Article so long as the strike or other violation continues.

**Section 16.05: Remedies.** Should the Union or the Cooperative suffer any violation of any provision of this Agreement, or any act constituting an unfair labor practice or otherwise any action in violation of federal, state, or local law they may pursue the contractual and legal remedies available to them, but they shall in no event engage in any strike, lockout, or other violation of the Article, and no such contractual or legal violation shall excuse the Cooperative, Union, their officers, agents, or any employee from their obligations and liabilities under this Article.

## **ARTICLE 17 - BOOT, CLOTHING AND CDL ALLOWANCE**

**Section 17.01: Boot Allowance.** The Cooperative will reimburse each employee for the total cost, up to a total of three hundred (\$300) dollars, for the purchase of appropriate work boots on an annual basis, with presentation of an itemized receipt showing the cost purchase of the boots. This benefit shall begin January 1 after ratification of this Agreement and continue for each calendar year under this Agreement.

**Section 17.02: Clothing Allowance.** The Cooperative will provide every employee with an annual clothing allowance equal to \$1000 for the purchase of Fire-Retardant clothing. This is provided through an online ordering process designated by the Cooperative. All employees shall also be provided with hundred dollars (\$100) worth of non-Fire-Retardant clothing through an online ordering process. These benefits shall begin January 1 after ratification of this Agreement and continue for each calendar year under this Agreement. The Cooperative shall provide first-time employees a total of two thousand and four hundred dollars (\$2400) for the purchase of Fire-Retardant clothing for their first year of employment, due to the additional expense of purchasing outerwear necessary for the job. These benefits are provided for employees in the year they arise and may not be accumulated or "rolled over" if not used.

**Section 17.03: CDL Allowance.** The Cooperative will pay one hundred percent (100%) of the cost for CDL licensing and medical examination.

**Section 17.04: Safety Glasses.** The Cooperative shall continue to follow its safety glasses policy for bargaining unit employees.

## **ARTICLE 18 - RATES FOR NEW JOB CLASSIFICATIONS**

Recognizing that during the term of this Agreement the Cooperative may install new equipment or change work methods resulting in the creation of new job classifications, the Cooperative shall establish rates for such new classifications in line with the Cooperative's wage scale for like work and notify the Union's representative in writing. If after ten (10) days the Union does not question the rate established for the new classification, it shall become the established rate for the job; otherwise, the establishment of such rate shall be a matter for negotiation. If the parties negotiate and are unable to reach an agreement, the rate as established by the Cooperative shall stand until this Agreement expires and then be subject for re-negotiation.

## **ARTICLE 19 – GROUP INSURANCE AND BENEFITS**

**Section 19.01 Health Insurance.** Bargaining Unit members shall receive the same group health insurance coverage options and plan design as all other Cooperative employees. Participating Bargaining Unit members shall contribution to their group health insurance costs a percentage equal to twenty (20%) percent of these total costs with the Cooperative paying the remaining eighty (80%) percent of these total costs.

**Section 19.02 Dental and Vision Insurance.** Bargaining Unit members shall receive the same dental and vision insurance coverage options and plan design as all other Cooperative employees, and participating Bargaining Unit members shall share the cost of dental and vision insurance at the same percentage as all other Cooperative employees.

**Section 19.03 Life, Dismemberment, and Disability Insurance.** Bargaining Unit members shall receive life and dependent life insurance, accidental death and dismemberment insurance, and short and long term disability insurance as other Cooperative employees and under the same terms.

**Section 19.04 Retirement Pension Plan.** Bargaining Unit members shall participate in the NRECA retirement pension plan at the same level as other Cooperative employees and NRECA 401K Plan with a 2% Cooperative matching contribution.

**Section 19.05 Educational Assistance.** Bargaining Unit employees shall be eligible for the same educational assistance benefits available to other employees of the Cooperative.

**Section 19.06 Plans’ details and terms.** All insurance, pension, and benefit plans will be governed by the insurance coverage and other types of insurance plans provided to employees, with the exact coverage and conditions for the coverage determined by the terms and conditions of the policy, plan, or contract. The Cooperative shall not be liable as an insurer of any of the benefits to employees, except under the terms of the applicable insurance or self-insurance plans.

## ARTICLE 20 - WAGES

All rates of pay shall be based off the Line Tech Pay as of July 1, 2024 which is \$42.06 per hour.

Apprentice Steps	Percentage of Line Tech Pay	New Hourly Rates at ratification	New Hourly Rates at 1 <sup>st</sup> anniversary	New Hourly Rates at 2 <sup>nd</sup> anniversary
A1	65%	\$28.67	\$29.82	\$31.01
A2	70%	\$30.88	\$32.12	\$33.40
A3	80%	\$35.29	\$36.70	\$38.17

A4	85%	\$37.49	\$38.99	\$40.55
Line Tech	100%	\$44.11	\$45.87	\$47.70
Lead Lineman/Servicemen	105%	\$46.27	\$48.12	\$50.04
Foreman/Contract Coordinator	110%	\$48.42	\$50.36	\$52.37
Meterman I	90%	\$39.80	\$41.39	\$43.05
Meterman II	100%	\$44.11	\$45.87	\$47.70
Mechanic	90%	\$38.80	\$40.35	\$41.96
Field Services Tech	90%	\$38.80	\$40.35	\$41.96
Warehouseman	60%	\$25.87	\$26.90	\$27.98
Warehouse Coord	80%	\$34.49	\$35.87	\$37.30
Buildings and Grounds Coord	70%	\$30.18	\$31.39	\$32.65
Right of Way Coordinator	90%	\$38.80	\$40.35	\$41.96
Right of Way Crew Forman	90%	\$38.80	\$40.35	\$41.96
Right of Way Tree Trimmer I	60%	\$25.87	\$26.90	\$27.98
Right of Way Tree Trimmer II	70%	\$30.18	\$31.39	\$32.65

Adjustments to wages based on Co-op / job experience

Years in basic job function

<1 Year 90%

1-2 Years 95%

2+ Years 100%

## **ARTICLE 21 – DURATION AND RENEWAL**

This Agreement became effective at 12:00 am, December 12, 2024, and will continue in full force and effective through 12:00 a.m. on December 12, 2027, and for yearly periods thereafter unless either party notifies the other party in writing not less than sixty (60) days before any termination date of such party’s desire to commence negotiations for a new contract agreement.

**IN WITNESS WHEREOF**, the Cooperative and the Union have respectively caused this Agreement, constituting the entire agreement between the Parties with respect to the collective

bargaining agreement, to be signed by their proper and duly authorized officials, this \_\_\_\_\_ day of February, 2025.

For the Union:

For the Cooperative

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Alex Vibbert  
President, Business Manager & Financial Secretary  
IBEW Local Union 2100

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Kevin Newton  
Chief Operating Officer  
South Kentucky RECC


Witness: Kevin Newton and Carrie Bessinger

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 24:** Provide each medical insurance policy that South Kentucky currently maintains.

**Response 24:** Please see the Attachment PSC DR 1-24.


**ATTACHMENT PSC DR 1-24**

 The Summary of Benefits and Coverage (SBC) document will help you choose a health plan. The SBC shows you how you and the plan would share the cost for covered health care services. **NOTE: Information about the cost of this plan (called the premium) will be provided separately. This is only a summary.** For more information about your coverage, or to get a copy of the complete terms of coverage, call 1-844-209-0071. For general definitions of common terms, such as allowed amount, balance billing, coinsurance, copayment, deductible, provider, or other underlined terms see the Glossary. You can view the Glossary at [engage.ameriben.com](https://engage.ameriben.com) or call 1-844-209-0071 to request a copy.

Important Questions	Answers			Why This Matters:
<b>What is the overall deductible?</b>		<b>Network</b>	<b>Non-Network</b>	Generally, you must pay all of the costs from <u>providers</u> up to the <u>deductible</u> amount before this <u>plan</u> begins to pay. If you have other family members on the <u>plan</u> , each family member must meet their own individual <u>deductible</u> until the <u>total amount of deductible expenses</u> paid by all family members meets the overall family <u>deductible</u> .
	<b>Per participant:</b>	\$700	\$1,400	
	<b>Per family:</b>	\$2,100	\$4,200	
<b>Are there services covered before you meet your deductible?</b>	Yes. Preventive care services when performed in <u>network</u> and benefits where a <u>co-payment</u> applies.			This <u>plan</u> covers some items and services even if you haven't yet met the <u>deductible</u> amount. But a <u>copayment</u> or <u>coinsurance</u> may apply. For example, this <u>plan</u> covers certain <u>preventive services</u> without cost sharing and before you meet your <u>deductible</u> . See a list of covered <u>preventive services</u> at <a href="https://www.healthcare.gov/coverage/preventive-care-benefits/">https://www.healthcare.gov/coverage/preventive-care-benefits/</a> .
<b>Are there other deductibles for specific services?</b>	No.			You don't have to meet <u>deductibles</u> for specific services.
<b>What is the out-of-pocket limit for this plan?</b>	<b>Co-Insurance Out-of-Pocket Maximum</b>			The <u>out-of-pocket limit</u> is the most you could pay in a year for covered services. If you have other family members in this <u>plan</u> , they have to meet their own <u>out-of-pocket limits</u> until the overall family <u>out-of-pocket limit</u> has been met.
		<b>Network</b>	<b>Non-Network</b>	
	<b>Per participant:</b>	\$1,900	\$4,500	
	<b>Per family:</b>	\$3,800	\$9,000	
	<b>Overall Out-of-Pocket Maximum</b>			
		<b>Network</b>	<b>Non-Network</b>	
	<b>Per participant:</b>	\$7,150	Unlimited	
<b>Per family:</b>	\$14,300	Unlimited		
<b>What is not included in the out-of-pocket limit?</b>	Premiums, <u>balance-billed charges</u> , health care this <u>Plan</u> doesn't cover, charges in excess of benefit maximums, charges in excess of maximum			Even though you pay these expenses, they don't count toward the <u>out-of-pocket limit</u> .



	allowed amounts, pre-certification penalties, and non-medically necessary services.	
<b>Will you pay less if you use a <u>network provider</u>?</b>	<p><b>Yes, for medical:</b> Anthem. See <a href="http://www.anthem.com">www.anthem.com</a> or call 1-833-835-2714 for a list of <u>network providers</u>.</p> <p><b>Yes, for prescription drugs:</b> Navitus and Pillar Rx. For a list of retail and mail pharmacies, log on to <a href="http://www.navitus.com">www.navitus.com</a> or call 1-866-378-4755.</p> <p><b>Yes, for specialty drugs:</b> Lumicera. To contact, call 1-855-847-3553.</p>	This <u>plan</u> uses a <u>provider network</u> . You will pay less if you use a <u>provider</u> in the <u>plan's network</u> . You will pay the most if you use an <u>out-of-network provider</u> , and you might receive a bill from a <u>provider</u> for the difference between the <u>provider's</u> charge and what your <u>plan</u> pays ( <u>balance billing</u> ). Be aware, your <u>network provider</u> might use an <u>out-of-network provider</u> for some services (such as lab work). Check with your <u>provider</u> before you get services.
<b>Do you need a <u>referral</u> to see a <u>specialist</u>?</b>	No.	You can see the <u>specialist</u> you choose without a <u>referral</u> .

 All copayment and coinsurance costs shown in this chart are after your deductible has been met, if a deductible applies.

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
If you visit a health care <u>provider's office</u> or clinic	Primary care visit to treat an injury or illness	\$30 co-payment, deductible waived	30% co-insurance after deductible	Co-payment applies to the office visit only. All other services performed will apply to their applicable benefit level.  You may have to pay for services that aren't preventive. Ask your <u>provider</u> if the services you need are preventive. Then check what your <u>plan</u> will pay for.
	<u>Specialist</u> visit	\$35 co-payment, deductible waived	30% co-insurance after deductible	
	<u>Preventive care/screening/immunization</u>	No Charge	<b>Up to \$500 per Year:</b> No charge  <b>Charges in Excess of \$500:</b> 30% co-insurance, deductible waived	
If you have a test	<u>Diagnostic test</u> (x-ray, blood work)	<b>Diagnostic Inpatient/Outpatient Professional Services:</b> 10% co-insurance after deductible  <b>Lab and X-Ray Inpatient Professional Services:</b>	30% co-insurance after deductible	_____none_____

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
		10% co-insurance after deductible  <b>Lab and X-Ray Outpatient Professional Services:</b> No charge  <b>Office Visit/Independent Lab:</b> No charge		
	Imaging (CT/PET scans, MRIs)	10% co-insurance after deductible	30% co-insurance after deductible	Includes computed tomographic (CT) studies, coronary CT angiography, MRI/MRA, nuclear cardiology, nuclear medicine, SPECT scans, and PET scans (excluding services rendered in an emergency room setting).  <b>Pre-certification is required.</b>

\* For more information about limitations and exceptions, see the [plan](#) or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
<p><b>If you need drugs to treat your illness or condition</b> More information about <b><u>prescription drug coverage</u></b> is available at <a href="http://www.navitus.com">www.navitus.com</a></p>	Generic drugs	<p><b>Retail (34-Day Supply):</b> \$15 co-payment, deductible waived</p> <p><b>Mail Order (90-Day Supply):</b> \$30 co-payment, deductible waived</p> <p><b>OTC Non-Sedating Anti-Histamines:</b> 20% co-insurance</p> <p><b>OTC Proton Pump Inhibitors and Preventive Rx:</b> No charge</p>	Not Covered	<p><b>Retail/Mail Order Prescriptions:</b> Up to ninety (90) day supply.</p> <p><b>Specialty Prescriptions:</b> Up to thirty-four (34) day supply.</p> <p>Not all <u>prescription drugs</u> are covered. To determine if a specific drug is covered under your <u>plan</u>, log into your account at <a href="http://www.navitus.com">www.navitus.com</a>.</p>
	Preferred brand drugs	<p><b>Retail (34-Day Supply):</b> \$30 co-payment, deductible waived</p> <p><b>Mail Order (90-Day Supply):</b> \$60 co-payment, deductible waived</p>	Not Covered	
	Non-preferred brand drugs	<p><b>Retail (34-Day Supply):</b> \$60 co-payment, deductible waived</p> <p><b>Mail Order (90-Day Supply):</b> \$120 co-payment, deductible waived</p>	Not Covered	
	<u>Specialty drugs</u>	<p><b>Retail (34-Day Supply):</b> 20% co-insurance up to</p>	Not Covered	

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
		a \$100 maximum <b>Retail/Mail Order (90-Day Supply):</b> Not Covered		
If you have outpatient surgery	Facility fee (e.g., ambulatory surgery center)	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required.</b>
	Physician/surgeon fees	10% co-insurance after deductible	30% co-insurance after deductible	
If you need immediate medical attention	<u>Emergency room care</u>	<b>True Medical Emergency:</b> \$200 co-payment deductible waived for facility, no charge for physician		<u>Co-payment</u> is waived if admitted.
	<u>Emergency medical transportation</u>	<b>Non-Emergency Care:</b> \$200 co-payment, deductible waived		<b>Pre-certification is required</b> for non-emergent air ambulance and chartered flights.
	<u>Urgent care</u>	\$30 co-payment, deductible waived	30% co-insurance after deductible	_____none_____
If you have a hospital stay	Facility fee (e.g., hospital room)	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required.</b>
	Physician/surgeon fees	10% co-insurance after deductible	30% co-insurance after deductible	
If you need mental health, behavioral health, or substance abuse services	Outpatient services	<b>Office Visit:</b> \$35 co-payment, deductible waived <b>All Other Outpatient Services:</b> 10% co-insurance after deductible	30% co-insurance after deductible	Intensive psychiatric day treatment and partial hospitalization are included in this benefit.
	Inpatient services	10% co-insurance after deductible	30% co-insurance after deductible	Residential treatment facility services are included in this benefit. <b>Pre-certification is required</b> for inpatient stays.
If you are pregnant	Office visits	\$35 co-payment, deductible waived	30% co-insurance after deductible	Dependent daughter pregnancy is not covered.

\* For more information about limitations and exceptions, see the [plan](#) or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
	Childbirth/delivery professional services	10% co-insurance after deductible	30% co-insurance after deductible	Cost-sharing does not apply for <u>preventive services</u> . Depending on the type of services, a <u>co-payment</u> , <u>co-insurance</u> , or <u>deductible</u> may apply. Maternity care may include tests and services described elsewhere in the SBC (i.e. ultrasound).
	Childbirth/delivery facility services	10% co-insurance after deductible	30% co-insurance after deductible	
<b>If you need help recovering or have other special needs</b>	<u>Home health care</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required.</b>
	<u>Rehabilitation services</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required</b> for physical therapy and occupational therapy in excess of eighteen (18) visits per calendar year per therapy type.
	<u>Habilitation services</u>	10% co-insurance after deductible	30% co-insurance after deductible	
	<u>Skilled nursing care</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Benefit Maximum:</b> Sixty (60) days per sickness or injury per plan participant, combined with rehabilitation facilities. <b>Pre-certification is required.</b>
	<u>Durable medical equipment</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required</b> for <u>DME</u> purchases and rentals in excess of \$3,000.
	<u>Hospice services</u>	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____
<b>If your child needs dental or eye care</b>	Children's eye exam	Not covered	Not covered	_____none_____
	Children's glasses	Not covered	Not covered	_____none_____
	Children's dental check-up	Not covered	Not covered	_____none_____

**Excluded Services & Other Covered Services:**

**Services Your Plan Generally Does NOT Cover (Check your policy or plan document for more information and a list of any other excluded services.)**

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Acupuncture</li> <li>• Cosmetic Surgery</li> <li>• Dental Care (Adult)</li> </ul> | <ul style="list-style-type: none"> <li>• Infertility Treatment</li> <li>• Long-Term Care</li> <li>• Non-Emergency Care When Traveling Outside the U.S.</li> </ul> | <ul style="list-style-type: none"> <li>• Routine Eye Care (Adult)</li> <li>• Weight-Loss Programs</li> </ul> |
|--|---|--|

**Other Covered Services (Limitations may apply to these services. This isn't a complete list. Please see your plan document.)**

- |                     |  |   |
|---------------------|--|---|
| • Bariatric Surgery | • Hearing Aids – limited to \$5,000 every five (5) | • Routine Foot Care – for treatment of metabolic or |
|---------------------|--|---|

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

<ul style="list-style-type: none"> <li>Chiropractic Care – limited to \$1,000 per calendar year</li> </ul>	<ul style="list-style-type: none"> <li>years</li> <li>Private Duty Nursing – not covered when plan participant is in a hospital or other qualified treatment facility</li> </ul>	<ul style="list-style-type: none"> <li>peripheral-vascular disease</li> </ul>
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**Your Rights to Continue Coverage:** There are agencies that can help if you want to continue your coverage after it ends. The contact information for those agencies is: Department of Labor’s Employee Benefits Security Administration at 1-866-444-EBSA (3272) or [www.dol.gov/ebsa/healthreform](http://www.dol.gov/ebsa/healthreform). You may also contact the Isolved at 1-800-594-6957. Other coverage options may be available to you too, including buying individual insurance coverage through the Health Insurance Marketplace. For more information about the Marketplace, visit [www.HealthCare.gov](http://www.HealthCare.gov) or call 1-800-318-2596.

**Your Grievance and Appeals Rights:** There are agencies that can help if you have a complaint against your plan for a denial of a claim. This complaint is called a grievance or appeal. For more information about your rights, look at the explanation of benefits you will receive for that medical claim. Your plan documents also provide complete information to submit a claim, appeal, or a grievance for any reason to your plan. For more information about your rights, this notice, or assistance, contact: Department of Labor’s Employee Benefits Security Administration at 1-866-444-EBSA (3272) or [www.dol.gov/ebsa/healthreform](http://www.dol.gov/ebsa/healthreform).

You may also contact the third party administrator (TPA) to assist the plan administrator with claims adjudication. The TPA’s name, address, and telephone number are:

AmeriBen  
 Attention: Appeals Coordination  
 P.O. Box 7186  
 Boise, ID 83707  
 1-844-209-0071

**Does this plan provide Minimum Essential Coverage? Yes**

Minimum Essential Coverage generally includes plans, health insurance available through the Marketplace or other individual market policies, Medicare, Medicaid, CHIP, TRICARE, and certain other coverage. If you are eligible for certain types of Minimum Essential Coverage, you may not be eligible for the premium tax credit.

**Does this plan meet the Minimum Value Standards? Yes**

If your plan doesn’t meet the Minimum Value Standards, you may be eligible for a premium tax credit to help you pay for a plan through the Marketplace.

**Language Access Services:**

Spanish (Español): Para obtener asistencia en Español, llame al 1-844-209-0071.  
 Tagalog (Tagalog): Kung kailangan ninyo ang tulong sa Tagalog tumawag sa 1-844-209-0071.  
 Chinese (中文): 如果需要中文的帮助，请拨打这个号码 1-844-209-0071.  
 Navajo (Dine): Dinek'ehgo shika at'ohwol ninisingo, kwijigo holne' 1-844-209-0071.

*To see examples of how this plan might cover costs for a sample medical situation, see the next section.*

**PRA Disclosure Statement:** According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is **0938-1146**. The time required to complete this information collection is

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

estimated to average **0.08** hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

\* For more information about limitations and exceptions, see the [plan](#) or policy document at [engage.ameriben.com](https://engage.ameriben.com)

## About these Coverage Examples:



**This is not a cost estimator.** Treatments shown are just examples of how this plan might cover medical care. Your actual costs will be different depending on the actual care you receive, the prices your providers charge, and many other factors. Focus on the cost sharing amounts (deductibles, copayments and coinsurance) and excluded services under the plan. Use this information to compare the portion of costs you might pay under different health plans. Please note these coverage examples are based on self-only coverage.

### Peg is Having a Baby

(9 months of in-network pre-natal care and a hospital delivery)

■ <u>The plan's overall deductible</u>	\$700
■ <u>Specialist co-payment</u>	\$35
■ <u>Hospital (facility) cost sharing</u>	10%
■ <u>Other cost sharing</u>	10%

#### This EXAMPLE event includes services like:

Specialist office visits (*prenatal care*)  
 Childbirth/Delivery Professional Services  
 Childbirth/Delivery Facility Services  
 Diagnostic tests (*ultrasounds and blood work*)  
 Specialist visit (*anesthesia*)

<b>Total Example Cost</b>	<b>\$12,700</b>
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#### In this example, Peg would pay:

<i>Cost Sharing</i>	
Deductibles	\$700
Copayments	\$35
Coinsurance	\$1,100
<i>What isn't covered</i>	
Limits or exclusions	\$0
<b>The total Peg would pay is</b>	<b>\$1,835</b>

### Managing Joe's type 2 Diabetes

(a year of routine in-network care of a well-controlled condition)

■ <u>The plan's overall deductible</u>	\$700
■ <u>Specialist co-payment</u>	\$35
■ <u>Hospital (facility) cost sharing</u>	10%
■ <u>Other cost sharing</u>	10%

#### This EXAMPLE event includes services like:

Primary care physician office visits (*including disease education*)  
 Diagnostic tests (*blood work*)  
 Prescription drugs  
 Durable medical equipment (*glucose meter*)

<b>Total Example Cost</b>	<b>\$5,600</b>
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#### In this example, Joe would pay:

<i>Cost Sharing</i>	
Deductibles	\$0
Copayments	\$800
Coinsurance	\$0
<i>What isn't covered</i>	
Limits or exclusions	\$0
<b>The total Joe would pay is</b>	<b>\$800</b>

### Mia's Simple Fracture

(in-network emergency room visit and follow up care)

■ <u>The plan's overall deductible</u>	\$700
■ <u>Specialist co-payment</u>	\$35
■ <u>Hospital (facility) cost sharing</u>	10%
■ <u>Other cost sharing</u>	10%

#### This EXAMPLE event includes services like:

Emergency room care (*including medical supplies*)  
 Diagnostic test (*x-ray*)  
 Durable medical equipment (*crutches*)  
 Rehabilitation services (*physical therapy*)


<b>Total Example Cost</b>	<b>\$2,800</b>
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#### In this example, Mia would pay:

<i>Cost Sharing</i>	
Deductibles	\$700
Copayments	\$200
Coinsurance	\$100
<i>What isn't covered</i>	
Limits or exclusions	\$0
<b>The total Mia would pay is</b>	<b>\$1,000</b>


The plan would be responsible for the other costs of these EXAMPLE covered services.



 The Summary of Benefits and Coverage (SBC) document will help you choose a health plan. The SBC shows you how you and the plan would share the cost for covered health care services. **NOTE: Information about the cost of this plan (called the premium) will be provided separately. This is only a summary.** For more information about your coverage, or to get a copy of the complete terms of coverage, call 1-844-209-0071. For general definitions of common terms, such as allowed amount, balance billing, coinsurance, copayment, deductible, provider, or other underlined terms see the Glossary. You can view the Glossary at [engage.ameriben.com](https://engage.ameriben.com) or call 1-844-209-0071 to request a copy.

Important Questions	Answers			Why This Matters:
<b>What is the overall deductible?</b>		<b>Network</b>	<b>Non-Network</b>	Generally, you must pay all of the costs from <u>providers</u> up to the <u>deductible</u> amount before this <u>plan</u> begins to pay. If you have other family members on the policy, the overall family <u>deductible</u> must be met before the <u>plan</u> begins to pay.
	<b>Per participant:</b>	\$1,650	\$3,000	
	<b>Per family:</b>	\$3,300	\$6,000	
<b>Are there services covered before you meet your deductible?</b>	Yes, for <u>preventive care services</u> when performed in <u>network</u> .			This <u>plan</u> covers some items and services even if you haven't yet met the <u>deductible</u> amount. But a <u>copayment</u> or <u>coinsurance</u> may apply. For example, this <u>plan</u> covers certain <u>preventive services</u> without <u>cost sharing</u> and before you meet your <u>deductible</u> . See a list of covered <u>preventive services</u> at <a href="https://www.healthcare.gov/coverage/preventive-care-benefits/">https://www.healthcare.gov/coverage/preventive-care-benefits/</a> .
<b>Are there other deductibles for specific services?</b>	No.			You don't have to meet <u>deductibles</u> for specific services.
<b>What is the out-of-pocket limit for this plan?</b>	<b>Co-Insurance Out-of-Pocket Maximum</b>			The <u>out-of-pocket limit</u> is the most you could pay in a year for covered services. If you have other family members in this <u>plan</u> , they have to meet their own <u>out-of-pocket limits</u> until the overall family <u>out-of-pocket limit</u> has been met.
		<b>Network</b>	<b>Non-Network</b>	
	<b>Per participant:</b>	\$1,850	\$4,000	
	<b>Per family:</b>	\$3,700	\$8,000	
	<b>Overall Out-of-Pocket Maximum</b>			
		<b>Network</b>	<b>Non-Network</b>	
	<b>Per participant:</b>	\$3,500	\$7,000	
<b>Per family:</b>	\$7,000	\$14,000		
<b>What is not included in the out-of-pocket limit?</b>	Premiums, <u>balance-billed charges</u> , health care this <u>Plan</u> doesn't cover, charges in excess of benefit maximums, charges in excess of maximum allowed amounts, pre-certification penalties, and			Even though you pay these expenses, they don't count toward the <u>out-of-pocket limit</u> .

	non-medically necessary services.	
<b>Will you pay less if you use a <u>network provider</u>?</b>	<p><b>Yes, for medical:</b> Anthem. See <a href="http://www.anthem.com">www.anthem.com</a> or call 1-833-835-2714 for a list of <u>network providers</u>.</p> <p><b>Yes, for prescription drugs:</b> Navitus and Pillar Rx. For a list of retail and mail pharmacies, log on to <a href="http://www.navitus.com">www.navitus.com</a> or call 1-866-378-4755.</p> <p><b>Yes, for specialty drugs:</b> Lumicera. To contact, call 1-855-847-3553.</p>	This <u>plan</u> uses a <u>provider network</u> . You will pay less if you use a <u>provider</u> in the <u>plan's network</u> . You will pay the most if you use an <u>out-of-network provider</u> , and you might receive a bill from a <u>provider</u> for the difference between the <u>provider's</u> charge and what your <u>plan</u> pays ( <u>balance billing</u> ). Be aware, your <u>network provider</u> might use an <u>out-of-network provider</u> for some services (such as lab work). Check with your <u>provider</u> before you get services.
<b>Do you need a <u>referral</u> to see a <u>specialist</u>?</b>	No.	You can see the <u>specialist</u> you choose without a <u>referral</u> .

 All copayment and coinsurance costs shown in this chart are after your deductible has been met, if a deductible applies.

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
<b>If you visit a health care <u>provider's</u> office or clinic</b>	Primary care visit to treat an injury or illness	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____
	<u>Specialist</u> visit	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____
	<u>Preventive care/screening/immunization</u>	No Charge	<b>Up to \$500 per Year:</b> No charge  <b>Charges in Excess of \$500:</b> 30% co-insurance, deductible waived	You may have to pay for services that aren't preventive. Ask your <u>provider</u> if the services you need are preventive. Then check what your <u>plan</u> will pay for.
<b>If you have a test</b>	<u>Diagnostic test</u> (x-ray, blood work)	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____
	Imaging (CT/PET scans, MRIs)	10% co-insurance after deductible	30% co-insurance after deductible	Includes computed tomographic (CT) studies, coronary CT angiography, MRI/MRA, nuclear cardiology, nuclear medicine, SPECT scans, and PET scans (excluding services rendered in an emergency room setting).  <b>Pre-certification is required.</b>

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
<p><b>If you need drugs to treat your illness or condition</b> More information about <b>prescription drug coverage</b> is available at <a href="http://www.navitus.com">www.navitus.com</a></p>	Generic drugs	<p><b>Retail (34-Day Supply):</b> 10% co-insurance after deductible</p>	Not covered	<p><b>Retail/Mail Order Prescriptions:</b> Up to ninety (90) day supply. <b>Specialty Prescriptions:</b> Up to thirty-four (34) day supply. Not all <u>prescription drugs</u> are covered. To determine if a specific drug is covered under your <u>plan</u>, log into your account at <a href="http://www.navitus.com">www.navitus.com</a>.</p>
	Preferred brand drugs	<p><b>Retail/Mail Order (90-Day Supply):</b> 10% co-insurance after deductible</p>		
	Non-preferred brand drugs	<p><b>OTC Proton Pump Inhibitors and Non-Sedating Anti-Histamines:</b> 10% co-insurance after deductible</p> <p><b>Preventive Rx:</b> No charge</p>		
	Specialty drugs	<p><b>Retail (34-Day Supply):</b> 10% co-insurance after deductible</p> <p><b>Retail/Mail Order (90-Day Supply):</b> Not Covered</p>		
<p><b>If you have outpatient surgery</b></p>	Facility fee (e.g., ambulatory surgery center)	10% co-insurance after deductible	30% co-insurance after deductible	Pre-certification is required.
	Physician/surgeon fees	10% co-insurance after deductible	30% co-insurance after deductible	
<p><b>If you need immediate medical attention</b></p>	Emergency room care	<p><b>True Medical Emergency:</b> 10% after network deductible</p> <p><b>Non-Emergency Care:</b> 10% co-insurance after deductible</p>		_____none_____
	Emergency medical transportation	10% co-insurance after network deductible		Pre-certification is required for non-emergent air ambulance and chartered flights.

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
	<u>Urgent care</u>	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____
<b>If you have a hospital stay</b>	Facility fee (e.g., hospital room)	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required.</b>
	Physician/surgeon fees	10% co-insurance after deductible	30% co-insurance after deductible	
<b>If you need mental health, behavioral health, or substance abuse services</b>	Outpatient services	10% co-insurance after deductible	30% co-insurance after deductible	Intensive psychiatric day treatment and partial hospitalization are included in this benefit.
	Inpatient services	10% co-insurance after deductible	30% co-insurance after deductible	Residential treatment facility services are included in this benefit. <b>Pre-certification is required</b> for inpatient stays.
<b>If you are pregnant</b>	Office visits	10% co-insurance after deductible	30% co-insurance after deductible	Dependent daughter pregnancy is not covered. Cost-sharing does not apply for <u>preventive services</u> . Depending on the type of services, a <u>co-payment</u> , <u>co-insurance</u> , or <u>deductible</u> may apply. Maternity care may include tests and services described elsewhere in the SBC (i.e. ultrasound).
	Childbirth/delivery professional services	10% co-insurance after deductible	30% co-insurance after deductible	
	Childbirth/delivery facility services	10% co-insurance after deductible	30% co-insurance after deductible	
<b>If you need help recovering or have other special needs</b>	<u>Home health care</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required.</b>
	<u>Rehabilitation services</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required</b> for physical therapy and occupational therapy in excess of eighteen (18) visits per calendar year per therapy type.
	<u>Habilitation services</u>	10% co-insurance after deductible	30% co-insurance after deductible	
	<u>Skilled nursing care</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Benefit Maximum:</b> Sixty (60) days per sickness or injury per plan participant, combined with rehabilitation facilities. <b>Pre-certification is required.</b>
	<u>Durable medical equipment</u>	10% co-insurance after deductible	30% co-insurance after deductible	<b>Pre-certification is required</b> for <u>DME</u> purchases and rentals in excess of \$3,000.
	Hospice services	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
		deductible	deductible	
If your child needs dental or eye care	Children's eye exam	Not covered	Not covered	_____none_____
	Children's glasses	Not covered	Not covered	_____none_____
	Children's dental check-up	Not covered	Not covered	_____none_____

**Excluded Services & Other Covered Services:**

**Services Your Plan Generally Does NOT Cover (Check your policy or plan document for more information and a list of any other excluded services.)**

- Acupuncture
- Cosmetic Surgery
- Dental Care (Adult)
- Infertility Treatment
- Long-Term Care
- Non-Emergency Care When Traveling Outside the U.S.
- Routine Eye Care (Adult)
- Weight-Loss Programs

**Other Covered Services (Limitations may apply to these services. This isn't a complete list. Please see your plan document.)**

- Bariatric Surgery
- Chiropractic Care – limited to \$1,000 per calendar year
- Hearing Aids – limited to \$5,000 every five (5) years
- Private Duty Nursing – not covered when plan participant is in a hospital or other qualified treatment facility
- Routine Foot Care – for treatment of metabolic or peripheral-vascular disease

**Your Rights to Continue Coverage:** There are agencies that can help if you want to continue your coverage after it ends. The contact information for those agencies is: Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or [www.dol.gov/ebsa/healthreform](http://www.dol.gov/ebsa/healthreform). You may also contact Isolved at 1-800-594-6957. Other coverage options may be available to you too, including buying individual insurance coverage through the Health Insurance Marketplace. For more information about the Marketplace, visit [www.HealthCare.gov](http://www.HealthCare.gov) or call 1-800-318-2596.

**Your Grievance and Appeals Rights:** There are agencies that can help if you have a complaint against your plan for a denial of a claim. This complaint is called a grievance or appeal. For more information about your rights, look at the explanation of benefits you will receive for that medical claim. Your plan documents also provide complete information to submit a claim, appeal, or a grievance for any reason to your plan. For more information about your rights, this notice, or assistance, contact: Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or [www.dol.gov/ebsa/healthreform](http://www.dol.gov/ebsa/healthreform).

You may also contact the third party administrator (TPA) to assist the plan administrator with claims adjudication. The TPA's name, address, and telephone number are:

AmeriBen  
 Attention: Appeals Coordination  
 P.O. Box 7186  
 Boise, ID 83707  
 1-844-209-0071

**Does this plan provide Minimum Essential Coverage? Yes**

\* For more information about limitations and exceptions, see the plan or policy document at [engage.ameriben.com](http://engage.ameriben.com)

[Minimum Essential Coverage](#) generally includes plans, health insurance available through the Marketplace or other individual market policies, Medicare, Medicaid, CHIP, TRICARE, and certain other coverage. If you are eligible for certain types of [Minimum Essential Coverage](#), you may not be eligible for the premium tax credit.

### Does this plan meet the Minimum Value Standards? Yes

If your [plan](#) doesn't meet the [Minimum Value Standards](#), you may be eligible for a [premium tax credit](#) to help you pay for a [plan](#) through the [Marketplace](#).

### Language Access Services:

Spanish (Español): Para obtener asistencia en Español, llame al 1-844-209-0071.

Tagalog (Tagalog): Kung kailangan ninyo ang tulong sa Tagalog tumawag sa 1-844-209-0071.

Chinese (中文): 如果需要中文的帮助, 请拨打这个号码 1-844-209-0071.

Navajo (Dine): Dinek'ehgo shika at'ohwol ninisingo, kwijigo holne' 1-844-209-0071.

*To see examples of how this [plan](#) might cover costs for a sample medical situation, see the next section.*

**PRA Disclosure Statement:** According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is **0938-1146**. The time required to complete this information collection is estimated to average **0.08** hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

\* For more information about limitations and exceptions, see the [plan](#) or policy document at [engage.ameriben.com](https://engage.ameriben.com)

About these Coverage Examples:



**This is not a cost estimator.** Treatments shown are just examples of how this plan might cover medical care. Your actual costs will be different depending on the actual care you receive, the prices your providers charge, and many other factors. Focus on the cost sharing amounts (deductibles, copayments and coinsurance) and excluded services under the plan. Use this information to compare the portion of costs you might pay under different health plans. Please note these coverage examples are based on self-only coverage.

**Peg is Having a Baby**  
(9 months of in-network pre-natal care and a hospital delivery)

- The plan's overall deductible \$1,650
- Specialist cost sharing 10%
- Hospital (facility) cost sharing 10%
- Other cost sharing 10%

**This EXAMPLE event includes services like:**

Specialist office visits (*prenatal care*)  
 Childbirth/Delivery Professional Services  
 Childbirth/Delivery Facility Services  
 Diagnostic tests (*ultrasounds and blood work*)  
 Specialist visit (*anesthesia*)

<b>Total Example Cost</b>	<b>\$12,700</b>
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**In this example, Peg would pay:**

<i>Cost Sharing</i>	
Deductibles	\$1,650
Copayments	\$0
Coinsurance	\$200
<i>What isn't covered</i>	
Limits or exclusions	\$0
<b>The total Peg would pay is</b>	<b>\$1,850</b>

**Managing Joe's type 2 Diabetes**  
(a year of routine in-network care of a well-controlled condition)

- The plan's overall deductible \$1,650
- Specialist cost sharing 10%
- Hospital (facility) cost sharing 10%
- Other cost sharing 10%

**This EXAMPLE event includes services like:**

Primary care physician office visits (*including disease education*)  
 Diagnostic tests (*blood work*)  
 Prescription drugs  
 Durable medical equipment (*glucose meter*)

<b>Total Example Cost</b>	<b>\$5,600</b>
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**In this example, Joe would pay:**

<i>Cost Sharing</i>	
Deductibles	\$1,650
Copayments	\$0
Coinsurance	\$70
<i>What isn't covered</i>	
Limits or exclusions	\$0
<b>The total Joe would pay is</b>	<b>\$1,720</b>

**Mia's Simple Fracture**  
(in-network emergency room visit and follow up care)

- The plan's overall deductible \$1,650
- Specialist cost sharing 10%
- Hospital (facility) cost sharing 10%
- Other cost sharing 10%

**This EXAMPLE event includes services like:**

Emergency room care (*including medical supplies*)  
 Diagnostic test (*x-ray*)  
 Durable medical equipment (*crutches*)  
 Rehabilitation services (*physical therapy*)

<b>Total Example Cost</b>	<b>\$2,800</b>
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**In this example, Mia would pay:**

<i>Cost Sharing</i>	
Deductibles	\$1,650
Copayments	\$0
Coinsurance	\$100
<i>What isn't covered</i>	
Limits or exclusions	\$0
<b>The total Mia would pay is</b>	<b>\$1,750</b>

The plan would be responsible for the other costs of these EXAMPLE covered services.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 25:** Provide detailed descriptions of all early retirement plans or other staff reduction programs South Kentucky has offered or intends to offer its employees during the test year. Include all cost-benefit analyses associated with these programs.

**Response 25:** South Kentucky's retirement and security plan allows for early retirement after obtaining the age of 55; however, this option is voluntary at the employee's discretion. South Kentucky did not offer any staff reduction programs during the test period, nor are any planned.



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 26:** Provide a complete description of South Kentucky's other post-employment benefit package(s) provided to its employees.

**Response 26:** Please see Attachment PSC DR 1-26.

**ATTACHMENT PSC DR 1-26**

SKRECC  
Somerset, Kentucky  
Administrative Policy # C70A

**SUBJECT:** Retiree Health and Dental

**APPLICABLE TO:** Retirees leaving under normal retirement (age 62 or 30 years of service) and those leaving at age 55, exercising the early retirement option.

**POLICY STATEMENT:** To provide guidelines to eligible retirees and dependents in regard to health and dental insurance coverage.

**CONTENT:**

It is the intent and desire of SKRECC to provide health and dental insurance benefits for eligible retirees and their dependents to the extent practicable and as circumstances permit.

In order to limit SKRECC's exposure to increased health insurance costs, participation in Medicare Part A and B shall be mandatory as set forth in this policy. In addition, SKRECC reserves the right to change or terminate health and dental coverage under this policy and the right to increase the amount of any co-payment, deductible or premium.

**PROVISIONS:**

Eligible retirees and/or dependents may be eligible to participate in certain benefit programs which are explored further in the benefit plan documents provided to employees upon hiring. If an employee did not receive the plan documents upon hiring, please contact human resources for additional information.

SKRECC reserves the right to amend or to terminate the retiree coverage for which this policy provides at any time and for any reason, to increase the amount of any co-payment, premium or deductible, or to contract with a different insurer for coverage.

**RESPONSIBILITY:**

The Human Resources Manager is responsible for ensuring that all active, disabled and retired employees are notified of this policy concerning continued health insurance coverage and the administration thereof. The President/CEO is responsible to the Board of Directors for overall compliance.

Approved: \_\_\_\_\_

  
President/CEO

Original Date Approved: 6/1/1998  
Revision Approval Date: 12/5/2014  
Revision Approval Date: 4/19/2022

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 27:** Provide a complete description of the financial reporting and ratemaking treatment of South Kentucky's pension costs.

**Response 27:** South Kentucky's pension costs are spread to the general ledger accounts charged with labor. These expense accounts directly impact the ratemaking revenue requirement.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 28:** Regarding South Kentucky's employee compensation policy:

- a. Provide South Kentucky's written compensation policy as approved by the board of directors.
- b. Provide a narrative description of the compensation policy, including the reasons for establishing the policy and South Kentucky's objectives for the policy.
- c. Explain whether the compensation policy was developed with the assistance of an outside consultant. If the compensation policy was developed or reviewed by a consultant, provide any study or report provided by the consultant.
- d. Explain when South Kentucky's compensation policy was last reviewed or given consideration by the board of directors.

**Response 28(a):** Please see Attachment PSC DR 1-28a for Board Policy 305 "Equal Employment Opportunity and Recruitment/Employment Practices."

**Response 28(b):** South Kentucky's current compensation program was formulated in early 2013. While not formalized into a written policy, the premise of the program focuses on ensuring that all employees are fairly compensated. Fair compensation is established using an independent consultant's review of benchmark data to determine the appropriate compensation range for each job description. Except for union employees, when employees are hired into new roles, they begin at the entry level of the range. Within three years, through systematic salary increases, employees are moved to the midpoint of the salary range for their job grade. Once at midpoint, employees are held at midpoint from that point forward, only receiving an adjustment if there is a market adjustment for their position. A potential market adjustment is determined annually by job grade, by an independent compensation consultant. South Kentucky is committed to maintaining a competitive compensation program.

South Kentucky's objectives include:

- Attracting and retaining quality personnel to support South Kentucky.
- Ensuring pay administration is fair and equitable for all employees.
- Determining pay increases and promotions based on demonstrated individual performance.
- Ensure pay opportunities for employees reflect changes in competitive compensation trends and economic conditions.
- Ensure administration of programs complies with all relevant regulations and legislation.

**Response 28(c):** The compensation policy has not been formalized into a written policy. However, the compensation program was developed with the assistance of INTADEM, LLC. Please see the response to Item 18 for the compensation studies.

**Response 28(d):** The compensation program was last discussed with the Board of Directors in July 2024.

**ATTACHMENT PSC DR 1-28(a)**

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION****POLICY 305  
EQUAL EMPLOYMENT OPPORTUNITY  
AND RECRUITMENT/EMPLOYMENT PRACTICES****I. OBJECTIVE**

To ensure that South Kentucky Rural Electric Cooperative Corporation ("SKRECC") provides equal opportunity employment and conducts all personnel related activities without regard to race, color, religion, sex, age (over 40 years), national origin, veteran status, status as a smoker or nonsmoker (as long as the person complies with SKRECC's workplace policy concerning smoking), or disabled status and in compliance with all applicable state and federal equal employment opportunity laws and regulations; to establish certain practices and guidelines with respect to recruitment and employment within SKRECC.

**II. CONTENT**

- A. SKRECC shall employ and advance in employment qualified individuals at all levels of employment without regard to race, color, religion, sex, age (over 40 years), national origin, veteran status, status as a smoker or nonsmoker (as long as the person complies with SKRECC's workplace policy concerning smoking), or disability.
- B. This policy covers all employment practices including, but not limited to, hiring, promotion, demotion, transfer, probation, recalls, recruitment, lay off, termination, selection for training/educational/social/recreational programs, compensation, benefits, and other terms or conditions of employment.
- C. The salary at which an employee is hired shall be consistent with the Board-approved compensation administration program and policy.
- D. As a condition of employment, all employees of SKRECC may be required to complete a pre-employment physical and drug screen at SKRECC's expense.
- E. Employees who do not have written individual contracts of employment with SKRECC for a definite period of time are employed at the will of SKRECC for an indefinite period of time. An employee's employment with SKRECC may be terminated with or without cause, and with or without notice, at any time.
- F. Except in the case of a written individual contract of employment with SKRECC for a definite period of time, neither these Board Policies nor any other SKRECC plans, policies, documents, memoranda, or procedures shall be used, construed, or deemed to (i) limit SKRECC's right to terminate employees with or without cause, and with or without notice, at any time, or (ii) create an employment contract or term.



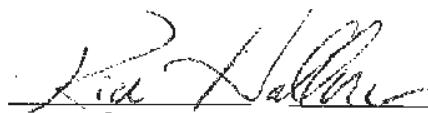
**POLICY305**

- G. For employees other than SKRECC's President/Chief Executive Officer ("CEO"), no contract of employment, either express or implied, and no other restriction or limitation on the at-will status of SKRECC employees shall be valid or binding on SKRECC unless expressly set forth in a separate written document reviewed and approved by the Board of Directors, and then upon such approval signed by the CEO on behalf of SKRECC.
- H. This policy is intended only as a guideline, which may be amended or deleted at the sole discretion of SKRECC with or without notice at any time.
- I. Employees are deemed to have notice of all employment-related policies, whether existing, new, or amended, upon announcement of the policies, distribution of the policies, or posting of the policies on SKRECC bulletin boards.
- J. Participation in specified SKRECC fringe benefit programs is a condition of employment.
- K. Employees shall not participate in outside civic, business, or commercial activities/services which may interfere with the performance of their duties or adversely affect the public relations or image of SKRECC.

**III. RESPONSIBILITY**

- A. The CEO is responsible for ensuring compliance with this policy and for establishing procedures to administer this policy.

**.APPROVED BY THE BOARD OF DIRECTORS**

  
 \_\_\_\_\_  
 t.WARD CHAIRPERSON

DATE APPROVED: 2-13-04

DATE(S) REVIEWED: \_\_\_\_\_

DATE(S) REVISED: 5-14.. IS

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 29:** State whether South Kentucky's expenses for wages, salaries, benefits, and other compensation included in the test year, and any adjustments to the test year, are compliant with the board of director's compensation policy.

**Response 29:** South Kentucky's expenses for wages, salaries, benefits, and other compensation, are compliant with the policies and procedures of its Board of Directors. The Board delegates authority to the President and CEO to make hiring and salary decisions while following the guidelines for wages and salaries. The President and CEO keeps the board informed of any changes to wage and salary decisions.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 30:** Provide, in the format provided in Schedule I, the following information for South Kentucky's compensation and benefits for the test year and the three most recent calendar years preceding the test year. Provide information individually for each corporate officer and by category for Directors, Managers, Supervisors, Exempt, Non-Exempt, Union and Non-Union hourly employees. Provide the amounts, in gross dollars, separately for total company operations and jurisdictional operations.

- a. Regular salary or wages.
- b. Overtime pay.
- c. Excess vacation payout.
- d. Standby/Dispatch pay.
- e. Bonus and incentive pay.
- f. Any other forms of incentives, including stock options or forms or deferred compensation.
- g. Other amounts paid and reported on the employees' W-2 (specify).
- h. Healthcare benefit cost.
  - (1) Amount paid by South Kentucky.
  - (2) Amount paid by employee
- i. Dental benefits cost.
  - (1) Amount paid by South Kentucky.
  - (2) Amount paid by employee.
- j. Vision benefit cost.
  - (1) Amount paid by South Kentucky.
  - (2) Amount paid by employee.
- k. Life insurance cost.
  - (1) Amount paid by South Kentucky.

- (2) Amount paid by employee.
- l. Accidental death and disability benefits.
  - (1) Amount paid by South Kentucky.
  - (2) Amount paid by employee.
- m. Defined Benefit Retirement.
  - (1) Amount paid by South Kentucky.
  - (2) Amount paid by employee.
- n. Defined Contribution – 401(k) or similar plan cost. Provide the amount paid by South Kentucky.
- o. Cost of any other benefit available to an employee (specify).

**Response 30(a) through 30(o):** Please see the Excel spreadsheets filed separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 31:** For each item of benefits listed in Item 30 above for which an employee is required to pay part of the cost, provide a detailed explanation as to how the employee contribution rate was determined.

**Response 31:** For 2021, South Kentucky paid the full premium cost for single policies on the PPO and HDHP.

For PPO employee/child(ren) coverage South Kentucky paid the single cost plus 71% of the premium; the employee was responsible for the remaining 29% of the premium.

For PPO employee/spouse coverage South Kentucky paid the single cost plus 67% of the premium; the employee was responsible for the remaining 33% of the premium.

For PPO family coverage South Kentucky paid the single cost plus 60% of the premium; the employee was responsible for the remaining 40% of the premium.

For HDHP employee/child(ren) coverage South Kentucky coop paid the single cost plus 68% of the premium; the employee was responsible for the remaining 32% of the premium.

For HDHP employee/spouse coverage South Kentucky paid the single cost plus 63% of the premium; the employee was responsible for the remaining 37% of the premium.

For HDHP family coverage South Kentucky paid the single cost plus 55% of the premium; the employee was responsible for the remaining 45% of the premium.

For 2022, South Kentucky paid the full premium cost for single policies on the PPO and HDHP.

For PPO employee/child(ren) coverage South Kentucky paid the single cost plus 73% of the premium; the employee is responsible for the remaining 27% of the premium.

For PPO employee/spouse coverage South Kentucky paid the single cost plus 70% of the premium; the employee is responsible for the remaining 30% of the premium.

For PPO family coverage South Kentucky paid the single cost plus 62% of the premium; the employee is responsible for the remaining 38% of the premium.

For HDHP employee/child(ren) coverage South Kentucky paid the single cost plus 70% of the premium; the employee is responsible for the remaining 30% of the premium.

For HDHP employee/spouse coverage South Kentucky paid the single cost plus 65% of the premium; the employee is responsible for the remaining 35% of the premium.

For HDHP family coverage South Kentucky paid the single cost plus 58% of the premium; the employee is responsible for the remaining 42% of the premium.

For 2023 and 2024, South Kentucky paid 78% of the premium for the PPO & HDHP plans for single coverage and the employee is responsible for the remaining 22%.

For employee/spouse coverage on the PPO & HDHP plans, South Kentucky paid 74% of the premium and the employee is responsible for the remaining 26%.

For employee/child coverage on the PPO & HDHP plans South Kentucky paid 72% of the premium and the employee is responsible for the remaining 28%.

For family coverage on the PPO & HDHP plans South Kentucky paid 66% of the premium and the employee is responsible for the remaining 34%.

For 2025, the premium split on the PPO & HDHP plans for all levels of coverage changed to 80% coop and 20% employee. This change is a result of the union negotiations. In an effort to be fair to all employees it was extended to those in and outside of the bargaining unit.

Dental Benefits: South Kentucky pays 50% of the premium. The employee is responsible for the remaining 50%.

Vision Benefits: The employee is responsible for 100% of the premium.

401(k): The employee is responsible for all contributions. South Kentucky will match up to 2%.



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 32:** Provide a listing of all healthcare plan categories, dental plan categories, and vision plan categories available to corporate officers individually and to groups defined as Corporate Officers, Directors, Managers, Supervisors, Exempt, Non-Exempt, Union, and Non-Union Hourly employees (e.g., single, family, etc.). Include the associated employee contribution rates and employer contribution rates of the total premium cost for each category, and each plan's deductible(s) amounts.

**Response 32:** Please see the response to Item 22.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 33:** Provide a listing of all life insurance plan categories available to corporate officers individually and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union and Non-Union Hourly employees. Include the associated employee contribution rates and employer contribution rates of the total premium cost for each plan category.

**Response 33:** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
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SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 34:** Provide a listing of all retirement plans available to corporate officers individually, and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union and Non-Union Hourly employees. Include the associated employee contribution rates, if any, and employer contribution rates of the total premium cost for each plan category.

**Response 34:** Please see Excel spreadsheet attached separately.

**ATTACHMENT  
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SPREADSHEET  
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SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 35:** Provide an analysis of South Kentucky's expenses for research and development activities for the test year and the three preceding calendar years. For the test year, include the following:

- a. The basis of fees paid to research organizations and South Kentucky's portion of the total revenue of each organization, including where the contribution is monthly and provide the current rate and the effective date;
- b. Details of the research activities conducted by each organization;
- c. Details of services and other benefits provided to South Kentucky by each organization during the test year and the preceding calendar year;
- d. Total expenditures of each organization including the basic nature of costs incurred by the organization; and
- e. Details of the expected benefits to South Kentucky.

**Response 35(a) through 35(e):** South Kentucky did not have any research or development activities in the test year or the three preceding calendar years.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 36:** Provide a running total for the following information concerning the cost of preparing the case:

a. A detailed schedule of expenses incurred to date for the following categories: For each category, the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of any invoices, contracts, or other documentation that support charges incurred in the preparation of this rate case. Indicate any costs incurred for this case that occurred during the test year.

- (1) Accounting;
- (2) Engineering;
- (3) Legal;
- (4) Consultants; and
- (5) Other Expenses (Identify separately).

b. An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in 37 a. above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting work papers and calculations.

c. Provide monthly updates of the actual costs incurred in conjunction with this rate case, reported in the manner requested in 37.a. above. Updates will be due when South Kentucky files its monthly financial statements with the Commission, through the month of the public hearing.

**Response 36(a) and 36(b):** Please see attached.

**Response 36(c):** South Kentucky will provide the requested monthly updates of the actual costs incurred in conjunction with the rate case.



**ATTACHMENT  
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SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 37:** Provide the following information for the most recent calendar year concerning South Kentucky and any affiliated service corporation or corporate service division/unit:

a. A schedule detailing the costs charged, either directly or allocated, by the service company to South Kentucky. Indicate South Kentucky's accounts where these costs were recorded. For costs that are allocated, include a description of the allocation factors utilized.

b. A schedule detailing the costs charged, either directly or allocated, by the service company to South Kentucky. Indicate South Kentucky's accounts where these costs were recorded. For costs that are allocated, include a description of the allocation factors utilized.

**Response 37(a) and 37(b):** South Kentucky had no amounts charged or allocated to it by an affiliate during the most recent calendar year.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 38:** Provide the following information for the most recent calendar year concerning all affiliate-related activities not identified in response to Item 37:

- a. Provide the names of affiliates that provided some form of service to South Kentucky and the type of service South Kentucky received from each affiliate.
- b. Provide the names of affiliates to whom South Kentucky provided some form of service and the type of service South Kentucky provided to each affiliate.
- c. Identify the service agreement with each affiliate, state whether the service agreement has been previously filed with the Commission and identify the proceeding in which it was filed. Provide each service agreement that has not been previously filed with the Commission.

**Response 38(a) through 38(c):** Please refer to South Kentucky's Response to Request 37.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 39:** Describe South Kentucky's lobbying activities and provide a schedule showing the name, salary, and job title of each individual whose job function involves lobbying on the local, state, or national level.

**Response 39:** South Kentucky does not engage in lobbying activities.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 40:** Regarding demand-side management, conservation, and energy-efficiency programs, provide the following:

- a. A list of all programs currently offered by South Kentucky.
- b. The total cost incurred for these programs by South Kentucky in each of the three most recent calendar years.
- c. The total energy and demand reductions realized through these programs in each of the three most recent calendar years.
- d. The total cost for these programs included in the test year and expected energy reductions to be realized from these programs.

**Response 40(a):** In coordination with East Kentucky Power Cooperative, Inc. ("EKPC"), South Kentucky offered the following DSM programs:

- (1) SimpleSave-AC and Water Heater – allows the installation of utility provided switches on air conditioners and water heaters that can be managed by the utility during peak usage to reduce load.
- (2) Touchstone Energy Home – The program allows for the installation of utility provided thermostats that can be managed by the utility during peak usage to reduce load.
- (3) Button-Up Weatherization Program – The program offers incentives to the retail members who add insulation in the attic and use weatherization techniques to reduce heat loss in the home.
- (4) Heat Pump Retrofit Program – The program provides an incentive to retail members to convert the home from less efficient resistive heat sources to more efficient air-to-air heat

pumps, geothermal heat pumps, or mini-split heat pumps.

(5) Energy Star Manufactured Home – The program provides an incentive to retail members to purchase a new manufactured home constructed to ENERGY STAR standards for manufactured homes.

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 \$93,231 to its members for these programs, but was reimbursed in full by EKPC, and thus, there was no impact to the test year expenses.

**Response 40(b):** South Kentucky was reimbursed by EKPC for amounts incurred.

**Response 40(c) – 40(d):**

January 01, 2022 to December 31, 2022

Owner-Member	South Kentucky RECC	MWh / kWh and MW Saved through Dec 31, 2022				
		Totals YTD by Program	Qty	MWh	kWh	Winter MW
<b>Group / Program</b>						
<b>Residential</b>	15,164	15,164	1,159	1,158,826	0.275	0.122
Button Up - Level I	19	19	118	118,255	0.091	0.028
CARES HEAT PUMP ELIGIBLE	2	2	9	9,462	0.003	0.001
Energy Audit - Billing Insights Audit	9	9	5	4,707	0.000	0.000
ENERGY STAR MANUFACTURED HOME	1	1	4	4,060	0.001	0.000
Heat Pump Retrofit (14 SEER)	51	51	369	369,117	0.000	0.016
Heat Pump Retrofit (15 SEER & up / Geo)	25	25	147	147,049	0.000	0.008
LED	15,000	15,000	360	360,000	0.060	0.036
LED-Promotional	11	11	0	264	0.000	0.000
TSE Home (Performance) (HERS 79 or below)	41	41	130	130,052	0.107	0.029
TSE Home (Prescriptive)	5	5	16	15,860	0.013	0.004
<b>Switches</b>	-31	-31	0	-195	-0.004	-0.026
DLC AC	-23	-23	0	-115	0.000	-0.023
DLC WH	-8	-8	0	-80	-0.004	-0.003
<b>Total</b>	15,133	15,133	1,159	1,158,631	0.271	0.096
<b>MWh</b>	1,159					
<b>Winter MW</b>	0.271					
<b>Summer MW</b>	0.096					

January 01, 2023 to December 31, 2023

Owner-Member	South Kentucky RECC	MWh / kWh and MW Saved through Dec 31, 2023				
		Totals YTD by Program				
Group / Program		Qty	MWh	kWh	Winter MW	Summer MW
<b>Residential</b>	17,143	17,143	560	560,062	0.106	0.054
Button Up - Level I	13	13	46	46,312	0.036	0.011
CARES HEAT PUMP ELIGIBLE	14	14	66	66,234	0.020	0.010
Energy Audit - Billing Insights Audit	20	20	7	6,799	0.000	0.000
ENERGY STAR MANUFACTURED HOME	14	14	57	56,840	0.013	0.007
Heat Pump Retrofit	12	12	85	85,280	0.000	0.004
Heat Pump Retrofit (14 SEER)	19	19	143	143,127	0.000	0.006
Heat Pump Retrofit (15 SEER & up / Geo)	16	16	111	111,062	0.000	0.006
LED	17,000	17,000	0	0	0.000	0.000
LED-Promotional	21	21	0	0	0.000	0.000
TSE Home (Performance) (HERS 79 or below)	7	7	22	22,204	0.018	0.005
TSE Home (Prescriptive)	7	7	22	22,204	0.018	0.005
<b>Switches</b>	-8	-8	0	-65	-0.003	-0.005
DLC AC	-3	-3	0	-15	0.000	-0.003
DLC WH	-5	-5	0	-50	-0.003	-0.002
<b>Total</b>	17,135	17,135	560	559,997	0.103	0.049
MWh	560					
Winter MW	0.103					

January 01, 2024 to December 31, 2024

Owner-Member	South Kentucky RECC	MWh / kWh and MW Saved through Dec 31, 2024				
		Totals YTD by Program				
Group / Program		Qty	MWh	kWh	Winter MW	Summer MW
Residential	105	105	503	502,691	0.067	0.041
Button Up - Level I	8	8	22	22,396	0.017	0.005
CARES HEAT PUMP ELIGIBLE	8	8	38	37,848	0.012	0.006
ENERGY STAR MANUFACTURED HOME	2	2	8	8,120	0.002	0.001
Heat Pump Retrofit	45	45	267	267,351	0.000	0.013
Heat Pump Retrofit (14 SEER)	9	9	60	60,264	0.000	0.003
Heat Pump Retrofit (15 SEER & up / Geo)	13	13	62	62,304	0.000	0.003
LED-Promotional	6	6	0	0	0.000	0.000
TSE Home (Performance) (HERS 79 or below)	11	11	35	34,892	0.029	0.008
TSE Home (Prescriptive)	3	3	10	9,516	0.008	0.002
<b>Total</b>	105	105	503	502,691	0.067	0.041
MWh	503					
Winter MW	0.067					
Summer MW	0.041					



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 41:** Provide the following information with regard to uncollectible accounts for the test year and three preceding calendar years (taxable year acceptable):

- a. Reserve account balance at the beginning of the year;
- b. Charges to reserve account (accounts charged off);
- c. Credits to reserve account;
- d. Current year provision;
- e. Reserve account balance at the end of the year; and
- f. Percent of provision to total revenue.

**Response 41(a) through 41(f):** Please see the Excel spreadsheet provided separately.

**ATTACHMENT  
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AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 42:** Provide an analysis of Other Operating Taxes as shown in Schedule J for the most recent calendar year.

**Response 42:** Please see the Excel file provided separately.

**ATTACHMENT  
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SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 43:** Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in Schedule K, and all workpapers supporting the analysis. At a minimum, the workpapers should show the payee, dollar amount, reference (i.e., voucher no. etc.) account charged, hourly rates and time charged to South Kentucky according to each invoice, and a description of the services performed.

**Response 43:** Please see the Excel spreadsheet provided separately.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 44:** Provide the following information for South Kentucky. If any amounts were allocated, show a calculation of the factor used to allocate each amount.

a. A detailed analysis of all charges booked during the test year for advertising expenditures. Include a complete breakdown of Account No. 913 – Advertising Expenses, and any other advertising expenditures included in any other expense accounts, as shown in Schedule L1. The analysis should specify the purpose of the expenditure and the expected benefit to be derived.

b. An analysis of Account No. 930 – Miscellaneous General expenses for the test year. Include a complete breakdown of this account as shown in Schedule L2 and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure of \$500 or more, provided that lesser items are grouped by classes as shown in Schedule L2.

c. An analysis of Account No. 426 – Other Income Deductions for the test year. Include a complete breakdown of this account as shown in Schedule L3 and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no. etc.), dollar amount, and brief description of each expenditure of \$500 or more, provided that lesser items are grouped by classes as shown in Schedule L3.

**Response 44(a) - (c):** Please see the Excel spreadsheets provided separately of Accounts 913, 930, and 426.

**ATTACHMENT  
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AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 45:** Provide the name and personal mailing address of each member of South Kentucky's board of directors. Also identify the board members who are representatives to the Kentucky Association of Electric Cooperatives or the National Rural Electric Cooperative Association. If any changes occur in board membership during the course of this proceeding, update the response to this request.

**Response 45:**

Cathy Epperson – Chairperson  
*KEC Board Representative*  
68 Ferry Road  
Somerset, KY 42503  
[cathye@skrecc.com](mailto:cathye@skrecc.com)

Boris Haynes - Secretary/Treasurer  
*EKPC Board Representative*  
816 N. Hwy 27 (Box 571)  
Whitley City, KY 42653  
[borish@skrecc.com](mailto:borish@skrecc.com)

Charles “CV” Hansford  
103 S. Linnwood Drive  
Somerset, KY 42501  
[charlesh@skrecc.com](mailto:charlesh@skrecc.com)

William Allen, Jr.  
576 Frazer Road  
Monticello, KY 42633  
[williama@skrecc.com](mailto:williama@skrecc.com)



Tommy Nelson, Jr.  
29 Crabtree & Bell Road  
Monticello, KY 42633  
[tommyn@skrecc.com](mailto:tommyn@skrecc.com)

Greg Redmon  
703 Robertson Street  
Russell Springs, KY 42642  
[gregr@skrecc.com](mailto:gregr@skrecc.com)

Brent Tackett - Vice Chairman  
455 Whetstone Creek Road  
Eubank, KY 42567  
[brentt@skrecc.com](mailto:brentt@skrecc.com)

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 46:** Provide a detailed analysis of the total compensation paid to each member of the board of directors during the test year, including all fees, fringe benefits, and expenses, with a description of the type of meetings, seminars, etc., attended by each member. If any of the listed expenses in this analysis include the costs for directors' spouses, list expenses for the directors' spouses separately.

**Response 46:** Please see the Application, Exhibit 10, Direct Testimony of John Wolfram, Exhibit JW-2, Reference Schedule 1.08.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 47:** Provide South Kentucky's written policies on the compensation of its attorneys, auditors, and all other professional service providers. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include all agreements, contracts, memoranda of understanding, and any other documentation that explains the nature and type of reimbursement paid for professional services. If any changes occurred during the test year, indicate the effective date of these changes and the reason for these changes.

**Response 47:** Please see Attachment PSC DR 1-47, for Board Policy 204 "Legal Representation and Use of Attorneys." The Board does not have any policies regarding any other professional service engagements. Also attached are the engagement letters for professional services.

**ATTACHMENT PSC DR 1-47**

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION****POLICY 204****LEGAL REPRESENTATION AND USE OF ATTORNEYS****I. OBJECTIVE**

The Board of Directors ("Board") recognizes that competent legal representation and effective use of attorneys are critical to the successful operation of South Kentucky Rural Electric Cooperative Corporation ("SKRECC" or the "Cooperative"). Although an attorney retained as outside counsel or employed as counsel by SKRECC (collectively, "Attorney"), as well as the Attorney's representation of SKRECC, are governed by the rules of professional conduct and other local, state, and federal laws, the objective of this policy is to provide additional guidance for, and emphasize important aspects of, the Attorney's representation of SKRECC and SKRECC's use of the Attorney.

**II. POLICY**

- A. General Counsel. SKRECC shall retain or employ an Attorney to continually provide general legal services to the Cooperative ("General Counsel"). General legal services include, but are not limited to: (1) attending, and drafting or reviewing minutes of, all meetings of the Board and all annual and special meetings of the Cooperative members; (2) serving as parliamentarian at all meetings attended; (3) providing general legal advice to the Board on corporate/cooperative issues; (4) negotiating, drafting, and reviewing contracts; (5) providing legal services for the disposition or acquisition of real property and interests in real property; (6) providing legal services for the bonowing or lending of money; (7) providing all other general legal services that may be required in the operations of the Cooperative, including but not limited to, general business, cooperative, tax, and electric utility law; (8) managing and supervising all legal matters for the Cooperative; (9) maintaining, developing, and supervising in-house legal staff (as applicable); and (10) directing and managing outside Special Counsel (as applicable).
- B. Special Counsel. As reasonably necessary and following consultation with the General Counsel and the President/Chief Executive Officer ("CEO"), SKRECC may retain an Attorney(s) to provide special legal services to the Cooperative ("Special Counsel"). Special legal services require competence in a particular field of law and include, but are not limited to: (1) representing the Cooperative in state or federal court, or before a local, state, or federal regulatory body; and (2) providing general legal advice and services in such areas as real property, tort, employment, tax, antitrust, environmental, or intellectual property law. In providing special legal services to the Cooperative, Special Counsel shall provide General Counsel copies of all communications, memoranda, briefs, notices, motions, and other documents prepared, filed, received, or sent by Special Counsel. General Counsel shall review and recommend approval to the CEO of all invoices from Special Counsel.

## POLICY204

- C. Board Counsel. As determined by the Board, it may retain, employ, direct, and discharge an Attorney or law firm to continually or periodically provide legal services to the Board ("Board Counsel"), with the Board Counsel representing the Board as *his* or her client. If Board Counsel is not otherwise reasonably compensated by SKRECC, the Board shall pay Board Counsel a reasonable fee and reasonable expenses. To the extent practical, Board Counsel's representation of the Board must be governed in a manner similar to the manner in which an Attorney's representation of the Cooperative is governed under this policy.
- D. Competent Legal Representation and Conflicts of Interest. An Attorney shall provide competent legal representation to the Cooperative and shall have or acquire the appropriate knowledge, skills, time, and qualifications necessary to provide competent legal representation. No Attorney, however, guarantees, promises, or warrants a successful or favorable outcome regarding legal services provided to the Cooperative. An Attorney shall comply with conflict of interest requirements prescribed in applicable local, state, and federal law and rules of professional conduct. An Attorney may provide legal services to an entity in which the Cooperative owns an interest ("Affiliated Entity") only if the Attorney complies with applicable conflict of interest requirements. When a legal or ethical conflict arises, an Attorney shall inform SKRECC's CEO (or other person authorized by the CEO) in writing of any other entity engaged in generating, transmitting, distributing, marketing, or selling electric energy for which the Attorney provides legal services.
- E. Retaining, Employing, and Discharging Attorney. The Board, following consultation with the CEO, shall make decisions regarding retaining, employing, compensating, and discharging the General Counsel. The Board and CEO shall annually evaluate the performance of the General Counsel. Following consultation with the General Counsel, the CEO shall make decisions regarding the retention, employment, and discharge of any other Attorney. By providing written notice to an Attorney, the Cooperative may discharge the Attorney and terminate any Attorney engagement agreement, at any time for any reason. By providing written notice to the Cooperative, and as required or allowed by applicable law and rules of professional conduct, an Attorney shall or may withdraw from representing the Cooperative and terminate any Attorney engagement agreement.
- F. Third Party. As part of providing legal services to the Cooperative, and with the CEO's prior consent, an Attorney may retain another attorney or may use an attorney or paraprofessional associated with the Attorney in a law firm. As reasonably necessary or helpful in providing legal services to the Cooperative, and subject to any limitations stated in an Attorney engagement agreement, an Attorney may contract for a non-attorney and/or non-paraprofessional third party to provide goods or services.
- G. Directing Attorney. Only the Board, Board Chairperson, or the CEO may request that an Attorney provide legal services to the Cooperative. The CEO may delegate this authority to the General Counsel. As requested by an Attorney, and as reasonably

necessary or helpful in providing legal services to SKRECC, the Cooperative shall provide the Attorney reasonable access to its directors, officers, employees, consultants, agents, representatives, records, and documents. The CEO and an Attorney shall keep the Board reasonably informed regarding any matter for which the Attorney is providing legal services to the Cooperative. In providing legal services to the Cooperative, and subject to the direction of the Board, CEO, and/or General Counsel, an Attorney may act on the Cooperative's behalf in any manner reasonably believed to be in the Cooperative's best interest. Unless the CEO gives his or her prior consent, an Attorney may not make a statement outside of a tribunal regarding the Attorney's provision of legal services to the Cooperative, which statement the Attorney knows or reasonably should know will be disseminated by means of public communication.

- H. **Attorney Fees and Expenses.** The Cooperative shall pay an Attorney a reasonable fee and reasonable expenses for his/her performance of legal services. An Attorney shall provide legal services to the Cooperative in a cost-effective and efficient manner. The fees and expenses for an Attorney retained by the Cooperative must be specified in an Attorney engagement agreement. The General Counsel will recommend and the CEO shall authorize payment of fees and expenses to Special Counsel in accordance with the terms of the Attorney engagement agreement without prior Board approval if such payment falls within procurement authority delegated to the CEO in other Board policies. Also, the CEO shall authorize payment of fees and expenses to General Counsel (if General Counsel is retained, not employed) without Board approval if such payment falls within procurement authority delegated to the CEO in other Board policies. The Secretary/Treasurer shall review General Counsel fees and expenses on a quarterly basis. The fees and expenses of Board Counsel shall not be paid without prior review and approval of the Secretary/Treasurer.
- I. **Unauthorized Practice of Law.** No SKRECC director, officer, employee, consultant, agent, or representative may provide legal services to the Cooperative unless the individual is an attorney admitted to practice law in an appropriate jurisdiction.
- J. **Cooperative as Client.** In providing legal services to SKRECC, an Attorney represents the Cooperative, as his or her client, acting through its authorized directors, officers, employees, and members. In representing SKRECC, an Attorney does not represent the Cooperative's directors, officers, or employees except to the extent said individuals may be acting within their course of employment or within their scope of duties at SKRECC. An Attorney does not represent the Cooperative's members. An Attorney may represent an Affiliated Entity as long as the Attorney complies with applicable conflict of interest requirements.
- K. **Attorney-Client Privilege.** Confidential communications between SKRECC, or its agent or representative, and the Attorney, or his or her agent or representative, made to facilitate the Attorney's provision of legal services to the Cooperative are protected by the attorney-client privilege. SKRECC directors, officers, employees, consultants, agents, and representatives shall not disclose these communications to third persons,

**POLICY204**

other than those to whom disclosure is made in furtherance of this provision of legal services, or those reasonably necessary for transmitting the communications. To the extent these communications are disclosed to SKRECC employees, consultants, agents, or representatives, they must only be disclosed to individuals who reasonably need to know of the communications and in a manner that does not otherwise waive the attorney-client privilege.

- L. **Attorney's Duty to Inform and Consult.** An Attorney shall keep the Board and the CEO reasonably informed regarding a matter for which the attorney is providing legal services to the Cooperative. For decisions regarding the matter to be made by the Cooperative, the Attorney shall explain the matter to the Board and the CEO to the extent reasonably necessary to permit the Cooperative to make an informed decision. An Attorney shall promptly comply with the Cooperative's reasonable request for information.
- M. **Reliance.** In providing legal services to the Cooperative, an Attorney may rely upon information provided by the Cooperative, unless the Attorney knows that the reliance is unwarranted. In performing his or her duties, a SKRECC director, officer, or employee may rely upon information, opinions, reports, and statements prepared or presented by an Attorney. A director, officer, or employee's reliance, however, is only permitted regarding matters involving skills or expertise that he or she reasonably believes are within the Attorney's professional or expert competence. Further, this reliance is only permitted if the director, officer, or employee acts in good faith and reasonably believes that the reliance is warranted and that the Attorney merits confidence.
- N. **Evidence of Violation of Law or Breach of Duty.** If an Attorney knows or reasonably should know of any evidence of an actual or intended material violation of law or material breach of duty, or evidence of an actual or intended violation of law or breach of duty likely to result in substantial injury to SKRECC, by the Cooperative or by any director, officer, employee, consultant, agent, or representative ("Evidence"), then the Attorney shall report the Evidence in accordance with the Whistleblower Reporting Procedure and Anti-Retaliation Policy (Policy 304) of these Board policies.
- O. **Legal Programs, Publications, and Memberships.** The Cooperative may require the General Counsel to: (1) attend legal programs sponsored by, and to subscribe to legal publications published by, the American Bar Association, National Rural Electric Cooperative Association, and any national, state, or local bar association or association of electric cooperatives; and (2) be a member of, and attend programs sponsored by, the Electric Cooperative Bar Association and any association of attorneys representing electric cooperatives.

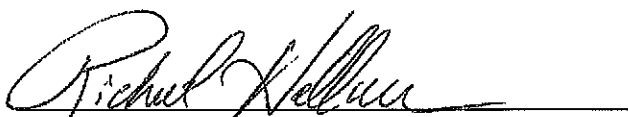


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III. **RESPONSIBILITY**

- A. The Board and CEO are responsible for ensuring compliance with this policy.
- B. The CEO is responsible for communicating with an Attorney regarding the Attorney's provision of legal services to the Cooperative.

**APPROVED BY THE BOARD OF DIRECTORS**

  
BOARD CHAIRPERSON

DATE APPROVED: 5-13-04

DATE(S) REVIEWED: \_\_\_\_\_

DATE(S) REVISED: -10-

# PHILLIPS & PHILLIPS

Bruce H. Phillips  
(1915-1998)

Attorneys, PSC

Van F. Phillips  
Frank V. Phillips

19 S. Main Street - P.O. Box 391 - Monticello, Kentucky 42633  
(606) 348-5591 - Fax (606) 348-8887 - E-Mail office@phillipsattorneys.net  
www.phillipsattorneys.net

May 24, 2024

## ENGAGEMENT LETTER

In re: South Kentucky RECC Board Counsel

Dear Mrs. Epperson:

It was a pleasure speaking with you earlier. I am honored that you on behalf of the Board of Directors of South Kentucky RECC have asked me to represent the Board of Directors. This letter confirms our discussions regarding my employment and describes the basis upon which I will provide legal services to the Board of Directors of South Kentucky RECC. I submit for your approval the following provisions concerning my legal representation, and if you are in agreement, please sign a copy of this letter in the space provided below.

Scope of Representation: Beginning June 1, 2024, I will prepare for, travel, attend, and participate in the monthly Board of Directors meetings of South Kentucky RECC, and conduct post-meeting review of the minutes. I will also provide additional legal representation upon request by the Directors of the Board of South Kentucky RECC.

Fees: The legal fees pertaining to my representation shall be \$1,000.00 per month for the preparation, travel, attending/participating in the monthly board of directors meetings, and post-meeting review of the minutes and an additional \$200.00 per hour for other legal matters that may arise as requested by the board.

To confirm understanding of this engagement, please sign a copy of this letter and return same by either e-mail to frank@phillipsattorneys.net or mail to the address above. Please keep the original letter for your records. I look forward to the opportunity working with you and the other Directors of South Kentucky RECC. Please let me know if you have any additional questions.

Very Truly Yours,



Frank V. Phillips

HAVE SEEN AND AGREED TO:

Cathy C. Epperson, Chairperson  
SKYRECC Board of Director

(Date)

## **MCM Clients Communication**

*About Our Services | Updated Billing and Payment Remittance Terms*

Dear Client,

We are so grateful to welcome you as a Cherry Bekaert client and look forward to serving you with the same level of quality and care you have come to expect from MCM over the years.

Proactive, thoughtful planning and clear, abundant communications are hallmarks of Cherry Bekaert client service. As we begin this new chapter with you, we want to highlight some updated terms around billing and payment remittance.

### **New W-9 Documentation**

You will notice that services are being provided by either Cherry Bekaert LLP (attest services) or Cherry Bekaert Advisory LLC (tax and advisory services); please find attached a copy of the respective W-9 form for the entity your services are rendered by and update your vendor records accordingly.

### **Invoice Distribution and Remittance**

All invoices will be sent electronically. Please contact your Cherry Bekaert Relationship Lead to update your preferred contact email address.

New remittance instructions will be included on your invoice, with instructions varying based on the origin of your services (Cherry Bekaert LLP or Cherry Bekaert Advisory LLC) and type of services provided (Tax and Advisory vs. Assurances services).

Thank you,

*Cherry Bekaert Advisory LLC*

**Cherry Bekaert Advisory LLC**

**Cherry Bekaert LLP**

November 15, 2023

**VIA EMAIL:**

shelleyy@skrecc.com

Management of South Kentucky Rural Electric Cooperative  
South Kentucky Rural Electric Cooperative Corporation  
200 Electric Avenue  
Somerset, Kentucky 42501

Dear Shelley:

This engagement letter between South Kentucky Rural Electric Cooperative Corporation (hereafter referred to as the "Cooperative" or "you" or "your" or "management") and Cherry Bekaert LLP (the "Firm" or "Cherry Bekaert" or "we" or "us" or "our") sets forth the nature and scope of the services we will provide, the Cooperative's required involvement and assistance in support of our services, the related fee arrangements, and other Terms and Conditions, which are attached hereto and incorporated by reference, designed to facilitate the performance of our professional services and to achieve the mutually agreed-upon objectives of the Cooperative.

## **Summary of services**

We will provide the following services to the Cooperative as of and for the year ended December 31, 2023:

### **Audit and attestation services**

1. We will audit the financial statements including the balance sheet and statements of income and comprehensive income (loss), changes in members' and patrons' equities, and cash flows and related disclosures of the Cooperative as of and for the year ended 12/31/2023, and render an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the in accordance with accounting principles generally accepted in the United States of America ("GAAP").

## **Your expectations**

As part of our planning process, we have discussed with you your expectations of Cherry Bekaert, changes that occurred during the year, your views on risks facing you, any relationship issues with Cherry Bekaert, and specific engagement arrangements and timing. Our services plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and meet or exceed the Cooperative's expectations. Our services plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance. Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

## South Kentucky Rural Electric Cooperative Corporation

November 15, 2023

Page 2

The Cooperative recognizes that our professional standards require that we be independent from the Cooperative in our audit of the Cooperative's financial statements and our accompanying report in order to ensure that our objectivity and professional skepticism have not been compromised.

As a result, we cannot enter into a fiduciary relationship with the Cooperative and the Cooperative should not expect that we will act only with due regard to the Cooperative's interest in the performance of this audit, and the Cooperative should not impose on us special confidence that we will conduct this audit with only the Cooperative's interest in mind. Because of our obligation to be independent of the Cooperative, no fiduciary relationship will be created by this engagement or audit of the Cooperative's financial statements.

The engagement will be led by John Hill, who will be responsible for assuring the overall quality, value, and timeliness of the services provided to you.

### Audit and attestation services

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The objective of our audit is to obtain reasonable assurance about whether the Cooperative's basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion(s) about whether the Cooperative's basic financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the Summary of Services section when considered in relation to the basic financial statements taken as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements in conformity with the basis of accounting noted above. The objective also includes reporting on:

- Internal control over financial reporting and compliance with the provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards* and the auditing standards for RUS Borrowers identified in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*.

## **Auditor's responsibilities for the audit of the financial statements**

We will conduct our audit in accordance with GAAS, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the auditing standards for RUS Borrowers identified in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*, and will include tests of accounting records and other procedures as deemed necessary to enable us to express such an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We will also:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of the Cooperative and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion(s). The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

## **Cooperative's management responsibilities related to the audit**

The Cooperative's management is responsible for designing, implementing, and maintaining internal controls, including evaluating and monitoring ongoing activities, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that the Cooperative's management and financial information is reliable and properly reported. The Cooperative's management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible

for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

The Cooperative's management is responsible for making all financial records and related information available to us, including additional information that is requested for purposes of the audit (including information from outside of the general and subsidiary ledgers), and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which it is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Cooperative from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Cooperative involving (1) the Cooperative's management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Cooperative received in communications from employees, former employees, grantors, regulators, or other. In addition, you are responsible for identifying and ensuring that the Cooperative complies with applicable laws, regulations contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP, (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP, (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes), and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

The Cooperative's management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. The Cooperative's management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the *Audit and attestation services* section of this letter. This responsibility

includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing Cooperative's management views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all the Cooperative's management responsibilities relating to the financial statements and disclosures and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and disclosures and that you have reviewed and approved the financial statements and disclosures prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

The Cooperative's management is responsible for disclosing to us all documents that comprise the annual report and preparation of the annual report. You agree you will provide us with the final version of all documents comprising the annual report prior to the date of the auditor's report so that required audit procedures can be completed prior to the issuance of the auditor's report. If obtaining the final version of these documents is not possible prior to the date of the auditor's report, then the documents will be provided as soon as practicable, and the Cooperative will not issue the annual report prior to providing them to the us and allowing sufficient time to apply required audit procedures. If the documents comprising the annual report are provided after the date of the auditor's report and we concluded that there is a material inconsistency or misstatement then we will take appropriate actions which may include communicating the matter to those charged with governance or obtaining legal advice.

## Reporting

We will issue a written report upon completion of our audit of the Cooperative's financial statements. Our report will be addressed to Board of Directors of the Cooperative. Circumstances may arise in which our report may differ from its expected form and content based on the result of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report on internal control and compliance, and will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Cooperative is subject to an audit requirement that is not encompassed in the terms of the engagement, we will communicate to Cooperative's management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.



We will also provide a report on compliance with aspects of contractual agreements and regulatory requirements for electric borrowers in accordance with RUS Bulletin 1773-1. Our report will include a paragraph that states the purpose of the report is solely to communicate on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. The paragraph will also state that the report is not suitable for any other purpose.

### **Indemnification for known misrepresentations**

The Firm will rely on the Cooperative's management providing the above noted representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

Because of the importance of management's representations to the effective performance of our services, the Cooperative will release, indemnify, and hold harmless the Firm and its personnel from any claims, liabilities, costs, and expenses relating to our services under this letter arising in circumstances where there has been a known misrepresentation by an officer or employee of the Cooperative regardless of whether such officer or employee was acting in the Cooperative's interest. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense or loss asserted, whether in contract, statute, tort (including but not limited to negligence), or otherwise. This provision will survive termination of this letter.

### **Fees**

The estimated fees contemplate only the services described in the Summary of Services section of this letter. You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated fees which will be at our standard billing rates noted in the table below. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter. Standard bill rates

<b>Skill Level</b>	<b>Bill Rate</b>
Partner	\$ 430
Director	\$ 395
Senior Manager	\$ 385
Manager	\$ 300
Senior Accountant	\$ 245
Staff Accountant	\$ 185
Intern	\$ 100
Paraprofessional	\$ 185
Audit Service Center	\$ 110
Administrative	\$ 150

The following summarizes the fees for the services described above:

Description of services	Estimated fee
<b>Audit services</b>	
Audit of the financial statements	\$40,500
Total	\$40,500

The fees will be billed periodically in accordance with the schedule presented below. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1½% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month. The above fee does not reflect the inclusion of a 5% technology fee applied to professional services.

The fees for the above outlined services will be invoiced as presented below.

Timing	Event	Amount
Progress billing #1 December 2023	Beginning of fieldwork	\$12,000
Progress billing #2 March 2024	Throughout fieldwork	12,500
Final billing	Upon issuance of report	16,000
Total		\$40,500

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. No change, modification, addition, or amendment to this letter shall be valid unless in writing and signed by all parties. The parties agree that this letter may be electronically signed and that the electronic signatures will be deemed to have the same force and effect as handwritten signatures.

If you have any questions, please call John Hill at (502) 882-4381.

Sincerely,

**CHERRY BEKAERT LLP**

*Cherry Bekaert LLP*

ATTACHMENT - Engagement Letter Terms and Conditions

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**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**

ACCEPTED BY: *Kevin Newton*

TITLE: *CEO*

DATE: *11/16/23*

## **Cherry Bekaert LLP**

### **Engagement Letter Terms and Conditions**

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The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

#### **Limitations of the audit report**

Should the Cooperative wish to include or incorporate by reference these financial statements and our report thereon into *any* other document at some future date, we will consider granting permission to include our report into another such document at the time of the request. However, we may be required by generally accepted auditing standards ("GAAS") to perform certain procedures before we can give our permission to include our report in another document such as an annual report, private placement, regulator filing, official statement, offering of debt securities, etc. You agree that the Cooperative will not include or incorporate by reference these financial statements and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of

#### **Limitations of the audit process**

In conducting the audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by the Cooperative's management, as well as evaluate the overall financial statement presentation.

Our audit will include procedures designed to obtain reasonable assurance of detecting misstatements due to errors or fraud that are material to the financial statements. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. For example, audits performed in accordance with GAAS are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material misstatements due to errors or fraud, if they exist, may not be detected. Also, an audit is not designed to detect matters that are immaterial to the financial statements. In addition, an audit conducted in accordance with GAAS does not include procedures specifically designed to detect illegal acts having an indirect effect (e.g., violations of fraud and abuse statutes that result in fines or penalties being imposed on the Cooperative) on the financial statements.

Similarly, in performing our audit we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our audit unless clearly inconsequential. In the event that we have to consult with the Cooperative's counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the Cooperative. You agree that the Cooperative will cooperate fully with any procedures we deem necessary to perform with respect to these matters.

We will issue a written report upon completion of our audit of the Cooperative's financial statements. If, for any reason, we are unable to complete the audit, or are unable to form, or have not formed an opinion on the financial statements, we may decline to express an opinion or decline to issue a report as a result of the engagement. We will notify the

appropriate party within your organization of our decision and discuss the reasons supporting our position.

### **Audit procedures - general**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve professional judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Cooperative's management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Cooperative or to acts by the Cooperative's management or employees acting on behalf of the Cooperative. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits, nor do they expect auditors to provide reasonable assurance of detecting waste and abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of the Cooperative's management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention.

We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditor is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customer, creditors and financial institutions. We will request written representations from the Cooperative's attorneys as part of the engagement, and they may bill the Cooperative for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit procedures - internal controls**

Our audit will include obtaining an understanding of the Cooperative and its environment, including internal controls relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion(s).

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control, including cybersecurity, and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to the Cooperative's management and those charged with governance internal control related matters that are required to be communicated under American Institute of Certified Public Accountants ("AICPA") professional standards, and *Government Auditing Standards*.

### **Audit procedures - compliance**

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Cooperative's compliance with provisions of applicable laws and regulations, contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Nonattest services (if applicable)**

All nonattest services to be provided in the attached engagement letter (if applicable) shall be provided pursuant to the AICPA Code of Professional Conduct. The AICPA Code of Professional Conduct requires that we establish objectives of the engagement and the services to be performed, which are described under nonattest services in the attached letter.

You agree that the Cooperative's designated individual will assume all the Cooperative's management responsibilities for the nonattest services we provide; oversee the services by designating an individual, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them. In order to ensure we provide such services in compliance with all professional standards, the designated individual is responsible for:

- Making all financial records and related information available to us
- Ensuring that all material information is disclosed to us
- Granting unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence
- Identifying and ensuring that such nonattest complies with the laws and regulations

The accuracy and appropriateness of such nonattest services shall be limited by the accuracy and sufficiency of the information provided by the Cooperative's designated individual. In the course of providing such nonattest services, we may provide professional advice and guidance based on knowledge of accounting, tax and other compliance, and of the facts and circumstances as provided by the Cooperative's designated individual. Such advice and guidance shall be limited as permitted under the AICPA Code of Professional Conduct.

## Communications

At the conclusion of the audit engagement, we may provide the Cooperative's management and those charged with governance a letter stating any significant deficiencies or material weaknesses which may have been identified by us during the audit and our recommendations designed to help the Cooperative make improvements in its internal control structure and operations related to the identified matters discovered in the financial statement audit. As part of this engagement, we will ensure that certain additional matters are communicated to the appropriate members of the Cooperative. Such matters include (1) our responsibilities under GAAS, (2) the initial selection of and changes in significant accounting policies and their application, (3) our independence with respect to the Cooperative, (4) the process used by Cooperative's management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates, (5) audit adjustments, if any, that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report, (6) any disagreements with the Cooperative's management concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements, (7) our views about matters that were the subject of the Cooperative's management's consultation with other accountants about auditing and accounting matters, (8) major issues that were discussed with the Cooperative's management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, and (9) serious difficulties that we encountered in dealing with the Cooperative's management related to the performance of the audit.

## Other matters

### Access to working papers

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. It is our policy to retain all workpapers and client information for seven years from the date of issuance of the report. It is our policy to retain emails and attachments to emails for a period of 12 months, except as required by any governmental regulation. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties. Any parties seeking voluntary access to our working papers must agree to sign our standard access letter.

We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.), or their representatives ("Regulators") pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our audit and accounting practices as required by the AICPA. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for the Cooperative may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

### Electronic transmittals

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. As an alternative, we recommend using our Client Portal ("Portal") to transmit documents. Portal allows the Cooperative, us, and other involved entities to upload and download documents in a secure location. You agree to the use of email, Portal, and other electronic methods to transmit and receive information, including confidential information, between the Firm, the Cooperative, and other third party providers utilized by either party in connection with the engagement.

### Use of third party providers and alternative practice structure

Cherry Bekaert LLP and Cherry Bekaert Advisory LLC (an associated, but not affiliated entity) are parties to an administrative services agreement ("ASA"). Cherry Bekaert LLP and Cherry Bekaert Advisory LLC are operating in an arrangement commonly described as an "alternative practice structure". Pursuant to the ASA, Cherry Bekaert LLP leases professional and administrative staff, both of which are employed by Cherry Bekaert Advisory LLC, to support Cherry Bekaert LLP's performance under this engagement letter. As a result, Cherry Bekaert LLP will share your confidential information with Cherry Bekaert Advisory LLC so that the leased employees are able to support Cherry Bekaert LLP's performance under this engagement letter.

These leased employees are under the direct control and supervision of Cherry Bekaert LLP, which is solely responsible for the professional performance of the services under this engagement letter. The leased employees are subject to the standards governing the accounting profession, including the requirement to maintain the confidentiality of client information, and Cherry Bekaert LLP and Cherry Bekaert Advisory LLC have contractual agreements requiring confidential treatment of all client information.

To the extent Cherry Bekaert Advisory LLC will provide tax, advisory, and/or consulting services to you, Cherry Bekaert LLP will provide Cherry Bekaert Advisory LLC with access to your accounting, financial, and other records that Cherry Bekaert LLP maintains to enable Cherry Bekaert Advisory LLC to provide those services to you.

In addition to the structure noted above, in the normal course of business, we may on occasion use the services of an independent contractor or a temporary or loaned employee, all of whom may be considered a third party service provider. On these occasions, we remain responsible for the adequate oversight of all services performed by the third party service provider and for ensuring that all services are performed with professional competence and due professional care. We will adequately plan and supervise the services provided by the third party service provider; obtain sufficient relevant data to support the work product; and review compliance with technical standards applicable to the professional services rendered. We will enter into a contractual agreement with the third party service provider to maintain the confidentiality of information and be reasonably assured that the third party service provider has appropriate procedures in place to prevent the unauthorized release of confidential information to others.

### **Subpoenas**

In the event we are requested or authorized by the Cooperative, or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for the Cooperative, the Cooperative will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

### **Dispute resolution provision**

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to any dispute or claim arising out of or relating to this engagement letter or the services provided hereunder, or any other audit or attest services provided by or on behalf of the Firm or any of its subcontractors or agents to the Cooperative or at its request ("Disputes"), and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise.

### **Mediation**

All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.



### **Arbitration procedures**

If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held at a mutually agreeable location. The arbitration shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules"). The arbitration shall be conducted before a panel of three arbitrators. Each of the Cooperative and the Firm shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules, and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter and to abide by the terms of the Rules. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the Commonwealth of Virginia (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Any discovery shall be conducted in accordance with the Rules. The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

### **Costs**

Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

### **Waiver of trial by jury**

**In the event the parties are unable to successfully arbitrate any dispute, controversy, or claim, the parties agree to WAIVE TRIAL BY JURY and agree that the court will hear any matter without a jury.**

### **Independent contractor**

Each party is an independent contractor with respect to the other and shall not be construed as having a trustee, joint venture, agency, or fiduciary relationship.

### **No third party beneficiaries**

The parties do not intend to benefit any third party by entering into this agreement, and nothing contained in this agreement confers any right or benefit upon any person or entity who or which is not a signatory of this agreement.

### **Statute of limitations**

The Cooperative agrees not to bring any claims against any partner or employee of the Firm in any form for any reason. The Cooperative and the Firm agree that any suit arising out of or related to the services contemplated by this engagement letter must be filed within one year after the cause of action arises. The cause of action arises upon the earlier of (i) delivery of the final work product for which the firm has been engaged, (ii) where applicable, filing of the final work product for which the firm has been engaged, or (iii) the date which the services contemplated under this engagement letter are terminated by either party.

## Terms and conditions supporting fees

The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from the Cooperative's personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden Cooperative requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed-upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fees do not include assistance in bookkeeping or other accounting services not previously described. If, for any reason, the Cooperative is unable to provide such schedules, information, and assistance, the Firm and the Cooperative will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees contemplate that the Cooperative will provide adequate documentation of its systems and controls related to significant transaction cycles and audit areas.

In providing our services, we will consult with the Cooperative with respect to matters of accounting, financial reporting, or other significant business issues as permitted by professional standards. Accordingly, time necessary to affect a reasonable amount of such consultation is reflected in our fees. However, should a matter require research, consultation, or audit work beyond that amount, the Firm and the Cooperative will agree to an appropriate revision in our fee.

The estimated fees are based on auditing and accounting standards effective as of the date of this engagement letter and known to apply to the Cooperative at this time. Unless otherwise indicated, estimated fees do not include any time related to the application of new auditing or accounting standards that impact the Cooperative for the first time. If new auditing or accounting standards are issued subsequent to the date of this letter and are effective for the period under audit, we will estimate the impact of any such standard on the nature, timing, and extent of our planned audit procedures and will communicate with the Cooperative concerning the scope of the additional procedures and the estimated fees.

The Cooperative agrees to pay all costs of collection (including reasonable attorneys' fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the Cooperative will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the Cooperative and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.

*Proposal for Consulting Services For*

**South Kentucky R.E.C.C.**

**Cost of Service Study  
& Rate Design**

**July 12, 2024**

*Submitted By*

**CATALYST**  
CONSULTING LLC





July 12, 2024

Carrie Bessinger  
Chief Financial Officer  
South Kentucky R.E.C.C.  
200 Electric Avenue  
Somerset, KY 42501

Dear Carrie:

Thank you for giving Catalyst Consulting LLC the opportunity to submit a proposal to assist South Kentucky R.E.C.C. in performing a cost of service and rate design study.

Please let me know if you have any questions about this proposal. I look forward to assisting you on this initiative.

Sincerely,



John Wolfram  
Principal

Enclosure

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## Table of Contents

Cover Letter..... 2

Executive Summary ..... 2

Scope of Work ..... 3

    1. Data Collection & Review ..... 3

    2. Revenue Requirement..... 3

    3. Cost of Service Study ..... 3

    4. Rate Design..... 4

    5. Board Presentation(s)..... 5

    6. Support Rate Filing..... 5

Study Schedule..... 5

Pricing & Fee Schedules..... 6

Company Information..... 7

Initial Data Request..... 8

## Executive Summary

This proposal provides a quote for consulting services to assist South Kentucky R.E.C.C. ("South Kentucky") in

- 1) collecting the data necessary to perform a cost of service and rate study;
- 2) determining the target annual revenue requirement;
- 3) preparing a fully allocated, embedded cost of service analysis which will utilize a cost of service model that functionally assigns, classifies, and allocates all the utility's accounting costs and plant for a twelve-month test period;
- 4) determining and/or reviewing pro forma adjustments to reflect any known and measurable changes to the test period values;
- 5) calculating a rate of return for each rate class;
- 6) calculating per-unit costs which reflect unbundled cost-based rates for each rate class;
- 7) evaluating how well each rate component in the current rates reflects cost causation and recommending alternatives for rate modifications that would better reflect cost causation;
- 8) designing electric rates;
- 9) delivering a presentation to the Board of Directors regarding cost of service study results;
- 10) preparing and supporting a rate filing before the Kentucky Public Service Commission ("Commission").

To make the cost of service study more useful, Catalyst Consulting will provide South Kentucky with all the cost of service models, consumption analyses, and rate design models electronically in Microsoft Excel® format at the end of the study.

## Scope of Work

Catalyst Consulting will perform the following services on this project.

### 1. Data Collection & Review

Catalyst Consulting will provide South Kentucky with a list of information required to conduct the studies. Additional items and/or discussion around the data required for filing a rate case may follow initial review. Catalyst Consulting will review the data provided and may assist with preparing the filing requirements for a rate case.

### 2. Revenue Requirement

- a) Catalyst Consulting will work with South Kentucky staff to prepare the estimated annual target margins for electric operations.
- b) Catalyst Consulting will work with South Kentucky to develop pro forma adjustments, based on information provided by the utility, to ensure that the cost of service study reflects revenues and expenses that will be incurred when the new rates become effective.

### 3. Cost of Service Study

- a) Catalyst Consulting will develop a fully allocated, embedded cost-of-service study to identify the relative responsibility of each electric rate classification for the recovery of the costs of service.
- b) The cost of service study will utilize a standardized Microsoft Excel® model that functionally assigns, classifies, and allocates all of the utility's accounting costs for the twelve month test period. The first step will be to functionalize all of the utility's costs into major functional groups. Functionalizing costs in this manner will permit the study to be used to develop unbundled rates, as described below. The second step will be to classify all functionalized costs as energy-related, demand-related, customer-related. The third step will be to allocate the functionalized and classified costs to the classes of customers identified by the utility. The classes of customers will generally correspond to the utility's rate schedules and special contract customers (if any). The methods used to functionally assign, classify, and allocate costs adhere to industry-accepted practices and have been accepted by regulators in numerous formal rate proceedings.

- c) Catalyst Consulting will identify the revenue requirement associated with each functional (unbundled) category. The revenue requirement will be expressed both in dollars and on a per unit cost basis. Catalyst Consulting will allocate South Kentucky's functionalized revenue requirement to the rate classes as appropriate.
- d) Catalyst Consulting will calculate a rate of return for each rate class and for the overall system.
- e) Catalyst Consulting will develop per-unit costs for customer, energy, and demand cost components from the cost of service study ("cost-based rates").
- f) Catalyst Consulting will provide a copy of the cost of service model and related schedules in electronic format so that South Kentucky can use the models to perform further analysis on detailed cost information, evaluate management decisions, or explore additional rate options.

#### **4. Rate Design**

- a) In consultation with management, Catalyst Consulting will develop an appropriate set of rate design criteria and objectives.
- b) Catalyst Consulting will review the current South Kentucky rate structure and identify any differences between the current rates and the cost-based rates from the cost of service study.
- c) Catalyst Consulting will work with South Kentucky to design the appropriate utility rate schedules that provide revenue recovery sufficient to cover the total system revenue requirement, taking into consideration the revenue responsibility indicated by the cost of service study and South Kentucky's rate design policies and objectives. The rate design will include any proposed revisions to existing rate structures and classifications desired by South Kentucky's management team or Board of Directors.
- d) Catalyst Consulting will develop analyses for each existing rate class served by South Kentucky that show the billing determinants for each rate component and the revenue derived from each component and show the same billing units applied to the new proposed rate design. This shows the revenue that will be generated from the new rate design versus the old rate design and helps to ensure that the utility will receive the revenue that it needs from the new rates.
- e) Catalyst Consulting will explore other rate alternatives as directed by South Kentucky's



management and/or Board of Directors.

## **5. Board Presentation(s)**

Catalyst Consulting will deliver presentation(s) to South Kentucky's Board and management team regarding the results of the cost of service and rate studies, as desired.

## **6. Support Rate Filing**

- a) Catalyst Consulting will prepare testimony and exhibits for a rate filing before the Commission to implement the rates approved by South Kentucky's Board.
- b) Catalyst Consulting will assist South Kentucky with developing filing requirements, exhibits or other schedules as desired.
- c) Catalyst Consulting will participate fully in the rate proceeding and provide broad support to the utility. This includes providing strategic guidance on the development of the filing, drafting direct testimony, preparing exhibits and schedules, drafting written responses to data requests, reviewing intervenor testimony, developing data requests, sponsoring rebuttal testimony, contributing to possible settlement negotiations, assisting in witness preparation, participating in formal hearings, preparing responses to post-hearing data requests, and assisting in the development of post-hearing briefs if applicable. The approach is to fully partner with South Kentucky on the filing, from start to finish, and to help in every way desired, to help achieve the most favorable ruling possible from the Commission.

## **Study Schedule**

Catalyst Consulting will complete this study in a timely manner and will work with South Kentucky's staff to meet the desired deadlines. Studies ordinarily require approximately three months. The critical path item for achieving this target is the timely provision of test period data and company information noted in Scope of Work Item 1.

### Pricing & Fee Schedules

For all activities on this project, Catalyst Consulting will charge for services at the following hourly rates:

Member	John Wolfram	\$230 per hour
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The hourly rates quoted are effective through December 31, 2024.

The cost of the work described in the Scope of Work Items 1 and 3 for the cost of service study is fixed at \$10,000. The cost estimate for the work described in Scope of Work Item 2 is \$2,000. The cost estimate for each Presentation described in Scope of Work Item 5 is \$1,500 plus travel. The cost for the work described in the Scope of Work Item 4 will vary based on the extent of necessary rate revisions and for Scope of Work Item 6 will vary based on the type of rate filing, the number of data requests and the overall complexity of the formal proceeding before the Commission. These items are challenging to estimate accurately.

Based on the nature of the filing, the entire project in total is estimated to cost as follows:

- 1) Traditional cost of service study and rate filing: \$45,000
- 2) Streamlined rate filing with cost of service study, revenue increase and rate changes: \$20,000
- 3) Streamlined rate filing with cost of service study and revenue neutral rate changes: \$18,000

For all travel (if any) Catalyst Consulting will bill the actual reasonable cost of transportation, meals, lodging, and incidentals. Mileage reimbursement will be in accordance with rates allowed by the IRS. Catalyst Consulting may also bill for other ad hoc expenses, including printing, shipping, etc., if incurred. Reasonable efforts will be made to minimize expenses and obtain advantageous pricing.

For any activities that are not expressly provided for in the Scope of Work, Catalyst Consulting will bill for its services based on the time spent performing the requested services, for the actual costs of travel, accommodations, and ad hoc expenses reasonably incurred.

## Company Information

Company contact information for Catalyst Consulting LLC is as follows:

Catalyst Consulting LLC  
John Wolfram, Principal  
3308 Haddon Road  
Louisville, Kentucky 40241  
Phone : (502) 599-1739  
Email: [johnwolfram@catalystcllc.com](mailto:johnwolfram@catalystcllc.com)  
Web: [www.catalystcllc.com](http://www.catalystcllc.com)  
Linkedin: [www.linkedin.com/in/johnwolfram](http://www.linkedin.com/in/johnwolfram)

## Initial Data Request

To perform the activities outlined in the Scope of Work, Catalyst Consulting will require the following information.

- 1) RUS Financial and Operating Report Electric Distribution report (formerly known as RUS Form 7) for the test year to be used in the cost of service study.
- 2) Trial Balance – showing operating revenues, expenses, and plant balances by RUS account number (consistent with RUS Bulletin 1767B-1) –along with Balance Sheet and Income Statement for the twelve month test period.
- 3) Year-End Accumulated Depreciation (depreciation reserve) by primary Plant Account Number. If not available, please provide by major functional group (i.e., Distribution, Transmission).
- 4) Annual Depreciation Expenses by primary Plant Account Number. If not available, please provide by major functional group.
- 5) Labor expenses by primary O&M account (i.e., labor dollars that have been expensed).
- 6) Monthly Billing Determinants for the test year by rate schedule. This includes all information necessary to reproduce the test period billings. As much detail as possible is desired. Billing determinants include the following, by month and by rate schedule:
  - a. Number of customers,
  - b. kWh sales,
  - c. kW billing demand (CP or NCP as billed, or both if possible)
  - d. Revenue for each rate schedule.
  - e. For Seasonal and TOU rate schedules, if any, please provide data by each rate block or On-Peak/Off-Peak period.
- 7) Monthly unit charges billed under all rate tracking mechanisms by rate class. Also please include any other monthly charges that are billed in the monthly revenue.
- 8) Load data for individual customers within various rate classes. As much information about load as possible is desired. This includes monthly class maximum demands or non-coincident peak demands, (NCP), monthly class coincident peak demands (CP),

and monthly sum of the individual customer maximum demands for each class. Hourly system loads are also desired if available.

- 9) Hourly load data by rate class for 12 months for all classes for which a Time Of Use Rate is required, if available. If not available, any estimation of on-peak/off-peak differential based on experience or other data would be useful.
- 10) Monthly Purchased Power Detail for the 12-month test year. This includes invoices for wholesale power supply purchases, other transmission costs billed to the utility if any, or any other billed amounts & invoices related to monthly purchased power expenses.
- 11) Copy of the Wholesale Supplier's Rate Schedule(s) (including any riders or power cost adjustments) applicable to the test year and any announced or projected schedules on a prospective basis.
- 12) Estimate of installed cost of meters by rate schedule (i.e., meter installation and equipment cost for a typical customer served under each rate schedule.) This information would typically be provided by the utilities' engineering department and would be based on the *best engineering estimate* of what it currently costs to install a meter for a typical customer served under each major rate schedule (including the cost of the meter and installation costs that are booked in Account 370).
- 13) Estimate of installed cost of services by rate schedule (i.e., service installation and equipment cost for a typical customer served under each rate schedule.) This information would typically be provided by the utilities' engineering department and would be based on the *best engineering estimate* of what it currently costs to install a service for a typical customer served under each major rate schedule (including the cost of the service and installation costs that are booked in Account 369).
- 14) Continuing Property Records – CPR plant detail, especially for the following accounts (including number of units and investment by type of equipment):
  - a. Account 364 – Poles
  - b. Account 365 – Overhead Conductors and Devices
  - c. Account 367 – Underground Conductors
  - d. Account 368 – Line Transformers (if account includes station transformers, then differentiate between line transformers and station transformers)

- 15) Current unit cost for each conductor and transformer size shown in the utility's CPR records.
- 16) Number of streetlights and outdoor lights under each lighting schedule by month by rate schedule.
- 17) Copy of all retail rate schedules & tariffs if not publicly available
- 18) Copy of all special charges or fees (Disconnect/Reconnect, Returned Check, etc.) if not publicly available
- 19) Copy of all special contracts, if any, if not publicly available.
- 20) Any information from previous rate adjustments or studies that may be pertinent to this study.

Catalyst Consulting will require frequent interaction with members of the utility staff during this project, especially with employees from the finance and accounting area.

Additional information may be required after reviewing the data or policies requested above.

Please feel free to ask any questions regarding these data requirements.



L. Allyson Honaker  
allyson@hloky.com  
(859) 358-8803 (o)

November 15, 2023

**VIA EMAIL**

Mr. Kevin Newton  
Interim President & Chief Executive Officer  
South Kentucky Rural Electric Cooperative Corporation  
200 Electric Ave.  
Somerset, KY 42501

RE: Request to Increase Hourly Billable Rates

Dear Mr. Newton:

As you are aware, Honaker Law Office, PLLC (“HLO” or “Firm”) recently had its one-year anniversary. As a result of this anniversary, we are taking this time to review and adjust hourly rates charged by HLO. In order to better align the hourly rates with being the sole member of HLO and to adjust for the rise in the costs of providing legal services, please accept this as a request to increase the hourly rates for myself and Brittany Hayes Koenig for each current and future matter of South Kentucky Rural Electric Cooperative Corporation (“South Kentucky RECC”) that is handled by HLO. We are also in the process of interviewing for a new attorney position at HLO and are including the rate for that new position. We would propose the following rates beginning January 1, 2024:

Attorney	Current Hourly Rate	Proposed Hourly Rate
L. Allyson Honaker	\$265.00	\$290.00
Brittany Hayes Koenig	\$255.00	\$275.00
New Associate		\$265.00

To support this request, I would offer several items for your consideration, First, as you are aware, I opened my own firm after the dissolution of Goss Samford, PLLC and I did not raise my hourly rate for South Kentucky RECC at that time. My current hourly rate is well below the hourly rates that were charged by the founding partners of Goss Samford, PLLC and below other managing partners, or basic partner rates charged by other attorneys practicing before the Kentucky Public Service Commission. In fact, the proposed rates will also remain less than those that were charged by the founding partners of Goss Samford PLLC and others. Second, I have

over fifteen years' experience in the subject matter and have been working on South Kentucky RECC matters for many years. As stated above, August 1, 2023 was the one-year anniversary of HLO and we have started reviewing all of the hourly rates charged to clients. New clients are charged a higher rate at the time of signing the engagement letter. Finally, based upon our analysis of the legal market for comparable services in this area of the law in Kentucky, our proposed rates are very competitive with other firms. To illustrate, records of the Public Service Commission indicate that other Kentucky attorneys charged their clients the following rates in recent years:

Case No.	Attorney	Status	Hourly Rate
Case No. 2020-00349	Kendrick Riggs	Partner	\$448.00
Case No. 2018-00358	Lindsey Ingram, III	Partner	\$385.00
Case No. 2020-00174	Mark Overstreet	Partner	\$350.00
Case No. 2018-00208	James Gardner	Partner	\$325.00

It is always our goal to deliver value to South Kentucky RECC and to effectively represent its interests before the Public Service Commission and in other venues around the Commonwealth. I am very grateful for the solid working relationship I have built with South Kentucky RECC over the years and look forward to many more years of service to South Kentucky RECC. If the proposed rates are acceptable to South Kentucky RECC, please let me know at your earliest convenience and we will have our billing person make the appropriate updates. If you have any questions or would like to discuss it further, please let me know. Thank you again for your consideration. I look forward to hearing from you.

Sincerely,



L. Allyson Honaker





L. Allyson Honaker  
allyson@hloky.com  
(859) 358-8803 (o)

February 1, 2025

**VIA EMAIL**

Mr. Kevin Newton  
President & Chief Executive Officer  
South Kentucky Rural Electric Cooperative Corporation  
200 Electric Ave.  
Somerset, KY 42501

RE: Hourly Rate Changes

Dear Kevin:

As you are aware, Honaker Law Office, PLLC (“HLO” or “Firm”) has had some changes the past couple of months. Brittany Hayes Koenig is no longer with the firm. I have hired a new associate, Meredith Cave, who will begin on February 10, 2025. Effective February 1, 2025, Heather S. Temple’s will assume the hourly rates that were billed by Brittany Hayes Koenig and Meredith Cave will assume the hourly rates of Heather S. Temple. There is not an increase in the overall current rates for the firm. Below is a list of the hourly rates that will be effective February 1, 2025 and will be billed with the invoices received in March:

Attorney	Current Hourly Rate	Proposed Hourly Rate
L. Allyson Honaker	\$290.00	\$290.00
Heather S. Temple	\$265.00	\$275.00
Meredith Cave		\$265.00

Again, the overall hourly rates of the firm are not changing, only the attorney associated with the rates.

Sincerely,

L. Allyson Honaker



L. Allyson Honaker  
allyson@hloky.com  
(859)368-8803

February 13, 2023

*VIA EMAIL*

Mr. Ken Simmons  
President & CEO  
South Kentucky RECC  
200 Electric Ave.  
Somerset, KY 42501

Re: Engagement of Honaker Law Office, PLLC

Dear Mr. Simmons:

I am pleased that you have asked Honaker Law Office, PLLC (the "Firm") to serve as your counsel. This letter will confirm my discussion with you regarding your engagement of the Firm and will describe the basis upon which the Firm will provide legal services to you. Accordingly, I submit for your approval the following provisions governing this engagement. If you are in agreement, please sign the enclosed copy of this letter in the space provided below. If you have any questions about these provisions, do not hesitate to call. Again, I am pleased to have the opportunity to serve you.

Client; Scope of Representation. The Firm's client in this matter will be South Kentucky Rural Electric Cooperative Corporation (the "Client"). The Firm will be engaged to advise the Client in connection with matters arising before the Kentucky Public Service Commission and other general business matters. You may limit or expand the scope of the Firm's representation from time to time, provided that any substantial expansion must be agreed to by me. While I would be interested in assisting you in other matters, unless I am specifically engaged for some other future matter this will confirm that the Firm's representation of you is limited to the foregoing matters and will end when they are concluded.

Fees. The Firm's fees are based primarily upon the time we expend on the engagement, including travel time which is charged at regular hourly rates. These hourly rates are \$295 for L. Allyson Honaker and \$280 for Brittany Hayes Koenig. Our hourly rates are reviewed periodically and may be increased from time to time.

Potential Conflicts. As we have discussed, you are aware that the Firm represents many other companies and individuals. This can create situations where work for one client on a matter might preclude us from assisting other clients on unrelated matters. It is possible that during the

time that we are representing the Client, some of our present or future clients will have disputes or transactions with the Client. In order to avoid the potential for this kind of restriction on our practice, the Client agrees that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to matters in which we have represented the Client, even if the interests of such clients in those other matters are directly adverse to yours. We do not intend, however, for you to waive your right to have the Firm maintain confidences or secrets that you transmit to the Firm, and we agree not to disclose them to any third party without your consent. We would, of course, take appropriate steps to insure that such information is kept confidential by us. As you are aware, the Firm also represents the Client's wholesale provider, East Kentucky Power Cooperative, Inc. ("EKPC"). In the event of a potential conflict in the representation of the Client and EKPC, the Firm will notify both the Client and EKPC of the potential conflict. No confidential information obtained from the representation of either the Client or EKPC will be divulged to the other. If it is determined that an actual conflict exists between the Client and EKPC, Client acknowledges and consents to the Firm's continued representation of EKPC.

ABA Statement of Policy. We wish to inform the Client, and the Client acknowledges, that it is the Firm's policy to comply strictly with the terms of the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975) in any response that the Client requests we make to the Client's auditors regarding "loss contingencies" affecting the Client.

Electronic Data Communication and Storage. In the interest of facilitating our services, we may communicate with you or others by email, facsimile transmission, send data over the Internet, store electronic data via computer software applications hosted remotely on the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to your case may be transmitted or stored using these methods. In using these data communication and storage methods, the Firm makes reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards. You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to the Firm's use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

Expenses. Expenses we incur on the engagement are charged to the Client's account. Expenses include such items as court costs, charges for computerized research services and hard copy document reproductions, long distance telephone, travel expenses, messenger service charges, overnight mail or delivery charges, extraordinary administrative support, filing fees, fees of court reporters and charges for depositions, fees for expert witnesses and other expenses we incur on your behalf. Our charges for these services reflect our actual out-of-pocket costs based on usage, and in some areas may also include our related administrative expenses.

Monthly Statements. Unless a different billing period is agreed upon with the Client, the Firm will render monthly statements indicating the current status of the account as to both fees and expenses. The statements shall be payable upon receipt. If statements are not paid in full within 30 days, we reserve the right to add a late charge of 1% per month of the amount due. If it becomes necessary for the Firm to file suit or to engage a collection agency for the collection of fees or expenses, the Client shall pay all related costs and expenses, including reasonable attorneys' fees.

Litigation Matters. If this engagement involves litigation, the Client may be required to pay the opposing party's trial costs. Such costs include filing fees, witness fees, and fees for depositions and documents used at trial. We will not settle litigated matters without the Client's express consent. We require the Client's active participation in all phases of the case.

Insurance coverage. Unless we have been explicitly retained to address insurance coverage issues (as documented in this engagement letter), we have no responsibility or obligation to: (a) identify any potentially applicable insurance coverage; (b) provide notice to any carrier; or (c) advise the Client on issues relating to insurance coverage at any point during our representation.

No Guarantee of Success It is expressly acknowledged by you that the Firm has not made any warranties or representations to you, nor have we given you any assurances as to the favorable or successful resolution of your claim or defense of the action referred to above; nor as to the favorable outcome of any legal action that may be filed; nor as to the nature or amount of any awards or distributions of property, attorney fees, costs, or any other aspects of this matter. All of the Firm's expressions relative to your case are limited only to estimates based upon our experience and judgment and are only our opinion. Such expressions should not be considered as representations, promises, or guarantees of results, which might be obtainable, either by way of a negotiated settlement or in a contested trial.

Termination. The Client has the right to terminate our representation at any time by notifying us of your intention to do so in writing. We will have the same right, subject to an obligation to give the Client reasonable notice to arrange alternative representation. In the event either party should elect to terminate our relationship, our fees and expenses incurred up to that point still will be due to us. Upon payment to us of any balance due for fees and expenses, we will return to the Client, or to whomever the Client directs, any property or papers of the Client in our possession.

Withdrawal. Under the rules of professional conduct by which we are governed, we may withdraw from our representation of the Client in the event of, for example: nonpayment of our fees and expenses; misrepresentation or failure to disclose material facts concerning the engagement; action taken by the Client contrary to our advice; and in situations involving a conflict of interest with another client. If such a situation occurs, which we do not expect, we will promptly give the Client written notice of our intention to withdraw.

Post-Engagement Services. The Client is engaging the Firm to provide legal services in connection with a specific matter. After completion of that matter, changes may occur in the

applicable laws or regulations that could have an impact on the Client's future rights and liabilities. Unless the Client engages us after completion of the matter to provide additional advice on issues arising from the matter, the Firm has no continuing obligation to advise the Client with respect to future legal developments.

Retention and Disposition of Documents. At the Client's request, its documents and property will be returned to the Client upon conclusion of our representation in the matter described above, although the Firm reserves the right to retain copies of any such documents as it deems appropriate. Our own files pertaining to the matter will be retained by the Firm for a period of five (5) years after we close our file. These Firm files include, for example, Firm administrative records, time and expense reports, personnel and staffing materials, and credit and accounting records. At the expiration of the five-year period, we will destroy these files unless you notify us in writing that you wish to take possession of them. We reserve the right to charge administrative fees and costs associated with researching, retrieving, copying and delivering such files.

Parent/Subsidiary/Affiliate Relationships. The Client may be a subsidiary of a parent organization or may itself have subsidiary or affiliated organizations. The Client agrees that the Firm's representation of the Client in this matter does not give rise to an attorney-client relationship between the Firm and any parent, subsidiary or affiliate of the Client (any of them being referred to as "Affiliate"). The Firm, during the course of its representation of the Client, will not be given any confidential information regarding any of the Client's Affiliates. Accordingly, representation of the Client in this matter will not give rise to any conflict of interest in the event other clients of the Firm are adverse to any of the Client's Affiliates.

Consultation with Counsel. From time to time, issues arise that raise questions as to our duties under the professional conduct rules that apply to lawyers. These might include conflict of interest issues, and could even include issues raised because of a dispute between us and a client over the handling of a matter. We believe that it is in our clients' interest, as well as the Firm's interest, that in the event that issues arise during a representation about our duties and obligations as lawyers, we receive expert analysis of our obligations. Accordingly, as part of our agreement concerning our representation, the Client agrees that if we determine in our own discretion during the course of the representation that it is either necessary or appropriate to consult with counsel, we have the Client's consent to do so and that our representation of the Client shall not, thereby, waive any attorney-client privilege that the Firm may have to protect the confidentiality of our communications with counsel.

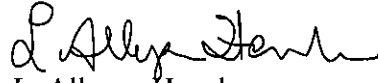
Authorization. By the Client's agreement to these terms of our representation, the Client authorizes us to take any and all action we deem advisable on the Client's behalf on this matter. We will, whenever possible, discuss with the Client in advance any significant actions we intend to take.

We appreciate the opportunity to represent you. If these terms of our engagement are acceptable to you, please return a signed copy of this letter to me in the enclosed envelope.

Mr. Ken Simmons  
February 13, 2023  
Page 5

We look forward very much to working with you on these matter.

Sincerely,



L. Allyson Honaker  
HONAKER LAW OFFICE, PLLC

The foregoing is understood and accepted:

**South Kentucky Rural Electric Cooperative Corporation**

By:



**Ken Simmons, President & CEO**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 48:** Provide South Kentucky's policies, specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

**Response 48:** Please see Attachment PSC DR 1-48

**ATTACHMENT PSC DR 1-48**



**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**

**POLICY103**

**COMPENSATION AND EXPENSE REIMBURSEMENT OF DIRECTORS**

**I. OBJECTIVE**

To provide fair and equitable compensation for members of the Board of Directors ("Board") of South Kentucky Rural Electric Cooperative Corporation ("SKRECC") for preparation and attendance at Board, committee, member, and other approved meetings.

**II. POLICY**

**A. Compensation**

1. All Directors shall receive a retainer of \$1,000 per month. An additional retainer of \$200 per month shall be paid to the Board Chairperson. The retainer shall compensate Directors for the considerable time and effort spent outside of meetings fulfilling their oversight and governance roles including, but not limited to, reviewing material and preparing for Board and committee meetings, conference calls, travel time to and from Board and committee meetings and miscellaneous expenses.
2. A per diem of \$350 per day, or for each fraction thereof, will be paid to Directors when attending Board, committee, training, conferences or other preapproved meetings as representatives of SKRECC. Although two (2) or more meetings or activities, or a combination of travel and one or more meetings or activities, may occur on a single day, the Director will only receive \$350 for that day.
3. A per diem of \$350 per day, or for each fraction thereof, will be paid for travel during the day preceding the meeting(s) and the day following the meeting(s) if such travel is preapproved by the Board and required due to the meeting schedule and location, except that said per diem will not be paid for travel during the day preceding or the day following any Board and committee meetings.
4. Any unusual situations resulting in travel delays, such as inclement weather conditions, technical problems with the air carrier, etc., may also be subject to per diem. A per diem for such additional time shall be allowed provided adequate explanation of the circumstances is given on the Director's travel expense report.

**B. Allowable Expenses and Reporting Requirements**

Any Director authorized by the Board to attend a conference or training program will be paid meeting attendance fees, travel and reasonable out-of-pocket expenses. All arrangements shall be made through the office of the President/Chief Executive Officer

("CEO"). Whenever such travel is arranged, the CEO will attempt to have no more than three (3) Board members travel together at any one time. This policy in no way limits the number of Directors attending a particular meeting and/or conference.

Reimbursement for travel from the Director's home and eligible out-of-pocket expenses incurred while attending Board, committee, or other meetings as representatives of SKRECC will be paid to Directors. Whenever possible, travel arrangements should be made far enough in advance to secure the best rates. Expenses eligible for reimbursement include:

1. Transportation Expenses

Includes actual costs of travel by airplane, bus, train, automobile (including taxis) or other ground transportation, all of which should be computed by using the most direct route.

a. Air Travel

1. If commercial air travel is available, then without regard to the mode of transportation actually used, reimbursement shall be for the expenses actually incurred in an amount not to exceed round trip air coach fare plus cost of transportation to and from airport and other expenses related to air travel such as baggage fees.
- ii. Non-cancellable (penalty) fares are encouraged unless the travel schedule is very tenuous. In the event the non-cancellable fare is booked and a penalty is incurred due to an unavoidable change in travel plans, SKRECC will pay the penalty plus the new fare.
111. If commercial air travel is not available, then the Director shall select the means of travel which, in his or her judgment, is the most satisfactory under the circumstances, giving due consideration to factors of time and cost. Reimbursement shall be for actual expenses incurred.

b. Personal Automobile

1. Mileage reimbursement for use of a personal automobile shall be based upon the current IRS standard mileage rate in effect at the time of travel on record at SKRECC. Parking fees and road toll charges incurred during travel will also be reimbursed. In those instances where Directors travel with others, only the Director actually using his/her automobile shall receive reimbursement for mileage, parking and toll fees.

c. Car Rentals

1. Reimbursement for car rentals is not normally allowed; however, if deemed necessary, an appropriate explanation should be included in the Director's travel expense report.

2. Lodging Expenses

- a. When a block of rooms has been reserved as part of a meeting or conference, such as the NRECA Director Conference, Directors will be reimbursed at the single published rate for the meeting or conference.
- b. A Director may stay in a hotel other than that contracted by SKRECC for a particular Board function, but SKRECC will only reimburse the Director for the amount equal to the lower of the actual cost of the hotel room or the contract single rate. In the event a Director chooses to stay in a hotel other than that contracted by SKRECC, or in the event there is no particular hotel contracted by SKRECC, the hotel selected by the Director should be recognized as reputable and reasonably priced for the area.
- c. If accompanied by family or personal guest, a Director should determine the single room rate plus tax and use that rate on the Director's travel expense report for purposes of reimbursement. Expenses incurred by family or guests must be paid by the Director and are non-reimbursable by SKRECC.
- d. Other hotel related services reimbursable as indicated:
  - i. Parking or valet parking
  - ii. Internet Access
  - iii. Room service (including gratuity and taxes) must include an original detailed/itemized receipt
  - iv. Hotel safes (for valuables)

3. Meals

- a. Reasonable costs of meals are reimbursable. The cost of meals for spouses and personal guests are not allowable expenses and must be deducted from the total cost of the meal. Any meal reimbursement (including gratuity and taxes) must include an original detailed/itemized receipt. A signed credit card receipt or credit card billing statement does not detail such information and is unacceptable for reimbursement of meals.

- b. When Directors choose to eat together, one (1) Director can pay for the entire group, however, only that Director can expense the meal. The names of all the Directors who partook in the meal must be included on the receipt and the Director's travel expense report.
- c. All alcohol expenses, with or without a meal, will be disallowed and will not be reimbursed.

#### 4. Technology

- a. SK.RECC will provide a computer tablet, printer and internet service to Directors. Minimum equipment specifications, maintenance requirements and replacement schedules will be set by the SKRECC Information Technology department and reviewed by the Board annually.
- b. SKRECC will also provide Directors with training on the use of email, Cooperative.com and other useful applications.
- c. Directors are required to regularly check and use email to communicate with SKRECC.

#### 5. Business Travel Accident Insurance

- a. When traveling on SKRECC business, Directors are covered by a blanket Travel Accident Insurance Policy in the amount of \$100,000 for accidental death. Directors are also covered under SKRECC's 24 Hour Accident Policy in the amount of \$40,000. These coverages are subject to change, provided notice is given to the Board.
- b. SKRECC will not reimburse a Director for self-obtained travel insurance.
- c. SK.RECC assumes no responsibility or liability for family or guests traveling with the Director.

#### C. Non-Reimbursed Expense Items

- 1. Any expenses which are being reimbursed from another source will not be reimbursed by SKRECC.
- 2. When meals are provided as part of the meeting function or conference registration, Directors are expected to partake in these meals. If a Director chooses not to participate in these meal functions, SKRECC will not reimburse the expenses for the same meal.

3. Apart from guidelines and limitations on reimbursement of expenses as set forth above, the following types of expenses are considered personal and non-reimbursable:

- i. Spouse's or any other person's expenses other than Director's own
- ii. Bar/Alcohol
- iii. Entertainment, including movies in the hotel room
- iv. Laundry
- v. Health Club/Gym access fees
- vi. Haircut, manicure, shoeshine, massage, spa services
- vii. Personal reading material, including newspapers
- viii. Snacks
- ix. Personal hygiene items

D. When a Director combines a SKRECC business meeting with a personal trip, he or she shall be responsible to pay any costs incurred with respect to the personal trip. This applies to both travel time and mode of travel for per diem and expense computation.

E. Directors shall complete appropriate expense forms designated by SKRECC and submit within sixty (60) days from the date the travel and/or meeting is completed. Reimbursement will be made within fifteen (15) working days after receipt by SKRECC of the expense forms supported by the appropriate receipts and explanations. Itemized receipts are required for all items for which reimbursement is being requested. In the event of a lost or misplaced receipt, an exception to this requirement can be made upon approval by the Board Secretary/Treasurer.

F. Annually, all retainer and per diem payments to Directors will be reported by SKRECC to the Internal Revenue Service on Form 1099 and Form 990.

## **ID. RESPONSIBILITY**

A. It shall be the responsibility of the Board Chairperson to see that the provisions of this policy are carried out.

B. It shall be the responsibility of the Secretary-Treasurer to review Director expenses on a monthly basis and report results to the Board. The Chairperson and/or Vice Chairperson shall review the expenses of the Secretary-Treasurer on a monthly basis and report results to the Board. On a quarterly basis, a spreadsheet of individual Director expenses, retainer and per diems will be provided for review by the Board and returned back to the Secretary-Treasurer after review.

C. The Board shall formally review the total amount of fees and reimbursed travel expenses paid to all Directors on an annual basis. Directors should be prepared to explain fees and expenses to members seeking information.

D. It shall be the responsibility of the CEO to provide regional or national Director fee data to the Board on a periodic basis. A summary of the meeting attendance fees and other expenses of Directors will be itemized and published annually and presented to the Board for its review.

**APPROVED BY THE BOARD OF DIRECTORS**

  
BOARD CHAIRPERSON

DATE APPROVED: 5/23/04

DATE(S) REVIEWED: \_\_\_\_\_

DATE(S) REVISED: 11/9/12 12-1

This policy replaced former Policy D, the same having been approved May 23, 2004, and revised November 8, 2012, and December 9, 2013.

Witness: Kevin Newton and Carrie Bessinger

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 49:** Provide the date, time, and a general description of the activities at the most recent annual members' meeting. Indicate the number of new board members elected. For the most recent meeting and the five previous annual members' meetings, provide the number of members in attendance, the number of members voting for new board members, and the total cost of the meeting.

**Response 49:** The 2024 Annual Meeting was held virtually on Thursday, June 13, 2024, at 7:30 pm EDT and livestreamed via YouTube to members. Online voting was held from May 23, 2024, through June 6, 2024, and in-person voting was held at multiple district offices on June 10-12, 2024. One new board member was elected in 2024.

Please see the Excel spreadsheet provided separately for information about the prior rate proceedings.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 50:** Provide any information, when known, that would have a material effect on net operating income, rate base, or cost of capital that have incurred after the test year but were not incorporated in the filed testimony and exhibits.

**Response 50:** South Kentucky knows of no material item that has occurred after the test year but will inform the Commission if and when any material item is identified.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 51:** For the test year and the five preceding calendar years, provide a schedule detailing all nonrecurring charges by customer class which includes:

- a. Type of charge;
- b. Amount billed;
- c. Amount recovered;
- d. Number of times the charge was assessed; and
- e. Support for the nonrecurring charge.

**Response 51:** Please see the Excel spreadsheets provided separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 52:** To the extent not already provided, provide a copy of each cost of service study, billing analysis, and all exhibits and schedules that were prepared in South Kentucky's rate application in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response 52:** The Excel spreadsheet files responsive to this request were uploaded to the Commission website on February 3, 2025, concurrent with the filing of the Application in this docket.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 53:** To the extent not already provided, provide all workpapers, calculations, and assumptions South Kentucky used to develop its test year financial information in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Response 53:** The Excel spreadsheet files responsive to this request were uploaded to the Commission website on February 3, 2025, concurrent with the filing of the Application in this docket.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 54:** State the credit metrics that are used in South Kentucky's debt covenants.

**Response 54:**

Along with reporting and other requirements, the general financial covenants that South Kentucky is required to meet are as follows:

- RUS/FFB: The Borrower shall design and implement rates for utility service furnished by it to provide sufficient revenue (along with other revenue available to the Borrower in the case of TIER and DSC) (i) to pay all fixed and variable expenses when and as due, (ii) to provide and maintain reasonable working capital, and (iii) to maintain, on an annual basis, the Coverage Ratios. In designing and implementing rates under this paragraph, such rates should be capable of producing at least enough revenue to meet the requirements of this paragraph under the assumption that average weather conditions in the Borrower's service territory shall prevail in the future, including average Utility System damage and outages due to weather and the related costs. The average Coverage Ratios achieved by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less than the following:
  - TIER = 1.25
  - DSC = 1.25
  - OTIER = 1.10

- ODSC = 1.10
- CFC: The Borrower shall achieve an Average DSC Ratio of not less than 1.35.
- CoBank: The Borrower and its consolidated subsidiaries, if any will have at the end of each fiscal year of the Borrower, a Debt Service Coverage Ratio for such year of not less than 1.25. The Borrower and its consolidated subsidiaries, if any, will have at the end of each fiscal quarter of the Borrower, a ratio of consolidated total equity to consolidated total assets of not less than 25%.

**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 55:** List all non-utility property, related property taxes, and the accounts where amounts are recorded for the test period. Include a description of the property, the date purchased, and the cost.

**Response 55:** In July 1961 South Kentucky purchased farm land for \$31,136 and recorded in Account 121. This property was previously used for the annual meeting site prior to moving to our current headquarters office. It is now leased for \$2,800 per year. The annual property taxes were approximately \$160 in 2024.



**South Kentucky RECC  
Case No. 2024-00402  
Commission Staff's First Request for Information**

**Request 56:** Provide South Kentucky current bylaws. Indicate any changes to the bylaws since South Kentucky's most recent general rate case.

**Response 56:** Please see Attachment PSC DR 1-56. The redlines indicate changes since South Kentucky's last rate adjustment.

**ATTACHMENT PSC DR 1-56**

# 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 or 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 in any reasonable in-person or virtual format as determined year-to-year by the Board of Directors in its discretion is appropriate balancing the costs of a particular meeting format with the needs of the members to be adequately informed about the business of the Cooperative. It shall be held, 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 ~~July~~ 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 and format (if virtual, including clear instructions on how to view the meeting

| electronically) 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 Magazine. 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 in-person meeting of the members unless there are present in person at least one ~~(1%)~~ percent (1%) of the then-total members of the Cooperative, except that, if less than a quorum is present at any in-person 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. In the event an annual meeting of the members is not held in-person but is held in a virtual format the one percent (1%) quorum requirement is inapplicable and routine Cooperative business may be transacted.

**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, or if voting is not conducted at a members' meeting, within three (3) business days following certification of election results by the Committee. 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, except in the event a virtual meeting is conducted;
- (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 strictly 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) ~~not be nor have been, nor be a close relative (Section 4.04) of, an employee of the Cooperative or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest (“cooperative subsidiary”); 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 ~~July~~June 1 of the year of their election (date of assumption of office) and ending on ~~June 30~~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. Late 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 either at the Annual Meeting if voting occurs at such meeting, or other reasonable means if voting does not occur 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 ("K~~A~~EC"). 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, beginning on July 1, 2025, a board member selected shall be limited to serving one~~serve~~ 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 serve subsequent four (4) year terms for the same position only after sitting out at least one full four (4) year term.~~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 K~~A~~EC 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 2024 Annual Meeting of the members and each year thereafter, subject to the time limitation provided below. 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 assume office on and after July 1, 2024 and hold the office until the meeting of the Board first held after the next year's succeeding Annual Meeting of the members, or until his successor shall have been duly elected and shall have qualified, subject to the need to fill an officer vacancy created for any reason, and 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. However, in no event shall a Director hold the same office for more than three (3) consecutive years. 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. Incumbent Directors shall be permitted to serve subsequent periods as an officer for the same office only after sitting out at least one full three (3) year term. If a Director ceases to be a Cooperative Director, or remains a Director but ceases to be an officer before his term as an officer expires, the Board of Directors shall appoint an existing Director who shall serve until the next Board of Directors meeting following the Annual Meeting.

**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 as soon as practicable following notice of the vacancy 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 14, 2020; and as amended through the datesigned.

Date: May 14, 2020



**Greg Beard, Secretary**

Version Date: May 14, 2020