

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Rate Base
Robinett/Rebuttal
Public Counsel
WR-2017-0259

REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

**INDIAN HILLS UTILITY
OPERATING COMPANY, INC.**

CASE NO. WR-2017-0259

October 27, 2017

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

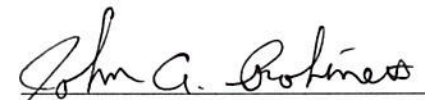
In the Matter of the Application)
Of a Rate Increase) Case No. WR-2017-0259
For Indian Hills Utility)
Operating Company, Inc.)

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 27th day of October 2017.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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**REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
Indian Hills Utility Operating Company, Inc.**

CASE NO. WR-2017-0259

1 **Q. Please state your name and business address.**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Engineering
5 Specialist.

6 **Q. Are you the same John A. Robinett that filed direct testimony on behalf of the OPC in
7 this proceeding?**

8 A. Yes

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of this testimony is to address booking treatment for leak repairs and the
11 extension of electric service line.

12 **Q. Do you have a recommendation for the Commission?**

13 A. Yes. OPC recommends the Commission order Indian Hills Utility Operating Company,
14 Inc. (“Indian Hills” or the “Company”) to recover its expense by amortizing the expense
15 of the electric service line extension over five years; OPC recommends return of the
16 investment but not return on the investment since the electric service lines are owned by
17 Crawford Electrical Cooperative Inc. (“Co-Op”). OPC recommends that the leak repair
18 expense realized as part of this case be capitalized. OPC does not believe that annual
19 maintenance expenses for leak repairs realized for this case will be of the same magnitude
20 going forward.

21 **Extension of Electric Line Service**

22

23 **Q. Was there multiple recommendations in OPC Direct testimony related to the period of
24 amortization for extension of electric service?**

1 A. Yes. To clarify OPC's direct testimony, OPC is recommending the Company be authorized
2 to amortize the expense over five years, which is consistent with paragraph 6 of the Agreement
3 for Purchase of Power between the Company and the Co-Op.

4 **Q. Does OPC agree with Staff witness Grisham that the "initial service fee" should be**
5 **booked as plant in service to National Association of Regulatory Utility Commissioners**
6 **("NARUC") Uniform System of Accounts ("USoA") Class A and B Water Utilities 1973,**
7 **Account 325 Electric Pumping Equipment?**

8 A. No. In fact, Staff witness Grisham states at page 2, lines 13 through 15, the service fee is part
9 of the cost of building the new well. Account 314 Wells and Springs does not allow for
10 electrical service line costs in that account. This electrical service extension has nothing to
11 with the cost of the actual well, which is why Staff had to book that cost elsewhere. However,
12 Staff's booking of the extension of electric service to Account 325 Electric Pumping
13 Equipment is also inappropriate.

14 **Q. Does the NARUC USoA support plant in service treatment as Staff witness Grisham**
15 **asserts on page 2 of her direct testimony?**

16 A. No. Utility plant account 101 Utility Plant in Service, clearly defines what costs are allowable:

17 **101. Utility Plant in Service.**

18 *A. This account shall include the original cost of utility plant, included in the*
19 *plant accounts prescribed herein and in similar accounts for other utility departments,*
20 *owned and used by the utility in its utility operations, and having an expectation of*
21 *life in service of more than one year from date of installation, including such property*
22 *owned by the utility but held by nominees. Separate subaccounts shall be maintained*
23 *hereunder for each utility department.¹ Emphasis added by OPC.*

24 OPC will provide evidence that the extension of electric service is not owned or operated by
25 Indian Hills.

26 **Q. Does Indian Hills own the electric service line extension?**

27 A. No. This is clearly not owned or operated by Indian Hills. The Crawford Electrical
28 Cooperative Inc. Bylaws is attached as Schedule JAR-R-1, which is publically available on
29 the Crawford Electrical Cooperative Inc.'s website.² Article 1 Membership Section 1.
30 Requirements for Membership (D) & (E) define in OPC's opinion the extension of service

¹ NARUC USoA Water Utilities Class A and B 1973 Balance Sheet Accounts 1. Utility Plant p.44

² <http://www.crawfordelec.com/content/bylaws>

1 fee that Indian Hills payed to Crawford Electrical Cooperative Inc. as a contribution in aid of
2 construction.

3 *(d) Payment of a membership fee in the amount determined by the Board of Directors,*
4 *making a deposit to secure payment of future electric service bills, if required, making a*
5 *contribution in aid of construction, if required, and payment of charges for additional service*
6 *connections.*

7 *(e) Granting to the Cooperative a right of way easement on the terms and conditions*
8 *to be proposed by the Cooperative, to construct the necessary lines and appurtenances to give*
9 *the applicant electric service, and to enable the Cooperative in the future to extend its facilities*
10 *on the property of applicant to serve others beyond property of applicant.*

11 *Provided that no such natural person, firm, association, partnership, corporation,*
12 *body politic, state or federal government or agency thereof may become a member unless and*
13 *until he, she or it has been accepted for membership by the Board of Directors or by the*
14 *membership and provided that no member shall hold more than one membership in the*
15 *Cooperative, and no membership in the Cooperative shall be transferable except as provided*
16 *in these bylaws.³*

17 **Leak Repairs versus Mains and Service Line Replacements**

18

19 **Q. What is Indian Hills' position?**

20 A. The Indian Hills' position on maintenance and repair of leaks is discussed in the testimonies
21 of Company witness Cox, Macias, and Thomas. Company witness Cox and Thomas both
22 describe the current transmission and distribution mains as substandard material and varying
23 in pipe size across the system. Mr. Thomas discusses the depth of mains of the current system
24 do not meet minimum standards from Missouri Department of Natural Resources. Mr.
25 Thomas discusses reasons for leaks as age of system, substandard material and improper
26 installation. Company states that increase in leak repairs is directly related to increase in
27 pressure and volumes through system from plant upgrades. The Company believes that it will
28 continue to see large volumes of repair for many years until all connections are replaced and
29 mains start to be replaced.

³ The Crawford Electrical Cooperative Inc. Bylaws Article 1 Membership Section 1. Requirements for Membership (D) & (E)

1 **Q. Does the Company seek to update an expense that was settled as part of a partial**
2 **stipulation and agreement with Staff?**

3 A. Yes. The Company requests an update to test year leak repair to current year ending
4 September 30, 2017. This issue is further addressed by OPC witness Roth.

5 **Q. What is Staff's position?**

6 A. Staff witness Spratt states that Staff is in agreement with the Company that replacing the
7 service connections is a better alternative than service line repairs. Staff additionally states
8 that the previously repaired connections are unable to withstand the increase in water pressure
9 as a result of the overall system.

10 **Q. What does OPC recommend Indian Hills do?**

11 A. Both Indian Hills and Staff state that the service lines and repairs performed by previous
12 owners are substandard and substandard material. OPC states based on positions of Staff and
13 Indian Hills repair costs are likely imprudent on a going forward basis because of the
14 substandard material and the mains and service connections need to be replaced. Indian Hills
15 needs to create a systematic replacement program for the system mains and service
16 connections to address the leak issue caused by increases in pressure due to plant upgrades.
17 OPC would recommend a review or a mapping of all leak repairs performed since the increase
18 in pressure due to system upgrades and start with the critical areas of high frequency. Indian
19 hills needs to develop and present a plan for the replacement of mains and service connections
20 to Staff and OPC.

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes, it does.

Bylaws
of
**Crawford Electric
Cooperative Inc.**
Bourbon, Missouri

As Last Revised September 2017



STATEMENT OF NON-DISCRIMINATION

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

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1. Mail U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
2. Fax: (202) 690-7442; or
3. Email: program.intake@usda.gov

Crawford Electric Cooperative is an equal opportunity provider and employer.

Crawford Electric Cooperative
Bourbon, Missouri

Schedule JAR-R-1
2/24

ARTICLE I

MEMBERSHIP

Section 1. Requirements for Membership

Any natural person, firm, association, partnership, corporation, body politic and state or federal government or agency thereof, may become a member of Crawford Electric Cooperative, Inc., hereinafter referred to as "Cooperative," and be referred to as such and receive electric energy and service from it by:

(a) Filing with the Cooperative a written application for membership therein and for energy therefrom.

(b) Agreeing to purchase and pay for all electric energy to be purchased for use on the premises on the terms and conditions determined by the Board of Directors of the Cooperative and as herein provided.

(c) Agreeing to comply with and be bound by the articles of incorporation, the bylaws of the Cooperative, and by all policies, rules, regulations and requirements adopted by its Board of Directors that are then in effect or that may be in effect.

(d) Payment of a membership fee in the amount determined by the Board of Directors, making a deposit to secure payment of future electric service bills, if required, making a contribution in aid of construction, if required, and payment of charges for additional service connections.

(e) Granting to the Cooperative a right of way easement on the terms and conditions to be proposed by the Cooperative, to construct the necessary lines and appurtenances to give the applicant electric service, and to enable the Cooperative in the future to extend its facilities on the property of applicant to serve others beyond property of applicant.

Provided that no such natural person, firm, association, partnership, corporation, body politic, state or federal government or agency thereof may become a member unless and until he, she or it has been accepted for membership by the Board of Directors or by the membership and provided that no member shall hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable except as provided in these bylaws.

Section 2. Proof of Membership

The membership list maintained by the Cooperative shall be conclusive as to membership status.

Section 3. Joint Membership

A husband and wife may apply for a joint membership and subject to their compliance with the requirements set forth in Section 1 of the Article may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

Section 4. Conversion of Membership

(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board of Directors.

(b) Upon death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor; provided, however, that the estate of the deceased shall not be released from any debts due to the Cooperative.

Section 5. Corporation or Association Members

A corporation or association who is a member of the Cooperative may be represented at a meeting of members of the Cooperative by its president or other chief executive officer, or by anyone else who is duly authorized and has written authority to do so.

Section 6. Membership and Service Connection Fees

The amount of the membership fee shall be determined by the Board of Directors. In addition to the membership fee the Cooperative shall have the right to require, in its discretion, that the members or any of the members shall deposit with the Cooperative an additional amount for each service connection as a guarantee of payment of service charges. The payment of the membership fee and security deposit, if required, shall entitle the member to one service connection.

Section 7. Purchase of Electric Energy

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his/her application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board of Directors, provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member at a specified location. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him/her to the Cooperative as and when the same shall become due and payable.

Section 8. Termination of Membership

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative may by affirmative vote of not less than two-thirds of all the directors expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him/her has not purchased electric energy from the Cooperative shall be canceled by resolution of the Board of Directors.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall terminate. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative.

(c) In any case of withdrawal or termination of membership in any manner, the Cooperative will repay to the member the amount of the membership fee and amount of the security deposits for the payment of bills paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee and any deposit the amount of any debts or obligations owing from the member to the Cooperative.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

Section 1. Property Interest of Members

Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) 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 and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven years next preceding the date of the filing of the certificate of dissolution.

Section 2. Non-liability for Debts of the Cooperative

The private property of the members shall be exempt from 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.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meeting

The annual meeting of members shall be held at such time each year, as the Board of Directors by resolution shall designate, at such place within the service area of the Cooperative as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports for the previous year, and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual

meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings

Special meetings of the members may be called by resolution of the Board of Directors, or upon a written request signed by any three directors, by the president, or by twenty-five percent or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members shall be held at the Cooperative headquarters and principal place of business within the County of Crawford, near the City of Bourbon, State of Missouri.

Section 3. Notice of Members Meetings

Written or printed notice stating the place and time of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum

Two percent of the first two thousand members and one percent of the remaining members, present in person or participating electronically or by mail, shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is established at any meeting a majority of those present in person may adjourn the meeting from time to time without further notice, provided that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

Section 5. Voting

Each member shall be entitled to only one vote. Except as provided in Article IV, Section 3 and Article VIII, all questions shall be decided by a vote of the majority of the members voting thereon in person if a quorum is established.

Section 6. Order of Business

The order of business at the annual meeting of the members, and, so far as possible, at all other meetings of the members, shall be essentially as follows:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver of notice of the meeting, as the case may be.
3. Reading of unapproved 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.
6. Unfinished business.
7. New business.
8. Adjournment

ARTICLE IV *DIRECTORS*

Section 1. General Powers

The business and affairs of the Cooperative shall be managed by a Board of nine directors which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members.

Section 2. Districts

The territory served and to be served by the Cooperative shall be divided into three districts each of which shall be

represented by not more than three directors. The districts shall be as follows:

DISTRICT NO. I (East)

Township 44 North-Range 2 West

Township 43 North-Ranges 3 West, 2 West

Township 42 North-Ranges 4 West, 3 West, 2 West

Township 41 North-Ranges 2 West, 1 West, 1 East, 2 East

Township 40 North-Ranges 2 West, 1 West, 1 East, 2 East, 3 East

Township 39 North-Range 2 East

Township 38 North-Range 2 East

DISTRICT NO. II (Central)

Township 42 North-Range 5 West

Township 41 North-Ranges 6 West, 5 West, 4 West, 3 West

Township 40 North-Ranges 6 West, 5 West, 4 West, 3 West

Township 39 North-Ranges 3 West, 2 West, 1 West, 1 East

Township 38 North-Ranges 1 West, 1 East

DISTRICT NO. III (South)

Township 39 North-Ranges 5 West, 4 West

Township 38 North-Ranges 5 West, 4 West, 3 West, 2 West

Township 37 North-Ranges 5 West, 4 West, 3 West, 2 West, 1 West, 1 East

Township 36 North-Ranges 5 West, 4 West, 3 West, 2 West

Township 35 North-Ranges 4 West, 3 West, 2 West

Township 34 North-Ranges 4 West, 3 West

The boundaries of the three areas shall be examined periodically and changed, if necessary, to provide for substantially equal representation.

Section 3. Election and Tenure of Office

There shall be one (1) director elected by ballot from each district to serve until the third succeeding annual meeting of the members or until their successors shall have been elected and shall have qualified. Each member of the Cooperative shall be entitled to vote for one (1) candidate from each district. The candidate from each district receiving the highest number of votes shall be considered elected as director. Ballots for the election of directors may be submitted electronically or by mail under procedures established by the Board of Directors and announced with the notice of annual meeting.

Section 4. Qualification for Directors

Any director or director candidate must comply with this bylaw.

A. General Director Qualifications. To become or remain a director, a person must comply with or meet the following general qualifications:

1. Be an individual;
2. Have the capacity to enter legally binding contracts;
3. While a director, and during the five (5) years immediately prior to becoming a director, shall not: (a) be, nor have been, convicted of a felony (b) plead, nor have pled, guilty to a felony; and
4. Unless excused for good cause by the board or members, attend at least two-thirds (2/3) of all board meetings during any twelve (12) month period.

B. Membership Director Qualifications. To become or remain a director, an individual must comply with or meet the following membership qualifications:

1. Be a member. If a membership is held jointly by a husband and wife either one but not both may be elected a director, provided, however, that neither one shall be eligible to become or remain a director unless both shall meet the qualifications set forth herein; and
2. Permanently occupy and continuously and materially use the cooperative's service at his or her principal place of abode at a location within the director district from which the director is elected or appointed.

C. Conflict of Interest Director Qualifications. To become or remain a director, an individual must annually sign a conflict of interest certification/disclosure form, approved by the board, and while a director comply with or meet the following conflict of interest qualifications by not being:

1. A close relative of any existing director;
2. An existing, nor a close relative of an existing, nondirector cooperative or cooperative subsidiary officer, employee, agent or representative. Any former employee who has not been terminated for cause shall be eligible to run for the board of directors beginning one (1) year after his/her resignation or retirement. Other former employees shall be eligible after five (5) years;
3. Employed by, materially affiliated with, nor sharing a material financial interest with, any other director;

4. Engaged in any business, nor employed by, materially affiliated with, nor having a material financial interest in any individual or entity, that regularly, directly and substantially competes with the cooperative or any entity that the cooperative controls or in which the cooperative owns a majority interest (“Cooperative Subsidiary”); or that regularly sells goods or services to the cooperative or a cooperative subsidiary; or that possesses a substantial conflict of interest with the cooperative or a cooperative subsidiary; nor

5. An incumbent or candidate for an elective public office in connection with which a salary is paid, school board members and county commissioners excepted.

For the purpose of this section a “close relative” is defined as a person who by blood or marriage is either a spouse, child, stepchild, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece.

D. Director Disqualifications. Only individuals complying with or meeting the General Director Qualifications, Membership Director Qualifications, and Conflict of Interest Director Qualifications (collectively “Director Qualifications”) may become or remain a director.

After being elected or appointed, if any director fails to comply with or meet any director qualification, then the board by a 2/3 majority vote may disqualify the director. The board shall notify the director in writing of the basis for the non-compliance and provide the director an opportunity to comment regarding the board’s proposed disqualification. If within 30 days after the board notifies the director of the proposed disqualification, the director neither complies with nor meets the director qualifications, then the individual will no longer be a director.

If at least a majority of directors authorized by these bylaws comply with and meet the director qualifications and approve a board action, then the failure of any director to comply with or meet the director qualifications does not affect the board action.

Section 5. Nominations

Any fifteen (15) or more members acting together may make nominations by petition. A qualified member shall be nominated as a candidate when the petition naming that member is timely delivered to the office of the Cooperative not more than ninety (90) days and not less than forty-five (45) days before the

annual meeting of the members. No member shall sign more than one nominating petition for candidates seeking election from the same district. Following closure of the petition period no further nominations shall be received.

Petitions shall be publicly posted, as they are received, in the principal offices of the Cooperative. The Secretary shall mail with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates.

When there is more than one vacancy to be filled in a single district, each candidate from that district shall be required to elect and declare, at the time of submission of his/her nominating petition, whether that member is a candidate for a full term or for the remainder of an unexpired term. The ballot shall be established on the basis of that declaration of intent.

Section 6. Removal of Directors by Members

Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percent of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section 7. Vacancies

Subject to the provisions of these bylaws with respect to filling of vacancies caused by the removal of directors by members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors until the next meeting of the members at which the remainder of the unexpired term shall be filled by vote of the members.

Section 8. Compensation

Directors as such shall not receive any salary for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors, or for attendance at other meetings concerning affairs of the Cooperative, providing attendance has been authorized by the Board of Directors prior to such meeting, and by resolution of the Board of Directors, premiums for the directors participation in Cooperative group insurance programs may be allowed. Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless such compensation shall be specifically authorized by a vote of the members.

Section 9. Indemnification

The Cooperative shall indemnify present and former directors, officers, agents, and employees against liability to the extent their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgment in the belief the acts or omissions were in the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Regular Meetings

A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in the service area of the Cooperative, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings

Special meetings of the Board of Directors may be called by the President or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President of the directors

calling the meeting shall fix the time and place for the holding of the special meetings.

Section 3. Notice of Directors Meetings

Written notice of the time, a place and purpose of any special meeting of the Board of Directors shall be delivered to each director not less than seven days previous thereto, either personally or by mail, by or at the direction of the Secretary or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 4. Quorum

A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE VI OFFICERS

Section 1. Number

The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

Section 2. Election and Term of Office

The officers shall be elected by ballot, annually by and from the Board of Directors at the meeting of the Board of Directors held immediately after the annual meeting of members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his/her successor shall have been elected and shall have qualified. A vacancy in any

office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Directors

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percent of the members may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of charges at least ten days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges against him/her. In the event the board does not remove such officer, the question of his/her removal shall be considered and voted upon at the next meeting of the members.

Section 4. President

The President shall:

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

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

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

Section 5. Vice President

In the absence of the President, or in the event of his/her inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other

duties as from time to time may be assigned to him/her by the Board of Directors.

Section 6. Secretary

The Secretary shall:

(a) keep or cause to be kept the minutes 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 affix the seal of the Cooperative 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.

(d) keep or cause to be kept, a register of the names and post office addresses of all members;

(e) have general charge of the books of the Cooperative;

(f) keep on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection by any member of the Cooperative; and

(g) 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/her by the Board of Directors.

Section 7. Treasurer

The Treasurer shall:

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

(b) be responsible for the receipt of and the issuance of receipts for all money due and payable to the Cooperative and for the deposits of all such monies in the name of the Cooperative in such bank or banks or other financial institutions or organizations affiliated with the Cooperative 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 the Treasurer and such other duties as from time to time may be assigned to him/her by the Board of Directors.

Section 8. Manager

The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the

Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him/her.

Section 9. Bonds of Officers

The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded 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.

Section 10. Compensation

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these bylaws with respect to compensation for directors and close relatives of directors.

Section 11. Reports

The office of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

Section 12. Delegation of Secretary and Treasurer Responsibilities.

Notwithstanding the duties, responsibilities and authorities of the Secretary and the Treasurer hereinabove provided, the Board of Directors by resolution may, except as otherwise limited by law, delegate the responsibility, authority and administrative duties in whole or in part to one or more of the 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 officer, that officer as such shall be released from such duties, responsibilities and authorities.

ARTICLE VII

PATRONAGE CAPITAL

Section 1. Non-Profit Operation; Interest or Dividends on Capital Prohibited

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. The Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy the Cooperative's operation shall be so conducted that all patrons, members and non-members alike, 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 is obligated to account on a patronage basis to all its patrons, members and non-members alike for all amounts received 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 at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay 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 to each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his/her account, provided all such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. Provided, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself/herself the specific amount of capital to be credited to him/her.

All other amounts received by the Cooperative from its operations 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, allocated to its patrons on patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

Section 3. Disposition of Capital Credits

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. 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 patrons' accounts may be retired in full or in part; provided, however, no such capital shall be retired in violation of any agreement, note or deed of trust made by the Cooperative or in violation of any law.

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 successors in occupancy in all or a part of such 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, at its discretion, shall have the power at any time upon the death of any natural patron, if legal representatives of his/her estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credits to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

ARTICLE VIII
DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease, lease sale, exchange or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease, lease sale, exchange or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3) of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease, lease sale, exchange or other disposition or encumbrance shall have been contained in the notice of the meeting. All proposals for sale, mortgage, lease, lease sale, exchange or other disposition or encumbrance of all or a substantial portion of the Cooperative's assets shall be first submitted in writing to the Board of Directors of the Cooperative. If the Board of Directors looks with favor upon any such proposal, the Board shall first cause three (3) independent appraisers, expert on such matters, to render their individual written opinions as to the value of Cooperative assets which are the subject of any such proposal. The three (3) appraisers shall be designated by a resident circuit judge for the judicial circuit in which the Cooperative's headquarters are located, and in the event any or all such judges refuse to make such designations, they shall be made by the Board of Directors. If the Board of Directors after receiving such appraisals, determines the proposal should be submitted for consideration by the members, it shall first give every other rural electric cooperative corporation sited and operating in the State of Missouri an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperative corporations, which notice shall be attached to a copy of the proposal under consideration by the Board, and a copy of the reports of the three (3) appraisers. Such rural electric cooperative corporations shall be given not more than forty-five (45) days during which to submit competing proposals. Upon the termination of the forty-fifth (45th) day, if the Board then determines that favorable consideration should be given to the initial or any subsequent proposals, it shall notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof, or alternatively schedule consideration thereof at the next annual meeting of members, but in no event can this notification be

made less than 30 days prior to mailing official notice of the special or annual meeting.

The foregoing provisions shall not apply to lease, mortgage, lease sale, exchange or the disposition or encumbrance to one or more rural electric cooperative corporations if the substantive effect thereof is to merge or consolidate with such other rural electric cooperative corporation or corporations.

Notwithstanding anything herein contained, the Board of Directors of the Cooperative, without any authorization by the members, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or deed or deeds of trust upon, whether pledging or encumbering, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof, or to any bank or other financial institution or organization.

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-Missouri."

ARTICLE X ***FINANCIAL TRANSACTIONS***

Section 1. Contracts

Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents 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 2. Checks, Drafts, etc.

All checks, drafts or other order for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the

Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks or financial institutions or organizations affiliated with the Cooperative as the Board of Directors may select.

Section 4. Changes in Rates

The Cooperative shall comply with the rules, regulations and requirements of the Rural Utilities Service and the Cooperative Finance Corporation relating to changes in rates charged by the Cooperative for electric energy.

ARTICLE XI MISCELLANEOUS

Section 1. Waiver of Notice

Any member or director may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 2. Rules and Regulations

The Board of Directors shall have power to make and adopt such rules and regulations not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 3. Accounting System and Reports

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Directors shall after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal

year. Such audited information shall be included in the Treasurer's report to the membership at the next following annual meeting.

Section 4. Unclaimed Monies

Notwithstanding any provision herein contained to the contrary, any member, patron, or other customer who fails to claim any capital credits, patronage refunds, service deposits, membership fees, or account balances within two (2) years after payment thereof has been made available by the Cooperative, shall have made an irrevocable assignment and gift to the Cooperative of such unclaimed monies. Upon expiration of at least two (2) years after availability of such monies, the Cooperative shall give sixty days notification by published notice in a newspaper of general circulation in the county of the last known address of the member, patron, or customer. Such notice shall contain member, patron or customer's name, approximate amount and type of monies available, and that if not duly claimed within sixty (60) days of said notice, shall be deemed assigned and given to the Cooperative. If no provable claim shall have been filed within sixty (60) days after publication of such notice, the Cooperative shall, after offsetting any outstanding amounts due and owing the Cooperative from said member, patron, or customer, thereafter treat the net unclaimed amount as donated capital of the Cooperative includable in the fiscal year in which the 60th day after published notice falls.

ARTICLE XII AMENDMENTS

These bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.