

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF OWEN)
ELECTRIC COOPERATIVE, INC.) Case No. 2011-00037
FOR AN ADJUSTMENT OF RATES)

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Requests for Information to Owen Electric Cooperative, Inc. [hereinafter referred to as "Owen"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Owen with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information

within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and

shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-

readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL



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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Mark Stallons
President
Owen Electric Cooperative, Inc.
P. O. Box 400
Owenton, KY 40359

Hon. James M. Crawford
Crawford & Baxter, P.S.C.
PO Box 353
Carrollton, KY 41008

this 24th day of June, 2011



Assistant Attorney General

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1. The Company's filing in case no. 2010-00316 states that the RUS approved Owen's 2010-2011 construction work plan, and that Owen's Board of Directors approved the plan in November, 2009, and further, that the plan was developed based upon the 2008 load forecast as approved by the RUS. Please reference Case No. 2010-00238, East Kentucky Power Cooperative, Inc.'s ("EKPC's") response to Item 3 of Commission Staffs' Initial Information Request. In its response to Item 3 of Commission Staffs data request, East Kentucky states that:

"The EKPC aggregated preliminary load forecast was presented to the Board in July. EKPC's load forecast is made up of each of the sixteen member system's individual load forecasts. Each of those systems must review and obtain approval from its respective Board of Directors. Those approvals took a few months to complete. Due to the significance of the results of this load forecast, i.e. the J.K. Smith 1 decision, EKPC went back to its Board again in October, and made another presentation reviewing the load forecast. The member systems were asked to revisit the 2011 energy projections, considering the actual sales for January through August 2010. Projections of customers and peak demands were also presented. Each member system was asked to discuss with key staff and indicate if any changes needed to be made. Each member system did respond and no changes were required. The load forecast was then approved by the EKPC Board of Directors in November 2010."

- a. Discuss in detail Owen's participation in the review of EKPC's 2010 load forecast, as stated by EKPC in its response to Item 3 of Commission Staff's initial data request in Case No. 2010-00238.
 - b. Identify Owen's 2011-2012 winter peak load or corresponding winter peak set forth in EKPC's 2010 load forecast.
 - c. Based on Owen's review of EKPC's 2010 load forecast, explain in detail Owen's decision to base its application in this matter on EKPC's 2008 load forecast, as opposed to EKPC's more current 2010 load forecast.
2. The company's filing in Case No. 2010-00316 provides annual average increases in sales for the 2010-2011 time period as follows: residential at 2.5%; small

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commercial at 3.4%; and large commercial and industrial at 3.9%. Provide the same figures based upon the company's most recent load forecast, as provided to EKPC.

3. In light of the company's revised load forecast, identify what portions of the company's proposed construction work program will need to be revised.
4. In Case No. 2008-00154, Owen filed its "Energy Innovation Update" ("the Report"), which can be found on the Commission's web site at: http://psc.ky.gov/PSCSCF/Post%20Case%20Referenced%20Correspondence/2008%20cases/2008-00154/20091230_Owen%20Electric_Energy%20Innovation%20Update.pdf. The Report, at p. 1, states that the report was based upon several premises, which included "climate change legislation, increasing environmental regulation, fuel volatility, and increasing power supply cost pressures."
 - a. Identify all climate change legislation that has been passed, on both the national and state level.
 - b. With regard to fuel volatility, please identify the exact and specific aspects of fuel costs for which Owen is responsible which are not recovered through the Fuel Adjustment Clause.
 - c. With regard to "increasing power supply cost pressures," please identify any factor that contributes to the cost Owen pays for its power supply other than EKPC's wholesale power costs which are flowed through to Owen.
 - d. With regard to "increasing environmental regulation," please identify any environmental costs Owen incurs other than its flow-through share of EKPC's environmental costs which are not collected through the environmental surcharge.
5. Exhibit D to the Report (the NRECA proposal to the Department of Energy's Smart Grid Regional Demonstration Program), beginning at page 51 of that exhibit states that Owen "expects that new generation and transmission will be needed in its area sometime during the next five years." State upon which load forecast this statement was premised.
 - a. Based upon the most recent load forecast, is this statement still true?
 - b. If so, please provide specific documentation.
6. The Report cites Owen's concern for "member satisfaction as they struggle to adjust to increasing power bills." Please state, in complete detail, Owen's

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rationale for its position that instituting fully decoupled residential rates will lead to less expensive bills for its residential customers.

- a. Identify in complete detail what incentives residential customers will have to conserve energy if fully decoupled rates are forced upon them.
 - b. Identify all measures Owen intends to take to "mitigate" its customers concerns, and precisely how decoupling will mitigate those concerns.
 - c. Will the company acknowledge that decoupling will enhance and exacerbate its customers' concerns over rising utility bills? Cite all studies the company has conducted of its own ratepayer base to support the company's decision.
 - d. Does Owen acknowledge that many, if not most of its residential members prefer to retain the ability to control the amount of the bill they owe to Owen, and that many are likely to view decoupling as an attempt on the company's part of eliminating their ability to control the amount of their bill? Cite all studies the company has conducted of its own ratepayer base to support the company's decision.
 - (i) Does Owen believe offering TOD rates to such customers would adequately address any such concerns among its customers?
 - e. If Owen implements TOU rates, state in complete detail how this is not an acknowledgment that cost of the energy charge is not the most efficient means of conserving energy.
7. With regard to the studies cited in the Report which Owen proposes to conduct, please identify who will pay for the cost of each and every such study.
- a. If Owen intends to cover the cost of these studies itself, justify Owen's statement that the company's financial condition is precarious enough to warrant the instant rate case.
 - b. If Owen intends to pass the costs of each and every such study on to its ratepayer base, justify the reasons for doing so, and break down by class which classes will pay for which costs.

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- c. In light of Owen's stated concern over increasing costs its ratepayers will be facing, provide a complete justification for passing on these costs to the ratepayers.
8. The report's "Strategy A – Key Action items," under item no. 5 states:
"Implement a Smart Grid pilot project including (1) upgrading our existing SCADA (supervisory control and data acquisition) system, (2) installing an automated capacitor control pilot project, (3) installing a self-healing grid pilot project, and (4) enhancing our communications network capacity and reliability."
- a. Identify all smart grid or smart meter funding the company has received to date under the American Recovery and Reinvestment Act ("Stimulus funds"), and / or from any and all other source(s). Explain in complete detail.
 - b. State whether the company expects to receive any additional Stimulus funding, and / or funding from any source, and identify the source and amounts thereof.
 - c. The Plan indicates Owen has obtained some Stimulus funds for the purpose of financing a portion of the costs associated with these projects, and that Owen intends to secure financing for the remainder of the costs. Confirm that Owen's ratepayers thus will be responsible for at least a portion of the costs associated with these projects.
 - d. Provide detailed and comprehensive estimates as to the total costs for each of the four (4) projects identified in this question, together with a breakdown of the portion of the costs which Owen will seek to recover from its ratepayers. Please include in your estimate the projected interest costs associated with the financing of these costs.
 - e. If Owen intends to install any portion of any one or all four of these programs over only a portion of its grid, provide cost projections for implementing each such measure over its entire system.
 - f. Provide a complete explanation of how the company proposes to recover any and all costs associated with the implementation and operation of any such approved programs. Explain in complete detail.
 - g. Identify in complete detail the precise benefits Owen's ratepayers will receive under each such program, and identify any and all assumptions upon which you base your response. Please include in your response an articulation and defense of a strategic plan for the use of all funds necessary to finance the project. Explain in complete detail.

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- h. Identify the precise significance of all benefits, if any, that Owen's ratepayers will receive under each such project. Explain in complete detail.
- i. State whether Owen has tested each of these four projects on its own system, and if so, provide all test results, including costs and projected costs if each such project is implemented. If Owen has not already fully tested each such program, state whether it is appropriate to make Owen's ratepayers pay for the costs of such hypothetical technologies unproven on its own system. Explain in complete detail.
- j. Provide citations to each Kentucky PSC ruling authorizing cost recovery for the specific projects Owen has identified.
- k. State whether the operational benefits, if any, each such program will provide as employed on Owen's own grid are: (i) readily demonstrable; (ii) predictable, with reasonable accuracy; and (iii) quantifiable, and if so, provide complete quantifications of all operational benefits. Explain in complete detail.
- l. Would Owen agree to be held accountable for the costs it wants its ratepayers to bear for these programs and for the benefits they promise to deliver? If not, why not? If so, who would ultimately bear these costs? Explain in complete detail.
- m. Would Owen be willing to credit the estimated operational benefits against costs passed on to its ratepayers? If not, why not? If so, how so? Explain in complete detail.
- n. Provide a cost-benefit analysis of each such project identified above, conducted from the perspective of the cost to ratepayers, and the benefits (if any) to ratepayers. If the company has not yet performed such an analysis, please perform it and advise as to when it will be completed, and provide a copy of same. Explain in complete detail.
- o. State what portion of the risk of each such project Owen is prepared to bear in the event the benefits are less than claimed. If none, why not? If so, how and by whom will these costs be borne? Explain in complete detail.
- p. Each such project carries risks, to one degree or another, that the project design was faulty or that the chosen technologies will or may fail to conform to pending national interoperability and cyber-security standards. State what portion of these risks Owen is willing to bear. If none, explain: (i) why not; and (ii) why, if Owen is unwilling to accept any such risks, the ratepayers should accept such risks. Explain in complete detail.

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- q. If the Commission grants approval for one or more such project, state whether Owen would be willing to subject all such approved projects to prudency reviews and audits to determine if the claimed consumer benefits have been delivered as promised. If not, explain fully why not.
- r. If Owen agrees to such prudency reviews and audits, state whether Owen would agree to work with the Attorney General and any and all other interested consumer advocacy groups to identify and retain a consultant mutually acceptable to all parties to conduct such reviews. If not, why not? Explain in complete detail.
- s. In the event any such approved programs lead to enhanced revenues for the company, is the company willing to share those extra savings / earnings with its ratepayers? If not, why not? Explain in complete detail.
- t. In the event the Commission approves any or all of these projects, state whether Owen would be willing to agree to cap the recovery of costs it will seek to recover from its ratepayers. If not, why not? If so, how and by whom will these costs be borne? Explain in complete detail.
- u. In the event the implementation of any such approved programs leads or could lead to stranded costs, state whether the company is willing to bear the risks of those stranded costs. If not, why not? Explain in complete detail.
- v. In the event the implementation of any such approved programs leads or could lead to stranded costs, state whether the company would be willing to provide a detailed cost-benefit analysis indicating whether quantifiable and transparent ratepayer benefits would outweigh any such stranded costs, as well as a specific time frame for which the claimed benefits will have outweighed any such stranded costs. If not, why not? Explain in complete detail.
- w. Identify any and all measures Owen is pursuing in order to avoid the risks that: (i) hardware it installs on its system for the implementation of the projects Owen has identified may become obsolete; and (ii) that software associated with such hardware technology may not be capable of being upgraded without replacing the hardware, both of which risks could lead to stranded costs.
- x. State whether any one or all of the projects Owen has identified could involve transmission of data that in any way pertains to its customers. If so: (i) identify any and all security plans, measures and standards Owen is committed to implement safeguard such data, including but not limited to NIST protocols and operating standards; (ii) state whether Owen intends to seek recovery of any costs associated with

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implementation of privacy protection measures from its ratepayers, and if so, how much; and (iii) state whether Owen intends to include disclosures in its education program regarding this fact, together with how much customer data will be obtained and transmitted and to whom it will or could be transmitted, and the commitments the company is willing to make and adhere to in order to insure privacy of customer information; and if Owen does not intend to do so, explain in complete detail why not.

9. With regard to the Report's "Strategy B – Develop and implement an Education Plan," please identify whether Owen intends for the company or its ratepayers to pay for all costs associated with such program. If Owen intends to cover the cost of this program itself, justify Owen's statement that the company's financial condition is precarious enough to warrant the instant rate case. If Owen intends to pass the costs of this program to the ratepayer base, justify the reasons for doing so, and break down by class which classes will pay for which costs. In light of Owen's stated concern over increasing costs its ratepayers will be facing, provide a complete justification for passing on these costs to the ratepayers.
 - a. Provide citations to all Kentucky PSC precedents for allowing the costs of education programs to be passed on to ratepayers.
10. Please reference the company's response to PSC 1-1 (b) in Case No. 2010-00507. The company's response states that all 32 of Owen's substations are equipped with SCADA, with which the company is able to monitor all circuit loads and system operations on a real-time basis. Given this fact, state in complete detail why the company believes it needs more "smart grid" technology to upgrade a system which it already is able to monitor on a real-time basis.
11. Decoupling proponents claim it is more cost effective and energy-efficient for the company to be incentivized to engage in supply-side energy efficiency measures than it is to engage in demand side measures. Does Owen agree? If so, state whether Owen, if its proposal to decouple rates is approved, intends to discontinue any and all DSM initiatives. If not, why not?
 - a. If Owen agrees with this statement, state concisely how its ratepayers would be incentivized to engage in any type or sort of conservation measures since they will be paying their utility to conserve energy.

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- b. Why should Owen's ratepayers be required to both pay the company to conserve energy, and attempt to reduce their own consumption when flat rates will entirely remove the incentive to conserve?

12. In the event the Commission grants Owen's petition, identify any and all financial risks the company would bear, other than having its customers move out of Owen's service territory and utilize the services of a utility that does not decouple its rates.
 - a. Can Owen provide the name of any industry that bears no risk?
 - b. Does Owen believe it should bear no risk because it believes its management is incapable of making the necessary decisions and providing the guidance essential for the company to avoid its risks?
 - c. If an investor-owned utility which trades shares on stock markets was to seek fully decoupled rates, does Owen believe the U.S. Securities and Exchange Commission should investigate to determine whether such an entity is in fact carrying any risk at all?

13. In the event the Commission grants Owen's petition, would the company be willing to create a TIER-based excess earnings mechanism in which the company would reduce rates in the event its earnings result in a TIER in excess of 2.0? If not, why not? Explain in complete detail.

14. With regard to the Report's "Strategy D – Collaborate with Cooperative Partners, Key action item no. 4," state whether the company will seek legislation and /or regulatory changes authorizing the Commission to alter the FAC formula to "reduce volatility and resolve timing issues," as proposed. Provide copies of any and all correspondence including e-mails in any manner discussing this proposed initiative, and any and all other data in this regard.
 - a. Identify the extent to which the company has worked with EKPC and / or other member cooperatives in this regard.
 - b. Identify any and all volatility Owen faces with regard to fuel.
 - c. The report on p. 6 states, "Lastly we are working with our financial partners, RLJS, NRUCFC, and CoBank to ensure adequate financing for our energy innovation initiative." Confirm that Owen thus intends to seek recovery from its ratepayers for the costs of the company's energy innovation initiative.

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15. The Report at page 5 indicates that Owen had planned on filing the instant case on or before April 1, 2010. Explain what has led the company to delay the filing of this case nearly one (1) year. Explain also whether this delay played any role in the company choosing a 2009 test year.
16. The report at page 5 states that the company had created a rates task force in August 2009 to develop a request for proposal to hire a consultant to prepare a rate study based on a 2009 test year, and that the results were expected in August 2010. Provide a copy of the request for proposal, together with all responses received.
 - a. Provide copies of any all correspondence to and from the consultant(s) that were retained to conduct such study.
 - b. Provide copies of any all correspondence to and from EKPC regarding this study.
 - c. Provide copies of any other cost of service studies that were provided to EKPC during the past three (3) years.
17. The Report at page 6 indicates, in the Conclusion, that apparently Owen has been encouraging increasing energy consumption. (i) Identify the specific ways in which Owen has done so, and provide a correlation between those efforts and actual energy consumption. (ii) Provide copies of all brochures and advertisements the company has either provided to ratepayers or placed into advertisements for the last 10 years in which the company urged conservation measures, and if they are no longer in Owen's possession, obtain copies from the firms that produced same. (iii) Please also clearly distinguish the normal, average yearly growth that has occurred in Owen's service territory over the last ten years. If no such distinction can be drawn, please state so and why.
 - a. If Owen has been encouraging increased energy consumption, and its actions have led to unwarranted consumption, would it be possible for Owen to grant a rebate to the extent allowed by governing law? If not, why not? Explain in complete detail.
18. With regard to the Report's 2010 Communications Plan, it is stated therein that Owen's values are: "innovation, integrity, stewardship, commitment to employees, and commitment to community." Does Owen have as one of its values, and is it willing to commit to, providing the lowest-priced service to its members? If so, will it agree to modify the report and all communications to make this commitment? If not, why not? Explain in complete detail.

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19. Exhibit D to the Report (the NRECA proposal to the Department of Energy's Smart Grid Regional Demonstration Program), beginning at page 40 indicates that the services of several engineering firms identified therein will be used to help implement smart grid projects in the participating coops. This exhibit also indicates that Owen and two other Kentucky cooperatives are participating in the project.
 - a. Confirm that the services of some or all of the engineering firms identified therein will be used with regard to the installation and implementation of the smart grid initiatives Owen wishes to undertake.
 - b. Confirm that Owen will be passing costs for these projects on to its ratepayers.
 - c. State whether the retention of the engineering firms identified in Exhibit D was accomplished through a competitive sealed bidding process. Provide all details. If Owen does not know whether NRECA utilized a competitive sealed bid process for the retention of these firms' services, confirm whether Owen itself conducted a competitive sealed bidding process regarding the retention of services of any businesses in conjunction with the installation and implementation of any smart grid projects within Owen's territory.
20. Regarding costs for this education program, if Owen intends to cover the cost of this program itself, please justify Owen's statement that the company's financial condition is precarious enough to warrant the instant rate case. If Owen intends to pass the costs of this program to the ratepayer base, justify the reasons for doing so, and break down by class which classes will pay for which costs. In light of Owen's stated concern over increasing costs its ratepayers will be facing, provide a complete justification for passing on these costs to the ratepayers.
21. Please provide a narrative description of the role information technology, including infrastructure, software, and human resources would play in the implementation of any smart grid technology. Include in your discussion an explanation of any and all additional costs the company will face for these expense items.

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22. State, in complete detail, what measures Owen has taken, and / or the measures it has not taken, to allow the company the opportunity to earn a reasonable TIER.
- a. If Owen had not embarked on such a large-scale smart grid / smart meter program (for which its members will be paying), would Owen need to undertake the major change to decoupled rates?
23. Please confirm that under decoupling, a utility is indifferent to the impact of sales levels and when the sales occur because of changing economic conditions, weather, EPA requirements with their associated compliance costs, or new technologies.
- a. How will Owen be incentivized to provide greater response to its customers demands and needs?
 - b. Explain in detail how decoupling, which would free Owen from any and all financial risk, would incentivize the company to operate the company in a prudent and efficient manner.
 - c. Explain whether Owen's salary levels, together with any and all other means of remuneration including bonuses, will increase under decoupling.
 - d. Provide a detailed defense to the proposition that being freed from any and all risk would lead the company to cease exploring for more efficient means of operating the company.
 - e. If the Commission allows Owen to decouple its rates, provide a complete explanation of any plans Owen has to expand its business operations beyond regulated core utility functions through the use of subsidiaries or affiliates, or non-regulated enterprises.
 - f. Provide a detailed defense to the proposition that under decoupling, the energy consumption levels of Owen's customers will increase because the customers have little incentive to conserve.
 - g. In the event the Commission approves Owen's request to decouple its rates, would Owen agree to allow the approval to be conditioned upon a rigorous examination of its customers' energy usage levels, and in the event usage increase, to fully abandon decoupling? If not, why not? Explain in complete detail.
 - h. Confirm that if consumers do not conserve electricity, at some point in time Owen's primary supplier, EKPC, will be forced to build more generation facilities.

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- i. Confirm that if allowed to decouple its rates, Owen would be almost indifferent to the goals of the Commonwealth of Kentucky to conserve energy.
 - j. Confirm that if Owen is allowed to decouple rates, any ratepayer efforts to conserve could be awarded with higher customer charges.
 - k. Would Owen agree that it would be appropriate to describe decoupling as "save more, pay more"? If not, why not? Explain in complete detail.
 - l. Confirm that decoupling examines the issue of incentives from the company's sole perspective, isolated from the few, if any, incentives consumers have.
 - m. Confirm that under existing rate design methodologies, Owen is allowed the opportunity to earn a return in excess of its required TIER.
 - n. State what incentives Owen's ratepayers would have under decoupling to invest in efforts to weatherize and insulate their homes.
24. Explain in complete detail why an expansion of DSM programs would not result in more energy savings than decoupling.
25. Confirm that promoting growth in sales through the addition and expansion of business enterprises is a key area where utility financial incentives and local public interests are precisely aligned.
- a. If so, confirm further that revenue decoupling eliminates the financial incentive to actively promote the economic development of the utility's franchise area, and thus breaks that alignment.
26. Provide copies of any and all correspondence between Owen and other utilities in the Commonwealth regarding Owen's attempt to decouple its rates.
27. Explain in detail why Owen, in pursuing decoupled rates, believes it is necessary for its ratepayers to assume any and all risk the company otherwise might face.
- a. Does the company believe its ratepayers do not already face enough risk of their own? If not, why not? Explain in complete detail.
 - b. Why should Owen be freed from all risk when its ratepayers under decoupling will face increased risk? Explain in complete detail.

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28. State whether Owen is committed to providing the appropriate price signals to each customer class. If so, explain in complete detail how decoupling satisfies that objective.
29. Does Owen not believe that price incentivizes its ratepayers to conserve? If not, how does Owen reconcile the filing of another EKPC-member cooperative, Jackson Energy, which in Case No. 2011-00210 seeks permission for a pilot pre-paid program, and in which that cooperative clearly indicates that pricing incentivizes customers to conserve?
30. Does Owen believe that decoupling would dis-incentivize Owen from seeking the least cost energy supply?
 - a. If Owen disagrees, please identify any incentive other than Owen's subjective good will.
 - b. Does Owen believe its customers are willing to relinquish price incentives designed to encourage conservation, and instead rely solely upon the company's good will? If so, please cite all studies conducted of Owen's ratepayers verifying this, and provide copies.
31. Confirm that without decoupling, EKPC, as Owen's primary generation source, has the ability to sell conserved power on the wholesale unregulated market in excess of both the wholesale rates EKPC charges to Owen, and the retail regulated rates Owen charges to its ratepayers.
 - a. Confirm that when Owen's ratepayers conserve energy, EKPC is able to sell that conserved power on the wholesale market, thereby reducing Owen's proportionate costs.
 - b. Confirm that from a general perspective, the more power Owen sells, the more its costs will increase.
32. Confirm that EKPC system-wide experienced a record decline in consumption during 2009.
 - a. Confirm further that Owen's use of a 2009 test year in the instant proceeding to establish average use per customer will lead to customers paying for that historic decline.
33. Confirm that the following factors contribute to any decreases in energy usage per customer: price elasticity; non-company sponsored conservation (e.g., non-

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profit associations and government agencies such as the Kentucky Department for Energy Development and Independence); federal appliance efficiency standards; turnover of housing stock; more efficient building codes; economic conditions; and company sponsored energy efficiency.

- a. Does Owen believe it is equitable to both require its ratepayers to absorb all risk for each of these factors, and to relieve Owen of all risk for all of these factors? Explain in complete detail.
34. Would Owen agree that the EKPC system as a whole currently engages in robust conservation resource analysis as part of integrated resource and least cost planning? If not, why not? Explain in complete detail.
35. Would Owen agree that if the Commission does not allow it to decouple rates:
- a. that pursuant to KRS 278.190, it could still file rate cases as often as needed to insure it maintains a 2.0 TIER?
 - b. it would remain free to implement prudent conservation / energy efficiency measures and to seek cost recovery of such prudent measures pursuant to KRS 278.285?
 - c. it could retain the services of a third-party provider of energy efficiency services pursuant to KRS 278.285, and pass on its prudently-incurred costs in association therewith?
36. Does Owen intend to decouple rates pertaining to all classes? If not, why not? What reaction would Owen expect to receive from commercial and industrial ratepayers receive if it does so? Explain in complete detail.
37. In the event the Commission grants Owen's request to decouple rates, describe all incentives the company will have to insure that the energy efficiency measures it implements will be the most cost-effective measures available. Explain in complete detail.
38. State, in complete detail, precisely how Owen's decoupling initiatives will reduce its ratepayers' bills.
- a. In the event the Commission should approve Owen's request, would the company agree to periodic submission of all data necessary that would irrefutably establish that Owen's initiatives in the instant filing

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will in fact lead to actual, quantifiable and verifiable energy savings and energy efficiency for the end users ? If not, why not? Explain.

39. Will the initiatives Owen seeks to undertake in the instant filing cost more than any savings achieved? Explain in detail, with all available reliable projected data, if any.
40. In the event the Commission should approve Owen's request, state, in complete detail, what incentives Owen would have to operate the programs in an efficient manner.
41. Does Owen agree that if it chooses to operate the programs in an inefficient manner, it would face no repercussions? Explain.
42. Identify all means other than decoupling available to Owen to promote energy efficiency. Explain in complete detail why such other means were not chosen.
43. Provide copies of all studies Owen conducted addressing the impact decoupling will have on the elderly, low income, fixed income and home bound segments of Owen's ratepayer base. Please provide detailed information for each specified group.
44. In the event the Kentucky PSC does not approve Owen's petition, state whether Owen agrees that the Commission could order Owen to engage in trials / pilot programs of various proven supply-side conservation measures, the costs of which would eventually be passed on to the company's ratepayers.
45. Confirm that if the Kentucky PSC approves Owen's request to decouple rates, Owen's need to manage its sales risk is substantially reduced, if not eliminated. If not, explain why not in complete detail.
46. In Case No. 2006-00314, Owen was authorized to replace 54,000 mechanical meters with AMR meters.
 - a. Has Owen completed installing these meters? If not, please provide a status update.
 - b. State how Owen financed the procurement and installation of the AMR meters.
 - c. In Case No. 2006-00314, Owen stated in its application that the annual operating costs of the AMR meters after installation would be

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\$1,239,915, and that it expected the installation of the AMR meters would eliminate 200,000 miles of travel annually. Provide: (i) the dollar amount of annual cost savings, if any, Owen has achieved by installing the AMR meters, including but not limited to savings achieved by remote disconnects / reconnects; (ii) the nature of the expense savings; (iii) the expense accounts in which these expense savings are expected to take place; and (iv) a quantification of the expected annual expense savings that are not reflected in the adjusted test year operating expenses.

- d. If Owen cannot quantify the amount of any alleged savings, please explain in detail why not.
- e. State by what amount these savings, if any, have decreased Owen's base rates.
- f. State when the projected savings will exceed the costs of the AMR program.
- g. In the instant filing, Owen proposes to install a number of AMI meters on its system. State whether this will lead to stranded costs in replacing the AMR meters, and identify: (i) who will pay for the stranded costs; and (ii) the amount thereof.

47. State how much revenue Owen has received for each of the past five (5) years.

- a. Of those figures, state how much revenue was derived from disconnections and reconnections for each of the last five (5) calendar years.

48. Please state whether any relative, by blood or marriage, of Owen's board of directors or executive management team holds, or will hold any type or sort of position, whether as employee, officer, board member, contractor or consultant, with Owen.

49. Does Owen anticipate any changes in any existing contracts as a result of any change in its rate structure / potential rate increase (e.g., engineering, information technology, maintenance, etc.)?

50. Does Owen maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to Owen's officers, members of its Board, its employees, its independent contractors or consultants? If yes:

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- a. Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and
 - b. Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.
51. Does Owen have any anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.
52. Does Owen employ the relatives of:
- a. any Owen board member;
 - b. any Owen officer;
 - c. any Owen consultant; and/or
 - d. any other Owen employee?
51. Has any member of Owen's Board ever served on the Board of any other business entity? If so, please state:
- a. the name and address of each such entity, and the nature of that business; and
 - b. the length of time they served on the other entity's board.
53. Please provide a schedule listing all CWIP projects included in the rate base. For each project, provide the scheduled completion date, projected cost at completion, and identify any and all PSC orders allowing Owen to include CWIP in the rate base.
54. Please state the test year customer deposit balance.
55. Please provide the Analysis of Salaries and Wages that is normally included in coop rate cases, for the years 2007 to date, together with any analysis of projected salaries and wages in future years.
56. State whether Owen intends to seek recovery of any performance bonus expenses for ratemaking purposes, and if so, provide:
- a. a quantification of same;

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- b. an indication of how many union employees received a performance bonus; and
 - c. a complete justification for recovering such expense.
57. Reference Case No. 2010-00507.¹ The final order in that case, issued on May 31, 2011, indicated that the company's new energy charge for Schedule 1, Farm and Home, is 0.08810. However, the company's filing in the instant case indicates that Owen's existing energy charge is 0.09478, and that in this case it proposes to "reduce" the energy charge to 0.09140. Please provide a reconciliation as to the actual energy charge for Schedule 1, in effect: (i) at the time the petition in the instant case was filed; (ii) on the first effective date of the rates the Commission approved in Case No. 2010-00507; and (iii) the proposed energy charge the company seeks to implement in the instant filing. Confirm that the difference between 0.08810 and 0.09140 is an increase, not a "reduction."
58. Provide the revenue the company would require if the test year had ended 12-31-2010.
- a. If the test year was changed to one ending in 12-31-2010, could the company still file the same testimony without any changes?
 - b. If the test year was changed to one ending in 12-31-2010, would the company still be able to claim under oath that its fixed costs were not being met?
 - c. Provide all documentation necessary to support your responses.
59. If the Commission approves Owen's requested rates, would the company be willing to refund any potential additional revenues it takes in as a result of having filed the case? If not, why not? Explain in complete detail.
60. Reference the Stallons testimony, p. 2, wherein he states the purpose of the instant filing is to align the member charge with the company's fixed costs over a five-year period. Provide any and all documentation to support Owen's forecasted fixed costs over the next five years, including any and all assumptions underlying such forecasts.
- a. State to what extent, if any, the company's forecasted fixed costs are dependent upon the 2008 load forecast.

¹ "An Examination Of the Application Of The Fuel Adjustment Clause Of Owen Electric Cooperative, Inc. From November 1,2008 Through October 31,2010."

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- b. State to what extent, if any, the company's forecasted fixed costs in the instant case relies upon the most recent load forecast.
61. Since the justification for filing the new rates in the instant case is that Owen will not be able to meet its future fixed costs, explain in complete detail why Owen did not file a fully forecasted test year, and rather chose to file with a historic test year ending almost 18 months ago.
62. Provide citations to any and all final orders and the dates thereof in which the Kentucky PSC has expressly approved of stepped rates.
63. Reference the Stallons testimony, p. 3, wherein he states Owen, as a distribution cooperative, ". . . is aggressively pursuing a strategy of energy innovation" in order to meet perceived needs of, inter alia, increasing environmental compliance costs and increasing generation construction costs.
- a. Provide any and all documentation in Owen's possession which conclusively establishes the amount of future environmental compliance costs Owen will incur over the next five years, **separate and apart** from future environmental compliance costs it will recover through the environmental surcharge.
 - b. Provide any and all documentation in Owen's possession which conclusively establishes the amount of increased future generation construction costs will incur over the next five years.
 - c. With regard to your answers to subparts a. and b., above, state whether your answers were derived in whole or in part upon the 2008 load forecast, or the most recent load forecast.
64. Reference the Stallons testimony, p. 4, wherein he discusses the "Beat the Peak" and "Smart Home" programs.
- a. State whether the Beat the Peak and Smart Home programs are DSM programs. If so, state why the company did not file them pursuant to KRS 278.285.
 - b. If the above-described programs are DSM programs, state in full detail why the company did not seek to recover its costs under KRS 278.285.
 - c. Describe in complete detail why Owen needs the new rates set forth in the instant filing in order to implement the Beat the Peak and Smart Home programs.

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65. Reference the Stallons testimony, p. 4, question no. 16. Can Mr. Stallons provide an answer to the question of whether retail rate design modifications are necessary to promote energy efficiency investments as they relate solely to Owen Electric, without any reference(s) to task forces, national associations, or to other EKPC member cooperatives? If so, please do so. If not, please explain why not in complete detail.
66. Reference the Stallons testimony, pp. 4-5, question no. 17. The response appears to indicate that Owen is not aware that it can recover its costs and lost sales under a DSM program. Is Owen aware that other utilities have successfully done so? Please explain.
67. Reference the Stallons testimony, p.5, question no. 18, wherein Mr. Stallons defines the "throughput incentive" as an incentive "to increase fixed cost[s] and margin recovery." Does Mr. Stallon acknowledge that Owen is likewise under an incentive to maximize its fixed costs? If he does not so admit, explain why not in complete detail.
- a. Is the concept of providing the lowest cost energy possible to its members not enough incentive for Owen to reduce its fixed costs? If not, why not? Please explain in complete detail.
 - b. Please explain the nature of the legal duty Owen believes it owes to its members.
 - c. If Owen institutes DSM programs and attempts to recover any sales lost as a result of the "energy innovations" Mr. Stallons describes in his answer to this question, would that not eliminate the purported "disincentive" described therein? If not, why not? Describe in complete detail.
68. Reference the Stallons testimony, p.6, question no. 19, wherein he states that raising the customer charge is the "simplest way for a rural electric cooperative to mitigate the throughput incentive." Would doing so also be the most effective and efficient way? If so, why? If not, why not? Explain in complete detail.
- a. If Owen also instituted DSM programs designed to recover its lost sales resulting from the implementation of energy efficiency measures, would Mr. Stallons continue to believe that raising the customer charge remains the "simplest way" to mitigate the throughput incentive?
 - b. If Owen also instituted DSM programs designed to recover its lost sales resulting from the implementation of energy efficiency measures, would Mr. Stallons believe that raising the customer charge would be the most

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effective and efficient means of mitigating the throughput incentive? If not, explain why not in complete detail.

69. Reference the Stallons testimony, p.8, question no. 23, wherein Mr. Stallons states his belief that allowing Owen to recover more of its costs through a higher monthly customer service charge would create the environment necessary for energy innovation, efficiency, conservation, and demand response.
- a. Is it not true Owen could create the environment necessary for conservation by utilizing appropriate pricing signals in peak / non-peak pricing differentials? If not, explain why not in complete detail.
 - b. Provide copies of all studies conducted of the Owen system regarding the effect of appropriate pricing of the energy charge.
 - c. Does Owen agree that demand response and many different energy efficiency programs have been instituted by other electric generating utilities through the DSM statute, KRS 278.285? To what extent has Owen studied options of doing likewise? Provide complete details.
70. Reference the Stallons testimony, p.9, question no. 25, wherein he cites a study conducted of Owen's low-income customers. Provide a copy of that study.
- a. Mr. Stallons' answer to this question indicates that from a general perspective, low-income customers' usage is higher than the class average. Is this true on Owen's system, or only from an overall utility perspective?
 - b. Has Owen either conducted, or considered conducting, a review of other utilities' DSM programs designed to lower consumption among low-income customers? Please explain in complete detail.
71. Reference the Stallons testimony, p.10, question no. 26, wherein Mr. Stallons identifies types of customers who benefit from lower customer charges. Has Owen considered charging a higher customer charge and/or energy charge for customers such as those identified in Mr. Stallons' answer who are more expensive for Owen to serve? Please discuss in detail.
- a. Does Owen believe it is appropriate for all residential customers to subsidize the types of service discussed in this question?
 - b. Would it be more appropriate to charge for actual cost of service for these types of service? If so, would doing so mitigate any needs to increase the customer charge on the overall class? Please discuss in detail.

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72. Reference the Stallons testimony, pp.10-11, question no. 27, wherein he states that "the advent of renewable energy, distributed generation, and net metering" were factors that made it more important for cooperatives in Illinois to increase the customer charge. Please describe whether the effects of renewable energy, distributed generation and net metering have had a similar influence on both the EKPC system as a whole, and in particular Owen's system.
73. Please provide all theoretical support for the notion that fixed costs should be recovered from fixed charges.
74. Please provide monthly bill frequencies for Schedule 1-Farm and Home for the test year. Please provide in electronic format (Excel preferred).
75. RE: Exhibit 6, Page 5 of the Application. Please provide in electronic format (Excel preferred) and indicate if this Exhibit is applicable only to Schedule 1 – Farm or Home or multiple rate schedules.
76. Please provide annual usage, average number of customers, and number of bills for residential and Farm (Schedule 1) for each of the last 10 years.
77. Please provide the following for each rate class other than Schedule 1 – Farm and Home for each of the last 10 years:
- (a) identification of each rate class schedule; and
 - (b) annual usage, average number of customers and number of bills for each rate schedule.
78. Please provide the following regarding Owen's power suppliers for the test year:
- (a) identification of each power supplier;
 - (b) copy of each power supply contract and/or agreement with each of the power suppliers identified in (a); and,

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- (c) copies of the monthly bills for energy and demand to Owen rendered by the power suppliers identified in (a).
79. Please provide a copy of the most recent power requirements study (long range demand and energy forecast) conducted by or for Owen.
80. Please provide the transmission costs billed and paid by Owen in each month of the test year.
81. Please provide for the Owen system in-total, the annual peak demand (MW) and annual energy purchases for each of the last 10 years.
82. Please provide a copy of all residential intraclass cost studies and/or analyses conducted by or for Owen.
83. For each rate schedule, please provide the following regarding test year monthly billings to customers:
- (a) the number of bills for usage through meters read monthly by Owen;
 - (b) the number of bills for usage estimated monthly by Owen;
 - (c) the number of bills for usage through meters read monthly by customers;
 - (d) the number of bills for usage through meters retrieved telemetrically; and,
 - (e) the number of bills for usage tabulated other than by (a) through (d).
84. Please provide a copy of the most recent voltage line loss study conducted by or for Owen.
85. Please provide a copy of RUS Form 7 for Owen for each of the last 5 years.

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86. With regard to Owen DSM and/or conservation programs, please provide the following:
- (a) Identification and detailed narrative describing each program in-place in each of the last 10 years; and,
 - (b) All metrics, studies and analyses relating to the cost versus benefits of each program in (a).
87. Please identify and provide a detailed narrative of each potential DSM and/or conservation program Owen contemplates if its proposed rate structures are approved.
88. If Owen's rate design proposals are adopted, is it Owen's position that this will likely develop unique DSM and/or conservation programs that have not been proposed or contemplated by any other electric utility in the United States; i.e., are innovative to the industry? If yes, please explain and identify such possibilities.
89. With regard to the Prepared Testimony of Mr. Stallons (Exhibit 7a of the Application), please provide all studies, reports, data, analyses, etc. that support the following:
- (a) at Page 9, the statement that a lower customer charge combined with a higher energy charge would not benefit most fixed and low income members;
 - (b) at Page 10, the statement that low-usage members typically reflect sporadic usage; and,
 - (c) at Page 21, Q31, the statement that economic financial stress, rising fuel costs, environmental compliance costs, and etc. are currently so onerous as to put Owen in financial peril when compared to other historic periods; i.e., what is so different now than has been the case with such influences on Owen in the past?
90. Please provide a copy of the most recent CFC Trend Report for Owen.

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91. Please provide all studies, analyses, and revenue proofs indicating that Owen's rate filing is indeed revenue neutral.