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Witness: David Estep

Big Sandy Rural Electric Cooperative Corporation
Case No. 2012-00030
Attorney General's Supplemental Data Requests

1. Please acknowledge that Big Sandy carries the burden of proof in this matter, and that it is the sole party required to meet that burden. **Response:** Big Sandy has filed this application based on the merits of the application.

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2. Reference Exhibit 8 of the Application and Big Sandy's Response to Commission Staff's Second Request for Information, PSC 2-27. Please provide the approximate number of hours expended by legal counsel on a monthly basis to justify doubling of the attorney's monthly retainer fee from \$500 to \$1,000. **Response:** In addition to attending the monthly board meetings, which requires approximately 4-5 hours, the attorney spends about 8-10 hours per month on other cooperative related activities.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative Corporation
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3. Reference Big Sandy's Responses to AG 1-1s and PSC 2-4(c). Please explain why Rig Sandy made no communication to its members regarding its proposal to recover more of its costs through the customer charge at its last Annual Meeting of Membership held on May 17, 2012.
Response: The annual meeting contained generalized discussions, not specific elements of any of the financials or the rate application.

Witness: Alan Zumstein

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4. Reference Big Sandy's response to AG 1-2. The response indicates "Reference Exhibit J of the Application." The "Exhibit J" on file with the PSC purports to have at least 20 pages, but only 7 pages appear. See: APPlicatioi:l .pdf at pp. 150-156. Please provide "Exhibit J" with all pages intact. **Response:** There are only 7 pages applicable to Exhibit J. All pages have been included in the response to AG 1-2.

Witness: David Estepp

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5. Reference Big Sandy's Response to Attorney General's Initial Data Requests, AG 1-2(b) and Big Sandy's Response and PSC 2-4 and exhibit attached thereto.

a. Please confirm that the average monthly usage identified for the most recent billing period is 1,260 kwh. **Response:** The average monthly residential kwh for the test year is 1,260.

b. Please reconcile this average monthly usage estimate with Big Sandy's 2010 Annual Report, which stated that the average residential usage per month was 1,775. **Response:** Big Sandy provides this information to KAEC to print the annual meeting insert. The average residential monthly kwh for Big Sandy should have been 1,357. KAEC must have failed to insert Big Sandy's number in this location and the average use of 1,775 is another cooperative's number.

(i) What accounts for the change? **Response:** An oversight by KAEC only.

(ii) Specify which figure is the correct one. **Response:** The average for 2010 is 1,357 and for the test year is 1,260.

Witness: David Estepp

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6. Based on the exhibit provided, please confirm that Big Sandy used an average of 1,260 kwh to estimate the amount and percent of increase provided in its Official Notice provided as Exhibit C to the Application. **Response:** This is correct.

a. In evaluating the proposal to decouple rates from energy usage, did Big Sandy consider alternatives that could mitigate the cost impact on the average residential customer, including but not limited to the following:

- i. A limited fixed cost recovery mechanism that would permit the Kentucky Public Service Commission to confirm actual (not estimated) lost revenue resulting from demand-side management (DSM) and energy efficiency (EE) programs; **Response:** Big Sandy is of the opinion that a higher customer charge is necessary in order to continue to offer DSM and EE programs. Without the higher customer charge, margins would erode which would require Big Sandy to file for rate increases on a more frequent basis.
- ii. An opt-out rate that would offer residential customers more choices concerning rates; and/or **Response:** Refer to PSC 3-14.
- iii. iii. A rate cap that would ensure that the gradual customer charger increase would not change the ultimate rates for residential customers by more than a designated percentage (i.e. 2%). **Response:** Big Sandy is of the opinion that a 3 step approach is a gradual increase in the customer charge.

b. If the alternatives detailed above were not considered, would Big Sandy be willing to consider such alternatives? If not, why not? Explain in complete detail. **Response:** Big Sandy has considered various options and alternatives. Filing for a purchase power adjustment clause is one of those options.

Witness: David Estep

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7. Reference Big Sandy's response to PSC 2-2. In the event Big Sandy could obtain an increase in revenues sufficient to meet its needs, would it be willing to consider alternatives to the methodology it requests in this application? If not, why not? Explain in complete detail.
Response: Big Sandy did consider various alternatives. In fact, Big Sandy proposed to increase all rate classes when the cost of service study resulted in no increases for several of the rate classes that received an increase.

Witness: David Estepp

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8. Reference Big Sandy's response to PSC 2-4 (c), in which the company states it has received no complaints regarding the proposal to recover more of its fixed costs through the customer charge.

a. Identify precisely where in the company's notice to customers the company gives actual notice of the proposed 3-step increase in the customer charge. **Response:** Refer to PSC 3-11.

b. Since the company has failed to give this notice, should the company not revise its response to PSC 2-2 (c) accordingly? **Response:** See AG-2-8-a.

Witness: Alan Zumstein

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9. Reference Big Sandy's Response to PSC 2-4 subparagraph (5), in which it acknowledges that increasing the customer charge in relation to the energy charge will disproportionately affect lower usage customers. Does this not contradict Big Sandy's assertion (Estep testimony at p. 4) that its proposal will promote energy efficiency? Explain fully. **Response:** To the contrary, increasing the customer charge should promote energy efficiency. Big Sandy reviewed customers that are receiving subsidies for paying electric bills through community action centers. The number of customers and their monthly usage are listed below. The majority of customers receiving assistance to pay electric bills are using more than the monthly average residential kwh of 1,260. The average use for these customers is 2,145 kwh per month. Big Sandy is of the opinion that a higher customer charge will promote energy savings and efficiencies to these customers in particular. The following is the usage for customers receiving assistance with paying their electric bills for the month of November 2011.

Usage Level	Number of Customers
< 100	3
100 - 500	28
500 - 1000	93
1000 - 1500	111
1500 - 2000	163
2000 - 2500	182
2500 - 3000	135
3000 - 4000	124
over 4000	33

Witness: **Jim Adkins**

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10. Reference Big Sandy's response to AG 1-8. The response indicated that the testimony of Mr. Adkins should not have contained any reference to an "Exhibit JA-I." However, the testimony states that "Exhibit JA-1" provided 'I. . . the detail on how Big Sandy is proposing to increase this customer charge." Identify any and all exhibits, and/or responses to data requests which provide these details. If no such details, state so, and explain:

a. How does Big Sandy justify any request for any such increase; and Response: Exhibit 21 provides the description for the change in the customer charge and the amount of the customer charge increase is justified on the basis of the Cost of Service Study which is Exhibit R in the Application. Provided below is the costs to serve the Farm and Home rate class based on the three classifications of demand, energy and customer related costs.

COSTS TO SERVE SCHEDULE A-1 - FARM AND HOME					
Function	Classification	A-1 Farm & Home	Demand Related	Energy Related	Consumer Related
Purchased Power	Demand	3,123,607	3,123,607		
Purchased Power	Energy	9,453,956		9,453,956	
Lines	Consumer	814,195			814,195
Lines	Demand	2,130,657	2,130,657		
Transformers	Consumer	99,027			99,027
Transformers	Demand	432,939	432,939		
Services	Consumer	514,827			514,827
Meters	Consumer	876,234			876,234
Consumer Services & Accounting	Consumer	1,064,725			1,064,725
Lighting	Lighting	-			
		<u>18,510,167</u>	5,687,204	9,453,956	3,369,008
Billing Units			1,290,723	182,561,395	144,933
Rates based Costs to Serve			\$ 4.41	\$ 0.05179	\$ 23.25

b. Why should Big Sandy not withdraw this application for failure to meet its burden of proof? Big Sandy believes that a customer charge cost of up to \$23.25 is fully justified as detailed above in the response to item a. Since all distribution costs are basically fixed costs and with the combining of the consumer related costs and the demand related costs for lines and transformers, a customer charge recovering all distribution fixed costs would equal a monthly charge of \$40.93. Provided below the basis for that amount.

COSTS TO SERVE SCHEDULE A-1 - FARM AND HOME				
Function	Classification	A-1 Farm & Home	Wholesale Power Costs	Distribution Costs
Purchased Power	Demand	3,123,607	3,123,607	
Purchased Power	Energy	9,453,956	9,453,956	
Lines	Consumer	814,195		814,195
Lines	Demand	2,130,657		2,130,657
Transformers	Consumer	99,027		99,027
Transformers	Demand	432,939		432,939
Services	Consumer	514,827		514,827
Meters	Consumer	876,234		876,234
Consumer Services & Accounting	Consumer	1,064,725		1,064,725
Lighting	Lighting	-		-
		18,510,167	12,577,563	5,932,604
Consumer Charge Units		-		144,933
Consumer Charge		-		\$ 40.93

Witness: Alan Zumstein

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11. Reference Big Sandy's response to AG 1-10. Has the company made any adjustments to account for the fact that it is no longer liable for the \$40,000? If the company believes no adjustments are necessary, please explain why. **Response:** Big Sandy has never recorded any entries on its books, therefore, there are no adjustments on the books and records for the liability.

Witness: David Estepp

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12. Reference Big Sandy's Response to AG 1-3. Would Big Sandy be willing to withdraw its proposed purchased power adjustment rider if weather and other factors obviate the lag in its ability to make purchased power payments to EKPC? **Response:** The purchase power adjustment clause is proposed to level the monthly revenue to more match the power bill from EKPC. This will assist Big Sandy in recognizing a smoothing of margins on a monthly basis. Should the weather and other factors obviate the lag, then the purchase power adjustment clause that would be in effect would have no impact on customers' bills, therefore, there would be no reason to withdraw the proposal since it would have no impact anyway.

a. Would Big Sandy agree to work with EKPC and other related cooperatives to seek a long-term solution to the recurring issue regarding the proposed purchased power adjustment rider? **Response:** Big Sandy continues to work with EKPC and other cooperatives in this and other matters. Refer to PSC 3-24.a.b.

Witness: Alan Zumstein

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13. Reference Big Sandy's Response to AG 1-13. Does RUS have a requirement that an RECC use a capital structure that maintains a specific ratio of long-term to short-term debt? **Response:** No.

Witness: David Estepp

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14. Reference Big Sandy's Response to AG 1-15 and page 5 of the Exhibit provided. Does the financial report provided in the publication reflect that which the company now portrays in the application? If not, why not? **Response:** Based on the application and related adjustments to the application, Big Sandy considers the financial report provided in the publication reflects that which the company now portrays in the application.