

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF SOUTH KENTUCKY	)	
RURAL ELECTRIC COOPERTIVE	)	
CORPORATION FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO	)	2014-00355
CONSTRUCT A NEW HEADQUARTERS	)	
FACILITY AND FOR APPROVAL TO TRANSFER	)	
OWNERSHIP OF CERTAIN ASSETS OR, IN THE	)	
ALTERNATIVE, A DETERMINATION THAT SUCH	)	
APPROVAL IS UNNECESSARY	)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before December 4, 2014. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the 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.

South Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which South Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Application, redacted paragraph 20.
  - a. Provide any appraisals or other documentation that supports the purchase price of the Somerset Houseboats property.
  - b. Provide any appraisals or other documentation that supports the amount that is represented as South Kentucky's interest in the Northern Property.
  - c. Explain the decision to transfer ownership in the Northern Property as described in the application rather than to make it available for sale in the local real estate market.
2. Refer to the Application, paragraph 22. Describe in detail South Kentucky's \$60,000 entry for solar panels.
3. Refer to the application, paragraph 25.



a. Describe fully the alternatives to the 2014 Proposed Headquarters that South Kentucky reviewed and considered.

b. Provide detailed cost estimates of the alternatives identified above.

4. Refer to the Application, page 7, footnote 6.

a. Provide the estimated market value of South Kentucky's current headquarters facility and the basis for this amount. Provide documentation supporting this amount.

b. Explain how South Kentucky plans to treat any proceeds from the sale of the current headquarters facility.

5. Refer to the Application, paragraph 39.

a. Explain whether South Kentucky's 2010–2013 work plan included a new headquarters facility.

b. If a new headquarters facility was not included in the 2010–2013 work plan, explain why South Kentucky has the funds available for the proposed headquarters facility that were originally scheduled to be spent for projects included in the work plan.

6. Refer to the Application, paragraph 41. Has South Kentucky determined when a rate increase would be necessary based only on the construction of the proposed headquarters facility, and if so, when would that occur?

7. Refer to the Direct Testimony of Allen Anderson ("Anderson Testimony"), page 12, lines 8 through 14.

a. Provide a quantitative analysis of the cost savings in favor of the Somerset Houseboats Property.

b. If the entire headquarters project as proposed were to be constructed on the Northern Property, provide the estimated total project cost.

8. Refer to the Anderson Testimony, page 14, lines 8 through 23.

a. Identify other architectural and engineering firms that were considered for this project.

b. Describe their shortcomings when compared to MSE.

c. What part did cost play in the decision to hire MSE?

9. Refer to the Anderson testimony, page 15, line 5. Confirm that the estimated construction cost noted is \$10,226,718.

10. Refer to the Anderson testimony, page 20, line 4. Provide a detailed “all-in cost” analysis of the current proposal, including the land and property costs, that substantiate the listed savings of the current proposal as it compares to the prior 2010 proposed headquarters building.<sup>1</sup>

11. Refer to the Direct Testimony of Michelle D. Herrman (“Herrman Testimony”), page 5, lines 11 through 16, and page 6, lines 1 through 9. Provide any and all available documentation or analysis supporting the costs of the items described.

12. Refer to the Herrman Testimony, page 7, lines 8 through 13.

a. Is South Kentucky aware of a quarterly short-term interest rate program offered by the Federal Financing Bank that allows the borrower on a quarterly basis to continue with the short-term rate in effect at that time, or convert to a fixed longer-term rate at the borrower’s discretion?

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<sup>1</sup> Case No. 2008-00371, *Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct a New Headquarters Facility in Somerset, Kentucky* (Ky. PSC May 11, 2010).



b. If so, explain why South Kentucky committed to a loan for this term and interest rate instead of taking advantage of much lower rates offered in the short-term program.

13. Refer to the Herrman Testimony, page 10, Table 2. Provide the calculations of the Interest Expense and Depreciation Expense shown in Table 2.

14. Refer to the Herrman Testimony, Exhibit MDH-1. Provide the detailed operating statement information that results in the net margins shown on the exhibit.

15. Refer to the Direct Testimony of Glen Ross ("Ross Testimony"), Exhibit GR - 2. Provide a description of the line item for Architectural Service Fees, and to whom they will be paid.

16. Refer to the Ross testimony, page 12, line 11. How does South Kentucky envision the usage of the 12,265 feet of less expensive office space?

17. Refer to the Ross Testimony, page 12, lines 16 through 23, and page 13, lines 1 through 9.

a. Explain whether MSE provided alternative designs for a headquarters facility in addition to the headquarters facility proposed in this matter.

b. If so, provide documentation of any alternative designs, including plans and cost estimates.

c. Provide the maximum number of employees that the proposed headquarters office space design will accommodate.

d. Provide the number of employees who are currently located in the existing headquarters office space.

e. Provide the number of employees currently located in the existing headquarters office space who will be located in the proposed headquarters office space.

18. Refer to the Ross testimony, page 14, line 21. Is the construction contract ready to be awarded upon South Kentucky's obtaining all necessary financing and a CPCN from the Commission prior to March 15, 2015?

19. Refer to the Ross Testimony, page 17, lines 12 through 17.

a. Provide the calculation that results in the amount of \$60 per square foot.

b. Provide the current average cost per square foot of similar facilities, and documentation supporting the average cost.

20. Refer to Exhibit 2 of the Application.

a. Explain the purpose of the catering kitchens located on the first and second floors of the headquarters office space.

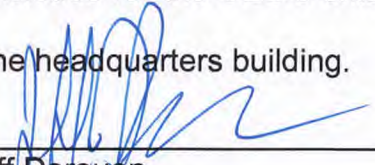
b. Explain the need for a catering kitchen adjacent to the board room, given that there is a kitchen located on the first floor adjacent to the community room.

c. Explain how it was determined that 5,162 square feet is the appropriate size for the community room.

d. Explain why a balcony was included for the CEO's office. Provide the cost of including the balcony in the design of the headquarters building.

DATED NOV 20 2014

cc: Parties of Record

  
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