

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO.
FOR AN INCREASE IN RETAIL RATES) 2016-00365

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Farmers Rural Electric Cooperative Corporation ("Farmers"), 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 February 13, 2017. 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 the 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 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.

Farmers 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

Farmers fails or refuses to furnish all or part of the requested information, Farmers shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should 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 filing a paper containing personal information, Farmers shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, Exhibit F, Schedule C, Adjustment to Payroll Expense, and Schedule D, Adjustment to Payroll Related Expenses. Using the attached spreadsheets as an example, provide this response in the Excel workbook provided electronically by Commission counsel, with all columns and rows unprotected and accessible. Include the following actual full-year salary and benefit information for each employee, identified by employee number and job title, for the years 2011 through 2016 (in gross dollars – not hourly or monthly rates).

- a. Regular salary or pay.
- b. Overtime pay.
- c. Vacation payout.
- d. Standby / Dispatch pay.
- e. Bonus pay.
- f. Other amounts paid and reported on the employees' W-2 (specify).
- g. Healthcare benefit cost for each employee.

- (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- h. Dental benefits cost for each employee.
 - (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- i. Vision benefits cost for each employee
 - (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- j. Life insurance cost for each employee.
 - (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- k. Accidental death and disability benefits for each employee.
 - (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- l. Defined Contribution – 401(k) or similar plan cost for each employee.
 - (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- m. Defined Benefit Retirement cost for each employee.
 - (1) Amount paid by Farmers.
 - (2) Amount paid by each employee.
- n. Cost of any other benefit available to an employee (specify).

2. For each item of benefits listed in Item 1 above where an employee is required to pay part of the cost, provide a detailed explanation as to how Farmers arrived at the employee contribution rate.

3. Provide a listing of all health care plan categories available to employees, i.e., single, married no dependents, single parent with dependents, family, etc., and include the associated employee contribution rates to premium cost for each category.

4. Provide copies of all Farmers pension plans, including but not limited to, defined benefit, defined contribution/401(k) or similar plan, and post-employment retirement.

5. Provide a detailed explanation of the eligibility and qualification basis for vacation payouts. For calendar year 2015 and 2016, provide the length of time it took for each employee to accumulate the number of hours/amounts for the payouts.

6. Confirm that Farmers does not offer vision insurance coverage to its employees.

7. Refer to the application, Exhibit F, Schedule H, Adjustment to Expense, page 44, line 18, which lists Annual Dues - PSC in the amount of \$64,348.82.

a. Provide the amount of gross receipts the 2015 PSC Annual Dues were based upon.

b. Provide the amount of gross receipts and the amount of PSC Annual Dues paid in 2016.

c. State what the PSC Annual Dues would be, based on Farmers' proposed increase.

8. Refer to the application, Exhibit K, page 1. Provide the calculation for the determination of the cash working capital amount of \$1,010,946.

9. Refer to the response to Commission Staff's First Request for Information ("Staff's First Request"), Item 29.

a. Refer to the application, Exhibit F, page 43 of 74, Item C, Account 930.21, Annual Expense. Identify the costs that make up line 4, Annual Meeting Expense Exclusions.

b. Refer to pages 4 through 6 of 16, Account 930.20, Misc. General Expense of the response to Staff's First Request, Item 29.

(1) Explain why line items listed for lines 11, 50, 102, and 103 should not be excluded for ratemaking purposes.

(2) Identify and quantify the line items that should be excluded for ratemaking purposes.

c. Refer to pages 7 through 16, Account 930.23, Miscellaneous Expense.

(1) Explain why line items 14, 52, 53, 82, 112, 113, 117, 118, 119, 124, 155, 159, 160, 165, 229, 258, 259, 260, 261, 262, 263, 264, 265, 296, 302, 307, 33, 339, 370, 371, 372, 373, 375, 415, 416, 417, and 447 should not be included for ratemaking purposes.

(2) Identify and quantify the line items that should be excluded for ratemaking purposes.

10. Refer to the response to Staff's First Request, Item 30. Identify the donations that Farmers deems to be includible for ratemaking purposes and the reason(s) therefor.

11. Refer to the response to Staff's First Request, Item 42.

a. Refer to page 2 of 8 of the response wherein it says the accrual for 2016 should be \$112,595. Provide the calculation for this amount.

b. Confirm that Farmers is proposing no adjustment to its revenue requirement for the impacts of SFAS 106.

12. Refer to the response to Staff's First Request, Item 45. The answer is not responsive to the request. Provide a corrected response or explain why no correction is warranted.

13. Refer to the response to Staff's First Request, Item 48. Describe in detail Farmers' future plans regarding demand-side management, energy efficiency, and conservation.

14. Refer to the response to Staff's First Request, Item 50. Explain the increase in rent income in the test year as compared to the prior years.

15. Refer to the response to Staff's Second Request for Information (Staff's Second Request"), Item 6. Also refer to the application, Exhibit F, page 1 of 74, column (c), line 3, Other Operating Revenue of \$934,364. Provide a detailed breakdown of the Other Operating Revenue.

16. Refer to the response to Staff's Second Request, Item 21.a. For the 2015 test year the total wages are \$3.767 million, whereas in the application, Exhibit F, page

15, the total wages booked for the test year are \$3.663 million. Explain the difference and the reason(s) therefore.

17. Refer to the response to Staff's Second Request, Item 10.c., page 8 of 31, wherein the wage information for 2016 is listed.

a. What percentage of wage increase was given to non-union employees in 2016 over 2015?

b. What percentage of wage increase was given to salaried employees in 2016 over 2015?

18. Refer to the response to Staff's Second Request, Item 10.f., and the application, Exhibit F, page 42 of 74, regarding property taxes. Provide a breakdown of the increase in property tax by category (i.e., operations, maintenance, etc.)

19. Refer to the response to Staff's Second Request, Item 10.h.3, regarding Director's Expenses, Account 930.30. Also refer to the application, Exhibit F, page 43, and 51 through 74, and the response to Staff's First Request for Information, Item 32.

a. In Staff's Second Request, Item 10.h.3., Staff requested an itemization of Director's Expenses that are excludable for ratemaking purposes. Confirm that the correct amount of Farmers' excludable Director Expenses are itemized on pages 28 through 31 of the response and that they total \$15,159.96.

b. Refer to the application, Exhibit F, page 43. The expense adjustment is listed as \$16,152. Identify and explain the difference(s) in the Director's Expense adjustment in application and the amount listed in Item a. above.

c. Confirm that the following Directors' Expenses have been excluded for ratemaking purposes.

(1) All per diems for Directors attending industry association meetings with the exception of representatives to the industry association.

(2) Costs of health insurance coverage.

(3) Costs of post-retirement benefits.

(4) Costs of Christmas gifts.

(5) Costs of insurance for dependents of deceased directors.

(6) Identify and quantify all unallowable Directors Expenses, if any, by the categories listed above if they have not already been excluded in the adjustment proposed in Farmers application.

d. Provide a summary of the expenses in Account 930.30 in the format listed in the application of Case No. 2014-00339,¹ Exhibit 9, pages 9–12.

20. Refer to Farmers' response to Staff's Second Request, Item 11. State if Farmers has any employees related by blood or marriage and provide a list of these employees and their respective job titles.

21. Refer to the response to Staff's Second Request, Item 15.

a. Confirm that the appropriate amount of Farmers' interest expense on long-term debt for ratemaking purposes should be \$1,709,878, a reduction of \$59,298 from the \$1,769,176 proposed in its application.

b. Provide the amount of principal paid on long-term debt during 2015.

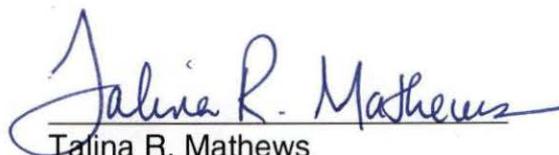
22. Refer to Farmers' response to Staff's Second Request, Item 19.a. Provide the source materials relied upon in making the recommendation and explain how each supports the annual increases between 2010 and 2015.

¹ Case No. 2014-00339, *Application of Blue Grass Energy Cooperative Corporation for an Adjustment of Rates*, (Ky. PSC May 29, 2015).

23. Refer to the response to Staff's First Request, Item 49.
 - a. Refer to the response to parts b and c. Identify the source of the initial investment of \$225,000 and the date, source and amount of the additional investment that brought Farmers total investment to \$1,476,327 as of December 31, 2015.
 - b. Refer to the response to part d. Explain the reason(s) for the decrease in net income from 2014 to 2015.
 - c. Provide the financial statements for Farmers Energy Services Corporation for 2016.
24. Refer to the response to Staff's Second Request, Item 21.c.(2). Explain how \$1,995,841 of the total \$1,998,521 was determined to be directly assigned to lights.
25. Refer to the income statements from the 2013, 2014, and 2015 annual reports filed with the Commission, and Staff's First Request, Item 19, page 2.
 - a. Explain the change in the Residential-Rural kWh usage reported on the income statement for those years.
 - b. Explain the difference between the 2014 kWh annual sales reported on the income statement and the 2014 purchased power kWh reported on Staff's First Request, Item 19.
26. Provide Farmers' line losses for years 2011–2016.
27. Provide Farmers' December 31 trial balance for 2015 and 2016.
28. Provide each rate class's percentage of contribution to revenue at present rates, at proposed rates, and at the cost-of-service study revenue requirements.
29. Provide the inflation rates for years 2010–2015 for the state of Kentucky.

30. Based upon the adjustments that Farmers is in agreement with, provide an updated revenue requirement schedule and identify and explain each adjustment that differs from the original revenue requirement schedule contained in the application.

31. Refer to Farmers defined employee benefit plans, the cost of those plans, Farmers' contribution to each plan and the employees contribution to each plan. Explain whether Farmers has reviewed any employee benefit surveys to determine whether its defined benefit plans are comparable to other defined employee benefit plans locally, regionally, or nationally. If so, identify the surveys and explain the results. If not, explain why.



Talina R. Mathews
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED **JAN 31 2017**

cc: Parties of Record

Farmers Rural Electric Cooperative Corporation ("Farmers")

CONFIDENTIAL - Case NO: 2016-00365

Salary & Benefit Data by Employee -

2011

Employee Number	Title	Regular	Overtime	Vacation Payout	Standby	Bonus	Other	Sub-Total	Health Benefits Cost		Dental Benefits		Vision		Life Insurance		AD&D		401k		Defined Benefit Retirement		Any Other	Totals		
									Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee		Farmers	Employee	Farmers
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Farmers Rural Electric Cooperative Corporation ("Farmers")

CONFIDENTIAL - Case NO: 2016-00365

Salary & Benefit Data by Employee -

2014

Employee Number	Title	Regular	Overtime	Vacation Payout	Standby	Bonus	Other	Sub-Total	Health Benefits Cost		Dental Benefits		Vision		Life Insurance		AD&D		401k		Defined Benefit Retirement		Any Other	Totals		
									Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee		Farmers	Employee	Farmers
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Farmers Rural Electric Cooperative Corporation ("Farmers")

CONFIDENTIAL - Case NO: 2016-00365

Salary & Benefit Data by Employee -

2014

Employee Number	Title	Regular	Overtime	Vacation Payout	Standby	Bonus	Other	Sub-Total	Health Benefits Cost		Dental Benefits		Vision		Life Insurance		AD&D		401k		Defined Benefit Retirement		Any Other	Totals			
									Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee		Farmers	Employee	Farmers	Employee
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Farmers Rural Electric Cooperative Corporation ("Farmers")

CONFIDENTIAL - Case NO: 2016-00365

Salary & Benefit Data by Employee -

2016

Employee Number	Title	Regular	Overtime	Vacation Payout	Standby	Bonus	Other	Sub-Total	Health Benefits Cost		Dental Benefits		Vision		Life Insurance		AD&D		401k		Defined Benefit Retirement		Any Other	Totals			
									Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee	Farmers	Employee		Farmers	Employee	Farmers	Employee
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