

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9536
FOR AN ADJUSTMENT OF RATES)

O R D E R

IT IS ORDERED that Taylor County Rural Electric Cooperative Corporation ("Taylor County") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by July 3, 1986, or within 2 weeks after the date of this Order, whichever is later. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

Information Request No. 2

1. With reference to Exhibit A, Page 1, explain the increase in temporary investments to \$1,150,000 in 1986. Provide a schedule showing the amount of each investment, the interest rate in effect at the end of the test year, and where invested. In addition, discuss any anticipated use of these funds.
2. With reference to Exhibit C, please clarify the dates on which REA loans 1A160 and 1A162 were drawn.

3. Exhibit D, Page 1, shows that, during the test year, funds were provided in the amount of \$966,000 from borrowings from the United States of America ("USA") and \$750,000 from the Louisville Bank for Cooperatives ("LBC"). Please reconcile these amounts with those shown in Exhibit C.

4. With reference to Exhibit D, Page 2, provide the following:

a. The annual amount of funds used for extension and replacement of plant, net of reimbursements for the past 5 calendar years.

b. A discussion of the reason that principal reduction on the USA debt was \$124,334 during the test period as compared to \$414,224 during the previous 12 months.

5. With reference to Adjustment No. 3, please explain how the change in wage level for all salaried personnel was determined.

6. With reference to Adjustment No. 5, provide the following:

a. A schedule of the components of the employee retirement costs.

b. The reason that this portion of the adjustment is based on computations utilizing total wages (including wages for overtime hours) rather than base payroll.

c. A discussion of how the premiums are determined by the company (or companies) providing the benefits.

d. Provide copies of the invoices for the retirement costs and the Blue Cross-Blue Shield premium for the test year and for the prior year.

7. With reference to Adjustment No. 6, provide a discussion of the analysis (or a copy of the study) supporting the increase in the composite depreciation rate for the distribution plant.

8. With reference to Adjustment No. 7, provide the following:

a. A discussion of the change in the interest rate on the \$700,000 LBC debt from 9.5 to 11.95 percent.

b. A discussion of the options available to Taylor County with regard to the LBC financing. Include an explanation of Taylor County's decisions.

9. With reference to Adjustment No. 8, provide the interest rate on these funds at the end of the test year if these funds have been invested by Taylor County.

10. With reference to Adjustment No. 9, provide a copy of the invoice for October 1985-1986 and for the prior policy year.

11. With reference to Exhibit JJ, Pages 28 through 34, provide the following:

a. A thorough discussion of the computations to determine the revenue needed.

b. An explanation of why the optional equity level and required rate of return on equity exclude the provision for rotating capital credits.

c. An explanation relating the revenue determination in Exhibit JJ to the increase requested.

12. With reference to Exhibit K, PSC No. 2, provide the following:

a. An explanation of the miscellaneous expenses of \$1,687.55 and \$1,734.64 for the IRS audit.

b. An explanation of the \$7,947.84 board election expenses. Include the amount expended for this item for each of the past 5 years.

c. Are directors and employees reimbursed for other than the actual costs or for expenses associated with spouses when attending meeting on behalf of the cooperative? If yes, provide a schedule categorizing the amount included in the test year for each director.

13. With reference to Exhibit K, PSC No. 9, please explain why the determination of rate base includes annual power costs for 12 days and does not exclude consumer advances for construction.

14. With reference to Exhibit K, PSC No. 11, provide the following:

a. A detailed discussion of the union negotiations in connection with the \$15,438.98 paid to Brown, Todd and Heyburn. Include the length of the contract and detail any other expenses associated with the negotiations.

b. An explanation of the \$4,069.10 paid to Spragens, Smith and Higdon.

15. With reference to Exhibit K, PSC No. 16, provide an explanation of the increase in the following accounts:

a. Account 923 - Outside Services, \$19,069.

b. Account 9301 - Directors Fees, \$10,935.

c. Account 9304 - Miscellaneous, \$18,652.

d. Account 4081 - Property Tax, \$11,000.

16. With reference to Exhibit K, PSC No. 20, provide the following:

a. An explanation of the fees and miles paid to the inspection committee. Include a discussion of the duties and responsibilities.

b. A discussion of why Taylor County provides a per diem to directors for attendance at meetings other than Taylor County regular or special board meetings.

17. With reference to the audit report by Dean, Dorton and Ford provide Taylor County's response to the recommendations included on pages 2 and 3 under the "Accounting Records" section. Include a discussion of the effect of these recommendations on the test year results.

18. Explain why Taylor County has deviated from the methodology approved in Administrative Case No. 251-49, by including interest expense in its calculation of annual carrying charges, as shown in Exhibit G, page 27.

19. Provide the workpapers used to calculate the \$7,276 Street Lights revenue figure shown in Exhibit JJ, page 27.

20. Reconcile the difference between the proposed Street Lights revenue figure shown in Exhibit G, page 22, and the proposed Street Lights revenue figure shown in Exhibit JJ, page 27.

21. a. In Exhibit G, page 1, Taylor County has a \$2.70/light charge under its current Street Lights schedule. Explain the absence of a normalized revenue figure for this charge in Exhibit G, page 20.

b. In Exhibit G, page 1, Taylor County has a \$2.70/light charge under its proposed Street Lights schedule. Explain the absence of a proposed revenue figure for this charge in Exhibit G, page 22.

22. a. In Exhibit G, page 1, Taylor County has a Security Lights on Residence tariff and a Security Lights on Small Commercial tariff. Explain the absence of normalized revenue figures for these tariffs in Exhibit G, page 20.

b. Explain the absence of proposed revenue figures for these tariffs in Exhibit G, page 22.

23. Has Taylor County performed a depreciation study in order to justify the requested increase in the composite depreciation rate?

24. Is the composite rate the only depreciation rate change requested?

25. For account 593A, please describe the account title.

26. Referring to the Commission's first information request, please address question 23.

27. If the Company has prepared a cost of service study in accordance with the methodology described in the NARUC Cost Allocation Manual provide the study and all workpapers.

28. Did Taylor County participate in East Kentucky Power's Residential Load Research program? Was it used in the proposed cost of service study?

29. How were plant accounts 364, 365, 366, 367, 368, 369, 370 and 371 allocated to the customer rate classes in Exhibit JJ, page 21 of 34? Provide workpapers.

Done at Frankfort, Kentucky, this 25th day of June, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick
For the Commission

ATTEST:

Secretary