

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF JACKSON)
PURCHASE ELECTRIC COOPERATIVE)
CORPORATION FOR PERMISSION TO FLOW)
THROUGH A WHOLESALE RATE INCREASE) CASE NO. 10277
FILED BEFORE THE KENTUCKY PUBLIC)
SERVICE COMMISSION BY BIG RIVERS)
ELECTRIC CORPORATION, DOCKET NO.)
10265)

O R D E R

IT IS ORDERED that Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase") shall file the original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. 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 ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than 10 days after the receipt of this Order. If the information cannot be provided by

this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Rehearing Information Request No. 2

1. In its informational request of February 2, 1989, the Commission ordered Jackson Purchase to provide information concerning its proposed adjustment to tree trimming expenses. Jackson Purchase's response failed to adequately address the following items:

a. "Provide a detailed explanation of why it is essential to maintain the level of tree trimming provided in the current 5-year rotation cycle." Jackson Purchase's answer was not responsive. Provide copies of all studies performed for or by Jackson Purchase which support the use of a 5-year rotation plan for tree trimming.

b. "Provide a detailed explanation of why the inclusion of \$127,518 of tree trimming expense to the test year will result in a reasonable, ongoing level of expense for such maintenance." Jackson Purchase responded that such an explanation was provided in the testimony and exhibits of its application for rehearing. The only reason given for the proposed increase of \$127,518, however, is that the actual expense for tree trimming in 1987 was below the actual expense for 1985, 1986, and 1988 as well as the amount budgeted for tree trimming in 1987. Further explanation as to why the additional \$127,518 to the 1987 expenses will result in a reasonable, ongoing level of expense should be

provided. Provide the requested detailed explanation or provide the references to the record where this question has been answered.

c. "Provide a detailed explanation of how the rotation plan yearly budgets were formulated for 1986 through 1990. The explanation should include all supporting workpapers used in developing the budgets. Include complete details of all assumptions used and calculations performed in the workpapers." Jackson Purchase provided figures for the requested years, but failed to provide any explanation as to their development or any supporting workpapers. Provide the requested documentation.

d. "Indicate when the next rotation plan is expected to begin and what is the expected expense of the next rotation plan." Jackson Purchase failed to provide the amount of the expense or explain why a higher cost is expected. Provide this information. Provide a copy of all studies conducted or used to develop Jackson Purchase's next rotation plan.

This information is essential for the Commission to evaluate the reasonableness and appropriateness of the proposed adjustment. Provide the requested information.

The remaining questions involve the clarification of Jackson Purchase's responses to the First Rehearing Information Request:

2. In the response to Item 1(e), Jackson Purchase states that ". . . it is expected that the amount spent [on tree trimming in the future] will be equal to or exceed the current amount being spent." Provide the studies or in-house analysis prepared by Jackson Purchase which supports this conclusion.

3. In its response to Item 1(f), Jackson Purchase states that "line loss results from many factors."

a. Explain all the factors that contribute to line loss.

b. Does tree trimming have an effect on line loss? If the response is yes, explain how Jackson Purchase determines that line loss occurs.

4. Regarding the response to Item 2, provide a detailed breakdown and explanation of the two-man crew expenses for the years 1986 through 1988. The breakdown should include:

a. Number of regular hours worked.

b. Number of overtime hours worked.

c. Regular hourly rates paid.

d. Overtime hourly rates paid.

e. Specific information with regard to any additional costs incurred with the two-man crews which were included in the annual amounts shown in the response.

5. Regarding the response to Item 4,

a. Explain why the answer indicates that 20 substations were included in the budgeting for the rotation plan, while 19 substations are listed throughout the response to the information request.

b. Explain why "size, location and growth conditions of each project" were factors in the budgets developed for 1989 and 1990, but apparently were not factors considered in the development of the budgets for 1986 through 1988.

6. Regarding the response to Item 5(b),

a. A review of the bid responses and contracts awarded for the two-man crew work indicates that the lowest bidder normally has not been awarded the contract. Jackson Purchase's rehearing application indicates on page 1 of 13 that bids are taken on all tree trimming projects and the lowest bidder is awarded the contract. Provide a detailed explanation as to why the practice of using the lowest bidder has not been followed in awarding the two-man crew contracts.

b. The two-man crew contracts do not include a provision for the payment of overtime. However, throughout its information response, Jackson Purchase refers to overtime rates. Provide a detailed explanation of arrangements for payment of overtime under these contracts. Also explain how overtime requirements are considered in the bid selection process.


7. Regarding the response to Item 5(d), a review of the bid responses and contracts awarded indicates that Jackson Purchase has normally awarded the rotation plan contracts to the lowest bidder. Explain the basis for not following this practice in awarding the Ledbetter substation contract.

8. Regarding the response to Item 8, provide the budget amounts for the two-man crews for the years 1985 through 1988.

Done at Frankfort, Kentucky, this 6th day of April, 1989.

PUBLIC SERVICE COMMISSION

ATTEST:


For the Commission

Executive Director