

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE FLEMING-)
MASON RURAL ELECTRIC COOPERATIVE) CASE NO. 90-081
CORPORATION FLEMINGSBURG, KENTUCKY)

O R D E R

IT IS ORDERED that Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") 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 make certain that it is legible. Where information requested herein has been previously provided, 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 June 26, 1990.

1. Exhibit A, Schedule 2, of the application shows the long-term debt of Fleming-Mason as of February 28, 1990. The test period in this case ends January 31, 1990. Provide a version of

this schedule reflecting the same information as of January 31, 1990.

2. Throughout the application, it is indicated that the increase in operating revenues sought by Fleming-Mason in this case totals \$899,831. However, in Exhibit I, page 1 of 3, Fleming-Mason states that the total additional revenue required is \$901,322. Provide an explanation concerning which amount of increase is correct.

3. Concerning Exhibit E, Schedule 3, page 3 of 16, provide a schedule of Fleming-Mason's delinquent accounts for the test period, February 1989 through January 1990, showing the number of accounts delinquent for each month in the test period. Include the monthly total dollar value of the delinquent accounts.

4. Concerning Exhibit E, Schedule 3, page 4 of 16, the proposed adjustment for helicopter line inspections, provide the yearly hours and rate paid for inspections during the period 1985 through 1988.

5. Concerning Exhibit E, Schedule 3, page 5 of 16, the proposed adjustment for computer billing services, provide the following information:

a. The test period actual cost for computer billing services.

b. The cost per account per month at the end of the test period is 41 cents. Indicate the cost per account per month in effect from February through August 1989.

6. Concerning Exhibit E, Schedule 3, page 6 of 16, the proposed adjustment for the wage and salary plan, provide the following information for each employee:

a. The actual regular hours worked during the test year.

b. The actual overtime hours worked during the test year.

c. The test-year-end wage rate for each employee and the date of the last increase.

d. A calculation of the percent of increase granted during the test year.

e. The wage rates which will be effective on June 1, 1990 and October 1, 1990.

f. The test-year-end rates and base wages for Federal and Kentucky Unemployment taxes.

The information should identify all employees as either salaried or hourly, and also as either full-time, part-time, or temporary. Employee numbers or other identifiers may be used instead of employee names. Include an explanation of how the overtime pay rate is determined. All employees terminated during the test year should be identified, as well as those employees added during the test year.

7. Provide a copy of any studies, reports, or other analysis performed which led to the development of the wage and salary plan established in 1989.

8. On page 7 of 16, the amounts shown in column C indicate that payroll was capitalized at 25.3 percent and expensed at 74.7

percent. Proposed adjustments to FICA and the retirement plan reflect the same capitalization rate. However, on page 7 of 16, the amounts shown in column H indicate the payroll is to be capitalized at 24.7 percent and expensed at 75.3 percent. Provide explanations which address the following issues:

a. The capitalization rate Fleming-Mason proposes to use for its adjusted test year.

b. If Fleming-Mason proposes to use the 24.7 percent capitalization rate, why was a rate of 25.3 percent used in the proposed adjustments to FICA and the retirement plan.

9. Concerning Exhibit E, Schedule 3, page 9 of 16, the proposed adjustment to the retirement plan, provide the following information:

a. A narrative description of the retirement plan. Include copies of any information supplied to employees concerning the plan and indicate when the plan was started.

b. An explanation of whether the overtime payroll is included in the base payroll figure as of January 31, 1990, and why overtime pay should be included in the retirement plan.

c. The test-year actual cost of the retirement plan to Fleming-Mason.

10. Concerning Exhibit E, Schedule 3, page 12 of 16, the proposed adjustment for pole treatment and inspection, provide the following information:

a. The number of poles treated and inspected for the years 1985 through 1988. For each year, include the same

breakdown of inspection activity, number of poles, and contract price as shown on page 12 of 16.

b. Indicate whether all of the treatment and inspection activity was under contract or if any of the work was performed in-house.

c. Describe the process Fleming-Mason uses in awarding the pole treatment and inspection contracts.

d. Indicate when Fleming-Mason established its ten year inspection and treatment cycle.

e. A copy of any studies or analyses performed which led Fleming-Mason to decide on a ten year cycle.

11. Concerning Exhibit E, Schedule 3, page 13 of 16, the proposed adjustment to transportation equipment depreciation, provide the following information:

a. The in-service dates for the three trucks purchased or delivered after test-year end.

b. Identify the costs and associated accumulated depreciation related to utility vehicles that the additions will be replacing.

c. Explain why Fleming-Mason is in effect proposing a post-test-year adjustment to utility plant without updating all revenue, expense, capital, and investment accounts.

d. Explain how the transportation expense capitalization rate of 33.42 percent was determined and what the rate computation is based on.

12. Concerning Exhibit E, Schedule 3, page 14 of 16, the proposed adjustment for meter reading, provide the following information:

a. Indicate the number of meters read by Fleming-Mason during calendar years 1985 through 1989 and the number read during the test year. Include the number of readings by month as well as for the year.

b. A detailed breakdown which shows how the contract rate of 65 cents per meter was determined.

c. A thorough explanation of why Fleming-Mason was not able to complete the annual reading of all meters. Indicate whether this has been a recurring problem or whether it has developed only recently.

d. A thorough explanation of why Fleming-Mason's approach of using retired personnel on a contract basis is the most reasonable method of addressing this problem.

13. Concerning Exhibit E, Schedule 3, pages 15 and 16 of 16, the proposed adjustment to depreciation expense, provide the following information:

a. A detailed description of the utility plant relating to work order schedules 586 and 587. Include the in-service dates for the utility plant covered by these work order schedules.

b. Explain why no depreciation was shown for \$101,591.53 of power operated equipment.

14. Concerning Exhibit F, Schedule 4, the month end balances for operation and maintenance expense accounts, provide the following information:

a. A detailed explanation of the nature and purpose of Account No. 903.400, Collection in Field.

b. A thorough description of how Fleming-Mason arrives at the amounts recorded in Account No. 904, Uncollectible Accounts Expense. Indicate whether the late payment penalty instituted in October 1989 has had any impact on this account.

15. Concerning Exhibit J, the direct testimony of Anthony P. Overbey, provide any studies or analyses performed which support Fleming-Mason's request for a Times Interest Earned Ratio ("TIER") of 2.25.

16. Provide a copy of Fleming-Mason's equity management plan. Indicate when the current plan was adopted and identify any changes made in the plan during the test year. Also indicate when the last general capital credit retirement took place and how current is Fleming-Mason's rotation of capital credits.

17. Concerning the response to Item 2 of the May 3, 1990 Order, for each transaction listed, indicate which of the following subaccounts the amount was recorded as:

a. Subaccount No. 930.1, General Advertising Expense.

b. Subaccount No. 930.2, Miscellaneous General Expense.

c. Subaccount No. 930.3, Patronage Capital Expense.

- d. Subaccount No. 930.5, Member and Public Relations Expense.
- e. Subaccount No. 930.7, Directors Fees and Expenses.
- f. Subaccount No. 930.8, Dues.

18. Concerning the response to Item 15 of the May 3, 1990 Order, provide a schedule of the total costs of Fleming-Mason's annual members' meetings for the years 1985 through 1989. The schedule should show a breakdown of the expenses incurred. Include explanations for significant changes (plus or minus 15 percent) in costs from year to year.

19. Concerning the response to Item 16 of the May 3, 1990 Order, for each of the accounts listed below, provide an explanation of the reason for the change in the account total between the test year and the previous year.

- a. Account No. 580.1, Operation Fringe Benefit.
- b. Account No. 583, Overhead Line Expense.
- c. Account No. 586, Meter Expense.
- d. Account No. 587, Consumer Installation Expense.
- e. Account No. 588, Miscellaneous Distribution Expense.
- f. Account No. 590.1, Maintenance Fringe Benefits.
- g. Account No. 593, Maintenance of Overhead Lines.
- h. Account No. 593.1, Maintenance of Right of Way.
- i. Account No. 593.2, Maintenance - Klearway.
- j. Account No. 595, Maintenance of Transformers.
- k. Account No. 595.1, Maintenance - EPA Expense.
- l. Account No. 598.1, Maintenance - Security Lights.

- m. Account No. 903, Consumer Record and Collection.
- n. Account No. 908, Consumer Assistance Expense.
- o. Account No. 908.1, Consumer Fringe Benefits.
- p. Account No. 912, Marketing.
- q. Account No. 921, Office Supply and Expense.
- r. Account No. 921.1, Office Supply and Expense -

Manager.

- s. Account No. 923, Special Services - Audit, Legal.
- t. Account No. 930.2, Miscellaneous General Expense.
- u. Account No. 930.3, Patronage Capital Expense.
- v. Account No. 930.7, Directors Fees and Expenses.
- w. Account No. 932, Maintenance of General Plant.
- x. Account No. 932.1, Maintenance - General Plant

Radio.

- y. Account No. 403.7, Depreciation Expense - General

Plant.

- z. Account No. 408.3, Taxes - FICA.
- aa. Account No. 408.7, Taxes - Other.

20. On page 18 of the 1989 Annual Report for Fleming-Mason is a reference to a retired director who was paid \$1,445 in fees and expenses. Identify this retired director, the amount of fees and expenses paid in the test year, and the account these payments were recorded in.

21. Provide a copy of Fleming-Mason's policies specifying the compensation of directors and a schedule of standard director's fees, per diems, and other compensation in effect

during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

22. Concerning the response to Item 20, provide the following information:

a. Identify any compensation paid to Fleming-Mason's board members who serve on the East Kentucky Power Cooperative, Inc. ("East Kentucky") board of directors, relating to his or her service on that board. Indicate who serves on East Kentucky's board of directors from Fleming-Mason.

b. Indicate whether any of the listed expenses in this response include the costs for a director's spouse. List separately any expenses for director's spouses.

23. Concerning the response to Item 22 of the May 3, 1990 Order, the estimated costs of this proceeding, provide the following information:

a. For the costs identified as labor and overhead, for both the cost to date and the estimated costs, prepare a breakdown of these costs. The breakdown should show the number of employees involved in the preparation of this case, the appropriate hourly wages or salaries for each employee, and the amount of overhead included.

b. For the legal costs, prepare a breakdown of the \$2,000 estimate into the hours worked, hourly rate charged, and the amount estimated for any additional expenses.

24. In the response to Item 5 of the May 3, 1990 Order, page 7 of 9, reference is made to the "All-Seasons Comfort Home." Provide the following information:

a. A thorough description of the All-Seasons Comfort Home program.

b. Copies of information supplied to customers interested in qualifying for the program.

c. A schedule of all costs associated with Fleming-Mason's involvement with the All-Seasons Comfort Home program. Indicate the accounts where the costs are recorded.

d. Describe what assistance is received from East Kentucky for this program. Assistance includes materials, presentations, and background information as well as any cost reimbursements to Fleming-Mason.

25. Provide a copy of Fleming-Mason's policies specifying the compensation of its attorneys, auditors, or other professional services. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include copies of any agreements, contracts, memoranda of understanding, or other documentation which explain the nature and types of reimbursements paid for professional services. Indicate if any changes occurred during the test year, the effective date of the changes, and the reason for the changes.

26. Provide the following information concerning Fleming-Mason's property taxes:

a. The 1989 Real Estate and Tangible Personal Property tax rate for each taxing district.

b. A schedule of the idle services of Fleming-Mason as of December 31, 1989, by county.

c. The book and assessed value for all of Fleming-Mason's motor vehicles for the 1989 tax year (balances as of December 31, 1988).

d. The book and assessed value for all of Fleming-Mason's motor vehicles for the 1990 tax year (balances as of December 31, 1989).

27. A pro forma adjustment of \$2,351 for Light Charge is shown on Exhibit E, Schedule 2, page 1 of 3, of the application. Confirm whether this should be shown in brackets and whether the resulting total for the column headed pro forma adjustment should be <\$93,504>.

28. On Exhibit E, Schedule 3, page 3 of 16, Fleming-Mason has calculated an adjustment of \$49,981 for late charge revenues.

a. Provide the late charge revenues and electric revenues on a monthly basis from October 1989 through the most recent available month.

b. Fleming-Mason's late payment penalty was in effect for only the last 4 months of the test year. For the first 8 months of the test year, provide on a monthly basis the revenues collected 15 days beyond the date of the bill.

29. In Exhibit E, Schedules 2 and 3, Fleming-Mason has adjusted fuel adjustment clause ("FAC") revenues to <\$230,257> and FAC expense to <\$228,586>. These adjustments have the effect of including the over- or under-recovery of fuel costs in the determination of revenue requirements. Explain why Fleming-Mason believes FAC revenues and expenses should be included in the

determination of revenue requirements when the FAC is a fully recovering clause.

30. Exhibit I of the application includes an explanation for the calculation of rates for Schedule LIS 3.

a. Per page 2 of Exhibit I, the margin on sales to Dravo Lime Company ("Dravo") was \$273,778. Explain whether there are any costs associated with serving Dravo other than substation power costs such as assessments or dues that are based on annual revenues and depreciation and property taxes on facilities providing electric service to Dravo.

b. Dravo is served on a dedicated substation and East Kentucky's substation charge is \$1,069. Explain whether consideration has been given to increasing the LIS 3 customer charge to the level of East Kentucky's substation charge.

31. Rate schedules LIS 1, 2, 4, 4B, 5, 5B, 6, and 6B currently have customer charges based on East Kentucky's substation charge of \$1,069. Provide the cost support and explanation for increasing the customer charges in these rate schedules.

32. Rate schedules SGS, LGS, TET, and LIS 1, 2, and 3 provide service based on East Kentucky's Schedule E rates as of January 1, 1990, which includes a demand charge of \$4.34. These schedules have demand charges ranging from \$6.06 to \$7.82. Explain whether any consideration was given to reducing these charges or why no reductions were proposed.

33. In the absence of a cost-of-service study, the Commission historically has allocated revenue increases based on

the percentage of revenue provided by each customer class. Explain whether this approach was considered by Fleming-Mason and provide any position Fleming-Mason may have with respect to this methodology.

Done at Frankfort, Kentucky, this 12th day of June, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director