

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF OWEN ELECTRIC)
COOPERATIVE, INC. FOR CHANGES IN) CASE NO. 92-530
ITS UTILITY PLANT DEPRECIATION)
ACCOUNTS)

O R D E R

On March 12, 1992, Owen Electric Cooperative, Inc. ("Owen") filed its 1991 Depreciation Study ("Study"). Based upon this Study, Owen proposed changes in service life, net salvage, and life curve shapes for its various distribution plant accounts. It also proposed adoption of the use of the remaining life technique which would result in a composite depreciation rate of 4.52 percent and increase depreciation accruals by \$658,367.

After careful review and analysis of the Study, Commission Staff concurred with Owen's proposals on service life, net salvage, and life curve shape parameters. Commission Staff, however, recommended the use of the average service life technique rather than the remaining life technique. Use of the average life technique would achieve a composite depreciation rate of 4.06 percent and increase annual depreciation accrual by \$440,861. Commission Staff's recommendations did not address any resulting depreciation reserve deficiency.

Owen and Commission Staff subsequently reached agreement on all outstanding issues.¹ Based upon this agreement, Owen will have a composite whole life distribution plant account rate of 4.06 percent. This new rate will increase annual accruals by \$440,861. Owen's reserve deficiency will be amortized over a period of 28.5 years at a rate of \$205,474 per year. Based upon plant account balances as of December 31, 1990, the total increase in Owen's annual depreciation expense will be \$646,335. The effective booking date will be January 1, 1992.

The Attorney General, the only intervening party in Owen's last general rate case,² was notified of the agreement between Owen and Commission Staff and offered the opportunity to comment on it. No comments were received.

Having reviewed the Study and the Agreement and being otherwise sufficiently advised, the Commission finds that the agreement is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The depreciation parameters and depreciation reserve deficiency amortization, as set forth in the Appendix to this Order, which is attached hereto and incorporated herein, are approved.

¹ Letter from Don Mills, Executive Director, Public Service Commission, to Frank K. Downing, General Manager, Owen Electric Cooperative, Inc. (Sept. 25, 1992) (discussing depreciation proposals).

² Case No. 8618, In the Matter of Rate Adjustment of Owen County Rural Electric Cooperative Corporation.

2. Owen's records shall reflect the approved plant account parameters for the period beginning January 1, 1992.

3. Owen is authorized to amortize its depreciation reserve deficiency over a period of 28.5 years beginning January 1, 1992.

Done at Frankfort, Kentucky, this 7th day of December, 1992.

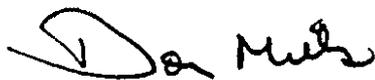
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE
NO. 92-530, DATED DECEMBER 7, 1992.

OWEN ELECTRIC COOPERATIVE, INC.
DEPRECIATION PARAMETER REPORT

<u>ACCOUNT NUMBER</u>	<u>CLASS OF PLANT</u>	<u>ORIGINAL COST AT 12-31-90</u>	<u>AVERAGE SERVICE LIFE</u>	<u>NET SALVAGE(%)</u>	<u>IOWA CURVE SHAPE</u>	<u>ACCRUAL RATE</u>	<u>ACCRUAL</u>
364	Poles, Towers & Fixtures	\$ 18,236,282	43 Years	-90%	L0	4.42%	\$ 806,044
365	Overhead Conductors & Devices	11,882,214	38	-50	L1	3.95	469,347
367	Underground Conductors & Devices	2,787,042	21	-20	S2	5.71	159,140
368	Line Transformers	7,878,546	42	0	R0.5	2.38	187,509
369	Services	3,241,084	34	-80	L0	5.29	171,453
370	Meters	1,660,789	34	0	R3	2.94	48,827
371	Install. on Customers' Premises	1,179,786	27	-35	R1	5.00	58,989
373	Street Lighting	<u>20,847</u>	27	-35	R1	5.00	<u>1,042</u>
TOTAL DISTRIBUTION PLANT =		\$ 46,886,595				ANNUAL ACCRUAL =	\$ 1,902,351

ANNUAL INCREASE IN ACCRUALS RESULTING FROM PARAMETER CHANGES = \$ 440,861
ANNUAL ACCRUAL FROM AMORTIZATION OF RESERVE DEFICIENCY = \$ 205,474
(AMORTIZED OVER 28.5 YEAR PERIOD)

TOTAL ANNUAL INCREASE IN DEPRECIATION EXPENSE = \$ 646,335