

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF THE RATES OF)
MEADE COUNTY RURAL ELECTRIC COOPERATIVE) CASE NO. 93-033
CORPORATION)

O R D E R

IT IS ORDERED that Meade County Rural Electric Cooperative Corporation ("Meade County") shall file an original and 12 copies of the following information with the 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 provided along with the original application, 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 June 3, 1993.

1. Refer to Item 1, pages 5 and 6 of 8, of Meade County's response to the Commission's April 22, 1993 Order.

a. Total normalized pay for the test period is indicated on this exhibit to equal \$2,019,934.26. However, a total of the normalized regular and overtime wages for the test period

plus normalized 401k for the test period equals \$2,035,122.79. Explain this \$15,238.95 discrepancy.

b. Refer to employee no. 103. Using an \$8.21 hourly rate and 2,080 hours for a normalized test year will not produce the normalized pay of \$14,121.20 as shown in this exhibit. Explain how regular normalized wages of \$14,121.20 were determined. State the reason for the proposed level of expense.

2. Refer to Item 2, page 2 of 26, of Meade County's response to the Commission's April 22, 1993 Order.

a. Provide a copy of any employment contract which requires Meade County to provide medical insurance coverage to its employees.

b. State whether Meade County is a party to any employment contract which requires it to pay one half of the cost of the family plan medical insurance premiums.

c. Explain why Meade County pays one half of the medical insurance premiums for employees choosing the family plan when the annual cost of this practice exceeds the annual cost of single plan coverage by approximately \$850 per employee.

3. a. State whether any member of Meade County may obtain medical insurance through Meade County's insurance policy.

b. If no, list all persons who are eligible to obtain medical insurance coverage through this policy.

4. Refer to Meade County's response to Items 3(f) and 3(g), of the Commission's April 22, 1993 Order. At page 2 of 53, Meade County states that schedules of the booked values for all motor

vehicles for the 1992 and 1993 tax years are included as pages 52 and 53 respectively. The schedule at pages 52 and 53 lists only tax years 1991 and 1992.

a. Identify the tax years which are represented by these schedules.

b. If the schedule on page 53 represents the 1992 tax year, provide the booked and assessed values for all motor vehicles for the 1993 tax year as requested in Item 3(g).

5. Refer to Item 5 of Meade County's response to the Commission's April 22, 1993 Order.

a. State the date when the most recent increase in the monthly fees paid to board members was approved and became effective.

b. Provide the level of the monthly board fee paid prior to the most recent increase.

c. Provide a copy of the board minutes in which the current level of compensation was discussed and approved.

6. Refer to Item 6, page 7 of 64, of Meade County's response to the Commission's April 22, 1993 Order.

a. State the total invoiced cost of these ink pens.

b. Explain why this expense is a reasonable expense for rate-making purposes.

7. Refer to Item 9 of Meade County's response to the Commission's April 22, 1993 Order. State how the following invoiced costs are related to the provision of electric service to the members of Meade County:

- a. Invoice no. 29857, youth education.
- b. Invoice no. 30281, flowers.
- c. Invoice no. 30325, youth education.
- d. Invoice no. 30540, youth education.
- e. Invoice no. 30562, youth education.
- f. Invoice no. 30662, youth education.
- g. Invoice no. 30915, youth education.
- h. Invoice no. 31344, agriculture community recognition.
- i. Invoice no. 31378, county fair display.
- j. Invoice no. 31563, county fair display.
- k. Invoice no. 31983, youth education.
- l. Invoice no. 32115, youth education.
- m. Invoice no. 32437, flowers.
- n. Invoice no. 32668, flowers.

8. Refer to Meade County's response to Item 9 of the Commission's April 22, 1993 Order.

a. Provide a copy of the advertisement supporting invoice no. 29873.

b. State why the invoiced costs associated with invoice nos. 32530 and 32540 should not be considered promotional in nature.

9. Explain why Meade County pays a portion of the premiums for medical insurance coverage for Board of Directors members when they are not employees, are paid a fee for each meeting attended and reimbursed their expenses.

10. Refer to Meade County's response to Item 25, pages 3 and 4 of 4, of the Commission's March 1, 1993 Order.

a. Provide a breakdown of the compensation paid to Meade County's attorney(s). At a minimum, this breakdown should separately show amounts paid for retainer services, specific litigation costs, benefits costs—including medical, dental and life insurance, and meeting expenses.

b. Explain why expenses other than the retainer and specific litigation charges should be included in the reasonable level of expenses for rate-making purposes.

11. In its response to Item 14(a) of the Commission's April 22, 1993 Order, Meade County states that its capital management plan was filed in response to Item 13 of the Commission's March 1, 1993 Order. The response to Item 13 includes the policy regarding capital management and states that the policy goals are to be reached and maintained by the establishment of a capital management plan. No capital management plan is included. Provide a copy of the capital management plan, if any, in effect during the test year.

12. Refer to Item 7, page 7 of 16, of Meade County's response to the Commission's March 1, 1993 Order. For each of the Account No. 131 sub-accounts, provide:

a. The interest income earned on each cash or investment subaccount during the test year.

b. The test year-end interest rate available on each cash or investment subaccount.

13. Refer to Item 7, page 7 of 16, of Meade County's response to the Commission's March 1, 1993 Order. Provide a complete narrative explanation of the purpose of Account No. 131.170.

14. Refer to Exhibit C, page 3 of 4, of Meade County's application. Provide the following:

a. A complete breakdown of the \$87,823.98 in Non-Operating Margins - Interest recorded during the test year.

b. A complete breakdown of and narrative explanation for the \$17,326.08 recorded as Other Deductions.

15. Refer to Item 19(a), pages 2-13, of Meade County's response to the Commission's April 22, 1993 Order.

a. Provide authority for the statement that the minimum plant method is the standard approach used for cost-of-service studies involving rural electric cooperatives.

b. State whether a zero-intercept study was performed by Meade County. If yes, provide the results of such study.

16. Refer to Meade County's response to Item 19(b) of the Commission's April 22, 1993 Order.

a. According to Meade County's response, transformer allocation was determined by multiplying \$295.33 by 19,652 customers and by 55.76 percent (the number of transformers per customer). This method yields \$3,236,212.91, not \$3,236,226. Explain how the \$3,236,226 amount was derived.

b. Electric Utility Cost Allocation Manual (National Assn. of Regulatory Utility Regulatory Commissioners', Jan. 1992)

provides that the customer share of Account 368 may be determined by multiplying the average installed book cost of minimum size transformer by number of transformers in that plant account. State whether Meade County believes that this method is appropriate.

17. Refer to Item 20 of Meade County's response to the Commission's April 22, 1993 Order.

a. Explain how the distribution plant weights are related to service entrance and meter costs and the number of customers.

b. Explain how billing weights per class are related to average meter reading cost, number of readings, and the number of bills per year.

18. Refer to Item 21 of Meade County's response to the Commission's April 22, 1993 Order.

a. State whether the cost-of-service study will be amended to reflect the change in Account 360's allocation. Explain.

b. State whether it is Meade County's position that services and meters have no demand component and should be allocated solely to consumers.¹ If yes, explain this position.

19. Refer to Item 27(b), page 10 of 13, of Meade County's response to the Commission's April 22, 1993 Order and to Meade County's Application LBC Exhibit 9, page 23 of 36.

¹ The quotation from the NARUC manual given in question 21 of the April 22, 1992 Order was inadvertently omitted and was taken from page 90 (chapter 6, section II).

a. State whether the average monthly demand figures listed in LBC Exhibit 9 are the sum of total monthly demand divided by 12 months for each of the firms. Explain.

b. Explain how the coincidence factors for each customer in the large power rate class were determined.

c. Explain how the average monthly demand of 12,232 KW and the coincidence factor of 67 percent were determined.

d. Explain why the general service 0-49 class factor should be the same as the large power class factor. Provide all studies to support this position.

e. State whether, by allocating only the residential, commercial and general service 0-49 (<10KW) classes demand using KWH sold, Meade County is ignoring class load factors and using two different methodologies to allocate total demand. If no, explain why not.

20. Refer to Items 27(c) and (d) of Meade County's response to the Commission's April 22, 1993 Order.

a. State whether Meade County has noncoincident peak demand data for each of its substations.

b. State whether the total of noncoincident peak demand for each substation equals 568,308 KW-MOB.

c. (1) State whether Meade County is taking the monthly average of the total system noncoincident peak (equal to 47,359 KW) and terming it the average coincident system peak.

(2) State whether this monthly average is actually greater than an average of monthly coincident peaks taken from substation metered data.

d. (1) State whether, despite the terminology used, Meade County's cost-of-service study employs the 12 CP method but uses average NCP data. If no, explain why not.

(2) State whether Meade County's cost-of-service study determined class KWH sales shares for the residential, commercial, and general service 0-49 (<10KW) classes without use of class demand data. Explain.

21. Refer to Item 27(e)(1) of Meade County's response to the Commission's April 22, 1993 Order. Provide all studies which support Meade County's position that the residential, small commercial and general service (<10KW) rate classes have the same peaking pattern.

22. State whether, under the present circumstances and for the sake of consistency across rate classes, it be appropriate to use the class energy allocators to allocate demand. Explain.

Done at Frankfort, Kentucky, this 19th day of May, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Don Mills
Executive Director