

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AUTHORIZATION UNDER KRS 278.300 OF)	
FLEMING-MASON ENERGY COOPERATIVE)	
CORPORATION OF APPROVAL OF)	CASE NO.
GUARANTEE OF REVOLVING LINE OF)	2002-00291
CREDIT FOR FLEMING-MASON SERVICE)	
CORPORATION)	

SECOND DATA REQUEST OF COMMISSION STAFF TO
FLEMING-MASON ENERGY COOPERATIVE CORPORATION

Fleming-Mason Energy Cooperative Corporation (Fleming-Mason), pursuant to 807 KAR 5:001, is to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this data request. 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 person 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 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.

1. Refer to the response to the Commission Staff s First Data Request dated December 20, 2002, Item 2. Fleming-Mason was asked to provide a schedule detailing the date of each transaction, the interest rate, the outstanding balance of the loan or

borrowing as of October 1, 2002, and a description of all terms or conditions of the loans or borrowings extended to Fleming-Mason Service Corporation (Service Corp.). Fleming-Mason was also to provide copies of the notes or loan agreements documenting each loan or borrowing. Fleming-Mason s reply did not include any notes, loan agreements, or descriptions of the terms or conditions of the loans or borrowings.

a. Provide the originally requested information.

b. If documents evidencing the loans or borrowings do not exist, provide a detailed explanation of why they do not exist.

c. Provide an update of the outstanding balance of the loan or borrowings as of the January 31, 2003.

d. Has Fleming-Mason performed an analysis of the total amount it can afford to loan to Service Corp. without materially affecting the operations and maintenance of Fleming-Mason? If yes, provide the analysis and all supporting calculations. If no, explain in detail why such an analysis has not been done.

2. Refer to the response to the Commission Staff s First Data Request dated December 20, 2002, Items 2 and 6.

a. According to the schedule provided in the response to Item 2, Fleming-Mason advanced Service Corp. \$277,000.00 between February 11, 2002 and September 25, 2002. Provide a detailed schedule showing how Service Corp. utilized these advances.

b. From the schedule provided in Item 2, accrued expenses charged to Service Corp. from Fleming-Mason for the period January 2002 through September 2002 total \$33,580.88. The financial statements provided in Item 6(a), page 1 of 2,

show expenses for the 9 months ending September 20, 2002 of approximately 5 times the accrued amount. Provide a reconciliation of these two levels of expense. Include a detailed explanation of each reconciling item.

3. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 3. The response indicates that Service Corp. offers broadband services in one county and that construction in other counties will require additional borrowings.

a. Provide a list of the counties in which Service Corp. plans to offer its services.

b. Provide a projection of the capital costs for each county.

c. Provide an estimate of the potential customers for each county and distinguish between residential and commercial customers.

d. Provide a timeline for the planned construction.

4. Given Service Corp.'s expansion plans and based on current projections,

a. When does Service Corp. anticipate that it will begin servicing the debt to National Cooperative Services Corporation (NCSC)?

b. When does Service Corp. anticipate that it will begin servicing the debt to Fleming-Mason?

5. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 4(a). Using the Prices and Services provided in the response,

a. Provide a schedule detailing the current number of customers by service level.

b. Provide the average cost of the customer premises equipment (CPE) by service level incurred by Service Corp.

c. Include a calculation of the average payback time for the CPE by service level.

d. Provide a description of the fees involved if a customer terminates services prior to the end of the contract.

e. Explain in detail how Service Corp. determined the Prices and Services schedule. Provide all supporting documents and calculations.

6. Refer to the response to the Commission Staff s First Data Request dated December 20, 2002, Item 5(c). Fleming-Mason was asked to provide a schedule that reflected actual results compared to projections for the period from June 2002 through October 2002. The response appears to have co-mingled actual results with future projections. Provide a schedule that compares the actual number of customers by service level for the period June 2002 through January 2003 with Service Corp. s projected number of customers by service level for the June 2002 through January 2003 period.

7. Refer to the response to the Commission Staff s First Data Request dated December 20, 2002, Item 6(a). Provide the balance sheet as of December 31, 2002 and the income statement for the 2002 calendar year for Service Corp. in the same format provided in the response to Item 6(a).

8. Refer to the response to the Commission Staff s First Data Request dated December 20, 2002, Item 6(b). The response appears to only address changes in the

financial forecast. Fleming-Mason was requested to indicate if there had been changes to the business plan since the version submitted in Fleming-Mason's last rate case.

a. Provide the originally requested information concerning changes to the business plan of Service Corp.

b. Explain in detail how Service Corp. utilizes its business plan.

c. Did Service Corp. revise its business plan in response to changes in the industry since the original business plan was developed? If yes, explain in detail the specific changes made relating to changes in the industry. If no, explain in detail why the business plan was not revised.

9. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 7. In the response, Service Corp. contends that its business continues to flourish and prosper and doesn't see the need in preparing detailed exit strategies given the current success rate of its business plans. Explain in detail how Service Corp. can contend that it is flourishing, prospering, and enjoying success when its financial statements show outstanding accounts payable and notes payable of more than 2 times its total assets and negative capital equal to nearly 1.5 times its total assets.

10. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 8(a). Fleming-Mason was asked to explain in detail why the guarantee of the NCSC line of credit did not demonstrate that the regulated utility is subsidizing a non-regulated affiliate. The provided answer was not responsive to the request. Provide the originally requested explanation.

11. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 8(a). Fleming-Mason states that Service Corp. should be able to generate enough revenue to cover its operating cost and debt service payments within the next 2 years.

a. Provide Service Corp.'s projection of its requirements for additional loans from Fleming-Mason for the years 2003-2004.

b. Explain whether Service Corp. is expected to require additional loans from Fleming-Mason after 2 years.

12. Explain whether Fleming-Mason believes that converting Service Corp.'s debt from a renewable line of credit to a longer-term debt instrument could result in a more favorable interest rate. In the explanation, include when Fleming-Mason would consider to be a reasonable time to convert to longer-term debt.

13. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 8(b). The response states that the Fleming-Mason board of directors is provided with work plans and budgets for Service Corp.

a. Provide copies of the most recent work plans and budgets given to the Fleming-Mason board of directors. Indicate when this information was provided to the board of directors.

b. How often are work plans and budgets given to the board of directors of Fleming Mason?

14. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 8(c). Fleming-Mason was asked to detail the steps taken to protect the regulated utility's financial condition. The response states that the losses

could easily be amortized and not materially affect the financial integrity of Fleming-Mason.

a. Provide a detailed explanation of how Fleming-Mason reached this conclusion. Include all studies, workpapers, calculations, or other support documentation used by Fleming-Mason to reach this conclusion.

b. Would the Rural Utilities Service (RUS) permit Fleming-Mason to defer and amortize losses resulting from its involvement in Service Corp.? Explain the response.

c. Is Fleming-Mason aware that it would be required to get Commission approval to defer and amortize any losses resulting from Service Corp.?

d. Is Fleming-Mason aware that during a general rate case it would have to justify why Fleming-Mason's ratepayers should pay rates that include these losses?

e. Explain in detail why the repayment of a line of credit of \$750,000 and the default on \$370,950 in advances to Service Corp. would not materially affect the financial integrity of Fleming-Mason.

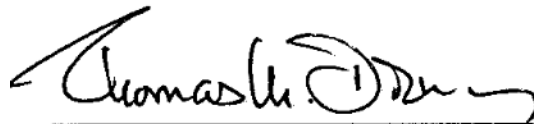
15. Refer to the response to the Commission Staff's First Data Request dated December 20, 2002, Item 9. Fleming-Mason describes grant programs currently available from RUS.

a. If grant funds become available, how much would Fleming-Mason expect to receive in grant funds?

b. How soon does Fleming-Mason expect the grant funds to become available?

16. Refer to the response to Commission Staff's First Data Request dated December 20, 2002, Item 10. The request presented the scenario that the Commission would not approve Fleming-Mason's guarantee of the line of credit between Service Corp. and NCSC. Both Fleming-Mason and Service Corp. were requested to describe the most likely impact such a decision would have on each company and to describe the actions each company would undertake in response to the Commission's decision. Only Service Corp. provided responses. Fleming-Mason is to provide the originally requested information.

17. Concerning the financial condition of Fleming-Mason, provide a copy of its current 10-year financial forecast.



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DATED March 10, 2003

cc: All Parties