

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MEADE COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION TO)	CASE NO.
ADJUST ELECTRIC RATES)	2002-00391

SECOND DATA REQUEST OF COMMISSION STAFF TO
MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Meade County Rural Electric Cooperative Corporation (Meade County) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 13, 2003. 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 requested herein has been 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 Application, Exhibit C and Exhibit 14.
 - a. Explain whether Meade County is proposing any changes to its cable television (CATV) tariff other than increasing the charges to reflect its 2001 costs.

b. Explain whether Meade County is proposing to cancel existing Sheets 29-31 of its CATV tariff.

2. Refer to the Application, Exhibit G, page 1 of 2 and Exhibit R, Cost of Service Study (Study).

a. Explain why Meade County decided to keep the increase for each rate class at something less than 4 percent.

b. Explain whether Meade County considered increasing its Rate Schedule 1 energy charge in order to mitigate the increase in the customer charge.

c. Has Meade County made a comparison of its proposed residential customer charge and those of other Kentucky cooperatives? If yes, where does Meade County s proposed customer charge rank?

3. Refer to the Application, Exhibit H, Testimony of Burns Mercer, page 3 of 15, Question 15.

a. Why has Meade County not included the capital credit rotation provision as a condition of this rate increase request?

b. Why is Meade County requesting that the settlement agreement be eliminated?

4. Refer to the Application, Exhibit I. The percentage increases listed on the exhibit do not accurately represent the increases. Provide a revised schedule that correctly calculates the percentage increases.

5. Refer to the Application, Exhibit I, Three Phase Power Service, page 2. Provide a comparison of existing rates and proposed rates for hypothetical customers using:

a. 20 kW and 5,000 kWh

b. 40 kW and 10,000 kWh

- c. 80 kW and 20,000 kWh
 - d. 100 kW and 25,000 kWh
6. Refer to the Application, Exhibit J, page 1, and Exhibit S, page 2.
- a. Explain whether what is shown as a (\$454,630) adjustment to fuel is actually the sum of the discount adjustments included within Exhibit J.
 - b. Explain whether the discount adjustment reflects the wholesale power cost adjustment in Meade County's Rate Schedule 14.
7. Refer to the Application, Exhibit N.
- a. Refer to page 15 of 18, Note 2, Investments in Associated Organizations. Explain what organizations are included in Other associated organizations and the associated amounts of investment.
 - b. Refer to page 18 of 18, Note 10, Related Party Transactions. Provide a list of each director and employee that is on a board of directors of associated organizations, as well as the name of the organizations of which they are directors.
8. Exhibit P of the Application, page 2 of 24, makes reference to Meade County's Website and association with Touchstone Energy® Cooperative (Touchstone).
- a. Provide the following information concerning this Website.
 - (1) The date Meade County started the Website.
 - (2) The development and initial start-up costs of creating the Website and a description of the accounting for these costs.
 - (3) The annual on-going costs of maintaining the Website and a description of the accounting for these costs.

(4) Are employees of Meade County responsible for maintaining and updating information presented on the Website? If so, provide the estimated cost of these employees' time and benefits.

(5) Any allocation of costs, if applicable.

(6) Provide a hard copy of each page included on Meade County's Website. This copy should reflect information on the Website within the last 30 days.

b. Provide the following information concerning Meade County's association with Touchstone.

(1) The date Meade County became a member of Touchstone.

(2) Describe the financial commitments Meade County made to Touchstone when it became a member, including, but not limited to, a membership fee.

(3) Describe the function of Touchstone and how membership with Touchstone specifically benefits Meade County and its membership.

9. Refer to the Application, Exhibit R.

a. Identify any previous rate cases where the methodology employed in the Study by the Prime Group has been accepted by the Commission.

b. Refer to the Study, pages 14-21. Provide a narrative description of all the allocation bases employed in the functionalization and classification of costs.

c. Refer to the Study, page 34, Schedule 1, Residences, Schools and Churches. Explain why the amounts used in the Consumer Charge Revenue Requirement and the Energy Charge Revenue Requirement are not the same as the amounts reported as the total Revenue Requirements by Function-Consumer Related and Remaining Revenue Requirements for Energy Rate.

10. Refer to the Application, Exhibit S, page 2 of 3. Identify the purpose and the nature of the borrowings that resulted in the Other Interest Expense of \$21,997?

11. Refer to the Application, Exhibit U. Meade County stated that no changes have been made to its bylaws since its last general rate case. However, on the copy of the bylaws provided in the response, Revision effective February 13, 2002 appears on the first page of the bylaws. Provide a description of the revisions that were effective on February 13, 2002. Provide a description of any other revisions since the last rate case.

12. Refer to the Application, Exhibit U, page 12 of 26, Section 4.05, Nominations.

a. Explain why the board of directors may serve on the nominating committee.

b. Pertaining to the board election held in the test year, how many members were on the nominating committee and how many were current directors?

c. Identify any expenses of directors relating to the nominating committee during the test year.

13. Refer to the Application, Exhibit W. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between September 30, 2001 and September 30, 2002.

a. Account No. 107.200 Construction WIP, page 3 of 17.

b. Account No. 107.210 Construction WIP-Cont., page 3 of 17

c. Account No. 108.720 Acc Deprec/Office Furn & Equip, page 5 of

17

d. Account No. 165.100 Prepayments Insurance, page 10 of 17.

e. Account No. 235.00 Customer Deposit, page 16 of 17.

14. Refer to the Application, Exhibit W. For each account listed below, describe the purpose of each account and what types of items are included in each account.

a. Account No. 107.310 WIP Contribution, page 3 of 17.

b. Account No. 107.320 WIP Contribution, page 3 of 17.

c. Account No. 108.600 Acc Prov Deprec of Dist Plt, page 4 of 17.

d. Account No. 123.100 Patronage Capital Assoc Org., page 5 of 17.

e. Account No. 123.110 Invest in Assoc. Orf. ORSC, page 7 of 17.

f. Account No. 123.120 Invest in Subsidiary Co. ORSC, page 7 of 17.

g. Account No. 235.100 Customer Deposit Inspection, page 16 of 17.

h. Account No. 253.000 Other Deferred Debits, page 17 of 17.

15. Refer to the Application, Exhibit W, page 9 of 17. Explain why Account No. 143.100, Accounts Receivable Other, has a negative balance. Provide an explanation of what is included in the account.

16. Refer to the Application, Exhibit W, page 12 of 17. Explain the purpose of Account No. 186.100, Miscellaneous Deferred Debits Transformers and Account No. 186.200, Miscellaneous Deferred Debits 2 Year Work Plan. Explain why the accounts are deferred.

17. Refer to the Application, Exhibit W, page 7 of 17 and Exhibit X, page 1 of 12. Explain the purpose of Account No. 123.100, Invest in Assoc. Orf ORSC, Account No. 123.120, Invest in Subsidiary Co. ORSC, and Account No. 418.100, Equity in Subsidiary ORSC. Provide an explanation of what is included in these accounts.

18. Refer to the Application, Exhibit X, page 2 of 12. Explain what gave rise to the transactions recorded in Account No. 426.300, Penalties.

19. Refer to the Application, Exhibit X, page 5 of 12, Account No. 593.600, Maintenance Major Storm Damage. Provide the storm damage expense for calendar years 1991 through 2001.

20. Refer to the Application, Exhibit X, page 9 of 12, Account No. 904.000, Un-Collectible Accounts. Does Meade County use the direct write-off or the reserve method to handle uncollectible accounts? Provide a description of Meade County's policy for handling uncollectible accounts.

21. Refer to the Application, Exhibit X, page 10 of 12. Describe the reason(s) for the change in the account balance between September 30, 2001 and September 20, 2002 for Account No. 920.00, Administrative & General Salaries.

22. Refer to the Application, Exhibit X. For each account listed, describe the purpose of each account and what types of items are included in each account.

a. Account No. 583.002 Making Repair Job Orders, page 4 of 12.

b. Account No. 583.003 Squeeze ups, page 4 of 12.

c. Account No. 583.100 Overhead Line Expense Big Rivers, page 4 of 12.

d. Account No. 921.120 A & G Non Regulatory Expense, page 12 of 12.

e. Account No. 930.100 Misc General Expense Magazine, page 12 of 12.

23. Refer to the Application, Exhibit Z.

a. Refer to page 1 of 19. The composition of the board changed during the test year due to the retirement of one director and the passing of another

director. Meade County has not normalized or made any adjustments to the test-year directors expense. Explain in detail why no such normalization or adjustments are included in the Application.

b. Explain in detail why Meade County had eight directors for the last 3 months of 2001 when the By-laws state that there are to be seven directors.

c. Identify the director that replaced J. A. Hamilton and the effective date of the new director s term.

d. Identify the designated and alternative representatives for Meade County to Kentucky Association of Electric Cooperatives (KAEC), National Rural Electric Cooperatives Association (NRECA), and Big Rivers Electric Corporation.

e. Refer to pages 2 and 3 of 19, Policy No. 107. The policy has an original effective date of September 22, 1994 and eight revision dates. Provide a copy of the original policy and a description of the changes made in each of the eight revisions.

f. Concerning the monthly per diem payments to the directors,

(1) Explain the reasonableness of the current per meeting director s fee.

(2) Provide the reasons why the per diem was increased 20 percent in the test year. Provide any documentation and calculations to support the increase.

(3) To the extent known, provide a schedule of monthly per diem payments paid by other regulated electric cooperatives in Kentucky to their directors.

(4) Provide a list of meetings that qualify for the special meeting fee. Were the special meetings attended during the test year recurring or non-recurring?

(5) Describe the role and function of the directors at the cooperative's annual meeting. Is a regular board meeting held in conjunction with the annual meeting?

(6) Explain the reasonableness of providing additional reimbursement of \$50 for attending KAEC meetings. Do these meetings also qualify for reimbursement as a special meeting? Explain the response in detail.

g. Concerning the provision of insurance to directors,

(1) Provide the current occupation of each director. Do the directors have access to health insurance through their employers or other sources? Explain the response in detail.

(2) Provide a list of the directors who participate in the health and dental insurance programs. Indicate the type of coverage (i.e., single or family, health and/or dental), the test-year cost of the coverage, and if the coverage is primary or secondary.

(3) Explain why Meade County is providing life insurance to its directors. Provide any analysis to support the decision.

(4) Provide a list of the life insurance benefits paid by Meade County for each director.

(5) Does the life insurance coverage terminate once the director is no longer serving as a director?

(6) Is Meade County named as the beneficiary of the life insurance policy?

(7) Provide a description of the post-retirement benefits provided to Meade County's directors. Identify each retired director currently receiving these benefits.

(8) What was the Internal Revenue Service's authorized mileage rate during the test year and what is the current authorized mileage rate?

24. Refer to the Application, Exhibit Z, pages 5 through 19.

a. Refer to page 6 and 15 of 19, explain the nature and purpose of the meetings shown on page 6, line 5, check number 63763 and on line 15, check number 65201; page 15, line 2, check number 63752 and on line 10, check number 65186.

b. Provide the dates and location of the NRECA meeting held during the test year.

c. Explain the JEB Advertising/Service Award shown on page 7 of 19, line 19, and on page 9 of 10, line 15. Explain why the expense is reasonable and should be included for rate-making purposes.

d. Explain why all of the directors attended the KAEC meeting.

(1) Was Meade County aware that the Commission has limited expenses, for rate-making purposes, to the designate and alternate?

(2) Why should the expenses for all directors be included for rate-making purposes?

e. Was Meade County aware that the Commission has not normally allowed both a per diem and actual expense reimbursement for meetings such as KAEC and other board meetings?

f. Refer to page 10 of 19.

(1) Explain the nature and purpose of the RCCU Deposit Mtg. shown on lines 14 through 25.

(2) It appears the monthly per diem is allocated. Explain the basis and reasons for the allocation. Provide all documents and calculations to support the allocation.

g. Refer to page 11 of 19. Explain the nature of the entry on line 10 and explain why there is no explanation for the transaction.

25. Refer to the Application, Exhibit 1. Provide a description of Meade County's policies and procedures concerning the following job actions. Include copies of any written policies and procedures.

- a. Determination of overall increase in wage rate.
- b. Job transfers and promotions.
- c. Yearly and 6-month reviews.
- d. Hiring and firing.

26. Refer to the Application, Exhibit 1.

a. Refer to page 1 of 10. Explain how the wage allocation factors were determined.

b. Refer to pages 3 and 4 of 9.

(1) Explain how the regular hours worked were determined for the salaried employees.

(2) What is represented by sick leave and vacation trade-in?

(3) Provide a narrative explanation of Meade County's policy on overtime. The explanation should include, but not be limited to, how much Meade County compensates employees for overtime worked and what is considered overtime.

(4) Explain how Meade County evaluates the continuation of paying overtime versus the hiring of additional employees.

c. Provide an explanation for the change in wages for employees 140 and 141.

d. Provide an explanation of why the overtime hours increased between calendar year 2001 and the test year.

27. Refer to the Application, Exhibit 2. Provide an explanation of the Premium Excess shown on page 2 and 3 of 5.

28. Refer to the Application, Exhibit 3, page 1 of 19. Provide detailed workpapers to support the Pro Forma Employee Benefits of \$819,583 reflecting each benefit type. Include supporting documentation for the costs of the 401K plan, medical insurance, and post-retirement benefits.

29. Refer to the Application, Exhibit 4.

a. Provide documentation to support the Other Taxes shown on page 1, line 1(e).

b. Provide copies of the property tax bills that document the tax rates shown on pages 2 through 4.

30. Refer to the Application, Exhibit 6. Was any consideration given to performing a depreciation study in conjunction with this rate case? Explain the response.

31. Refer to the Application, Exhibit 9.

a. Refer to page 2 of 6, Brite and Butler, Attorneys at Law,

(1) Refer to line 17. Was Meade County aware that the Commission has not normally allowed KAEC meeting expenses for cooperative attorneys to be included for rate-making purposes?

(2) Explain why the monthly retainer for the attorney was not normalized.

- (3) On line 36, is this expense recurring? Explain the response.
- b. Refer to page 2 of 6, Alan Stout, Attorney at Law. Give the best estimate of the number of years Meade County expects to have this expense.
- c. Refer to page 2 of 6, Frost, Brown and Todd, LLC. Are the transactions listed recurring?
- d. Refer to pages 3 through 5 of 6, Wayne and Debbie Weber. Provide a detailed explanation of what services are included in the computer consulting expenses. Does the test-year expense level reflect a reasonable on-going expense level? Explain the response.
- e. Refer to page 5 of 6, NRECA. How frequently does Meade County review and revise the strategic plan and the incentive plan?
- f. Refer to page 5 of 6, Daniel Drane, CPA. Provide an explanation of the service provided. How frequently are internal control audits performed?
32. Refer to the Application, Exhibit 10.
- a. Refer to page 3 of 5, line 16. Explain why the HVAC workshop fee should be included for rate-making purposes. Is this a recurring expense?
- b. Refer to page 3 of 5, line 30. Are any of the items that were individually less than \$100 related to Christmas gifts, Christmas activities, or the Washington Youth Tour? If yes, identify the amounts.
- c. Refer to page 5 of 5, lines 14 and 16. Explain why the holiday wishes ad and the gas grill for the annual meeting should be included for rate-making purposes.
33. Refer to the Application, Exhibit 12. Explain why Meade County removed the cost of the conservation messages for rate-making purposes. Provide a general

description of the messages and include the text from at least one of the conservation messages.

34. Refer to the Application, Exhibit 17, End of Year Customer Adjustment. Meade County calculated its average number of customers using a 12-month average. Is Meade County aware of the Commission's decision in Case No. 2000-00373,¹ Jackson Energy's most recent rate case, in which the Attorney General proposed and the Commission accepted, an end of year customer adjustment based on a 13-month average?

35. Refer to the Application, Exhibit 20.

a. Refer to page 2 of 7. Provide a copy of the most recent long-range financial planning goals.

b. Refer to page 3 of 7, Item B. Provide a copy of the most recent copy of the flexible capital credit rotation plan.

c. Refer to page 3 of 7, Item C. Provide a copy of the most recent capital management plan.

d. Provide the results of the most recent annual evaluation as referenced on page 3 of 7 in the policy.

36. Refer to the First Data Request of Commission Staff dated November 20, 2002, Item 21. While different capitalization rates are shown throughout the Application, there is no explanation of how the capitalization rates were determined. With this clarification, provide the originally requested information.

¹ Case No. 2000-00373, The Adjustment of Rates of Jackson Energy Cooperative Corporation, page 11 of 53.

37. Refer to the First Data Request of Commission Staff dated November 20, 2002, Item 34(a). Exhibit 11 of the Application does not include a schedule of rate case costs incurred to date. Provide the originally requested information

38. Refer to the First Data Request of Commission Staff dated November 20, 2002, Item 42.

a. Does the report shown on page 2 through 10 of 10 reflect estimates or costs of any directors of Meade County? If yes, indicate the impact on the revised annual accrual of \$65,000.

b. Provide the test-year actual accrual under FAS 106. Calculate the adjustment that would be necessary if Meade County had proposed to adjust its accrual to the revised annual amount.

39. Refer to the First Data Request of Commission Staff dated November 20, 2002, Item 45. Meade County's response did not address labor contracts. Provide the information requested.

40. Refer to the Application, Exhibit B, page 4 of 10. Provide computations and costs for overhead and underground trenching.

41. Refer to the Application, Exhibit B, page 8 of 10. Provide the reasoning behind Special Rules and Conditions 5.

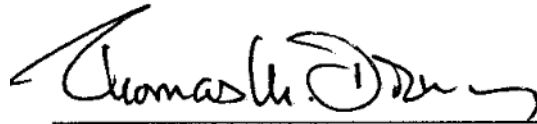
42. Refer to the Application, Exhibit B, page 9 of 10.

a. Does the consumer incur additional costs if a new pole is required for said light?

b. What type of light is offered (mercury, high pressure sodium, etc.)?

43. Refer to the Application, Exhibit B, page 10 of 10.

- a. Does the consumer incur additional costs if a new pole is required for said light?
- b. What type of light is offered (mercury, high pressure sodium, etc.)?



Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED 1/30/2003

cc: All Parties