

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE BEREA ) CASE NO.  
COLLEGE ELECTRIC UTILITY DEPARTMENT ) 2003-00010

SECOND DATA REQUEST OF COMMISSION STAFF  
TO BEREA COLLEGE ELECTRIC UTILITY DEPARTMENT

Berea College Electric Utility Department ( Berea ), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 2, 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 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 Application, Exhibit 1, page 2 of 5. Concerning the loans from the Berea College Current Fund:

a. Provide the interest rates applicable to the loans as of test-year end and as of the date of the response to this data request.

b. Provide the terms and conditions of each loan.

- c. Provide copies of all loan documentation.
- d. Prepare a schedule showing all advances and repayments made on the Berea College Current Fund loans during the test year.
- e. Did Berea secure Commission approval for the loans from the Berea College Current Fund? If yes, provide the case numbers of the applicable cases. If no, explain in detail why Commission approval was not secured.

2. Refer to the Application, Exhibit 3, pages 2, 3, 5, 7 and 9 of 50. Berea proposes changing Item (b) Availability of Service for Rate Classes 2, 3, 4, 5 and 6.

- a. Explain why Berea proposes to change the usage requirements for determining availability of service for these rate classes.

- b. Provide a schedule that shows for Rate Schedules 2, 3, 4, 5 and 6:

- (1) The number of customers served under each rate schedule at the end of the test year.

- (2) Revenue received under each rate schedule during the test year.

- (3) The number of customers that would be served under each rate schedule if the proposed changes in availability of service were in effect.

- (4) Revenue received under each rate schedule (at existing rates) if the proposed changes in availability of service were in effect.

3. Refer to the Application, Exhibit 3, pages 6, 8 and 10 of 50. Class 4-Industrial and Large Commercial Users and Class 5-Industrial and Large Commercial Users Primary Metering Customer Owned/Leased Transformers each have proposed minimum bills in excess of \$900.00. Explain why Class 6-Industrial and Large

Commercial Customers Primary Metering Non-Owned/Leased Transformers includes no provision for a similar minimum monthly charge.

4. Refer to the Application, Exhibit 3, pages 17 through 24 of 50.
  - a. Provide the supporting calculations, including all workpapers, that justify the rates shown on page 18 of Exhibit 3 for the proposed Net Metering tariff.
  - b. Explain whether the \$35.00 monthly charge shown on page 18 is in addition to the other charges shown, or if it is a minimum bill to be rendered if the sum of all other charges is less than \$35.00.
  - c. Provide the cost support for the \$35.00 charge along with a narrative explanation thereof.
5. Refer to the Application, Exhibit 3, pages 12 and 15 of 50. Explain why Berea is not proposing changes in the rates charged for Class 7-Street Lighting Service and Class 8-Private Outdoor Lighting Service.
6. Refer to the Application, Exhibit 3, page 21 of 50. Berea proposes to charge customers no more than \$50 for inspections associated with static and non-static inverter-connected generators.
  - a. Provide the cost justification for the \$50 limit for inspections.
  - b. Explain in detail why Berea has proposed a no more than inspection fee, rather than a single set charge.
7. Refer to the Application, Exhibit 6, page 1 of 10. Provide a discussion of the nature of the work associated with the KY 595 adjustment.

8. Refer to the Application, Exhibit 7, page 1 of 23. Describe the circumstances that resulted in a loss on the disposition of property during the test year of \$23,354.

9. Refer to the Application, Exhibit 7, page 7 of 23. Prepare a schedule listing each fringe benefit provided to Berea s employees and showing the portion each benefit represents of the total 23 percent factor used in the proposed pro forma adjustment.

10. Refer to the Application, Exhibit 7, page 10 of 23.

a. Explain why Berea believes the approach it used to determine its depreciation expense adjustment is reasonable.

b. Prepare a depreciation schedule that shows:

(1) The test-year-end balances for each utility plant account using the Federal Energy Regulatory Commission ( FERC ) Uniform System of Accounts.

(2) The post-test-period adjustment for KY 595 and the corresponding adjusted utility plant account balances.

(3) The applicable annual depreciation rates.

(4) The normalized depreciation expense that results from multiplying the adjusted utility plant account balances by the applicable annual depreciation rates.

11. Refer to the Application, Exhibit 7, page 19 of 23.

a. Describe the circumstances that resulted in the abnormal write off for an industrial customer.

b. Explain the application of a 70 percent multiplier to the \$65,763 outstanding bill. Include the basis for the multiplier being 70 percent.

c. Does Berea's uncollectible expense account reflect actual write offs or a reserve method reflecting a percentage of sales? Describe the approach Berea uses to determine uncollectible accounts.

d. Prepare a schedule showing Berea's annual uncollectible accounts expense for calendar years 1997 through 2001.

12. Refer to the Application, Exhibit 7, pages 20 and 21 of 23.

a. Explain the basis for allocating 50 percent of the computer support to Berea. Include a discussion of why this level of allocation is reasonable.

b. Define the phrase Banner Modules.

c. Explain why the allocation of information systems and services on the basis of headcounts and banner modules results in a reasonable allocation of expenses to Berea.

d. Do the students of Berea College have access to the software, hardware, and other computer resources described on page 21? Explain the response.

e. If the students of Berea College have access to the software, hardware, and other computer resources described on page 21, explain in detail why the cost allocation methodology does not recognize this usage.

13. Refer to the Application, Exhibit 8.

a. Provide the reason(s) supporting Berea's request for a 10 percent rate of return on rate base.

b. Is Berea proposing its requested revenue increase be based on a rate of return approach or operating ratio approach? Explain the response.

14. Refer to the Application, Exhibit 14, page 3 of 4. Explain the purpose of the Bond Trustee Expense shown for May and June. Include with the explanation a discussion of why this expense should be included for rate-making purposes.

15. Refer to the Application, Exhibit 15, Appendices 1-1 and 1-2 to the Cost of Service Study ( COSS ) and Exhibit 23, page 8 of the testimony of Michael Lane. Explain why load data from East Kentucky Power Cooperative, Inc. was used by Berea in preparing its COSS.

16. The differences between the rate blocks in Berea s rate schedules that contain multiple blocks are quite small. For several years, as rate adjustments have been implemented, the Commission has moved utilities toward flat rates rather than declining block rates. Given the small differences between both the existing rate blocks and the proposed rate blocks, a change to a flat energy charge should have a relatively minor impact on how the increase would affect customers at different usage levels within a rate schedule. Provide a narrative discussion of the issues associated with possibly changing Berea s declining block rates to flat rates.

17. Refer to the Application, Exhibit 16.

a. Did the Deloitte & Touche audit report identify any adjustments or offer any recommendations concerning the financial statements of Berea College? If yes, provide copies of that portion of the audit report.

b. Did the Deloitte & Touche audit include a review and separate report on the internal controls at Berea College? If yes, provide copies of the report on internal controls.

c. As of June 30, 2002, provide the following percentages:

(1) Berea's total revenues as a percentage of Berea College's total revenues.

(2) Berea's total operating expenses as a percentage of Berea College's total operating expenses.

18. Refer to the Application, Exhibit 17.

a. Indicate when Berea's last depreciation study was performed and identify who performed the study.

b. In conjunction with this rate case, did Berea consider having a new depreciation study performed for its utility plant? Explain the response.

19. Refer to the Application, Exhibit 19.

a. Concerning the 50-50 allocation of 18 types of shared expenses shown on page 1 of 3, explain why a 50-50 allocation of these expenses is reasonable.

b. Prepare a schedule comparing the following information for Berea College's electric utility and water utility:

(1) The number of customers as of October 31, 2002. Show both the total number of customers and by customer classes.

(2) Total operating revenues for the 12-month period ending October 31, 2002.

(3) Total operating expenses for the 12-month period ending October 31, 2002.

(4) The number of employees working for the utility as of October 31, 2002. Show the total number of employees, the number of employees with a 100 percent allocation to each utility, and the number of employees with a partial allocation to each utility.

c. Concerning the allocation of wages and salaries, explain why the allocations are based upon supervisors and administrator evaluations at budget preparation. Also explain why this allocation approach is reasonable.

d. Indicate when the wage and salary allocation percentages used during the test year were established.

e. Explain in detail why wages and salaries are not allocated based on actual time worked for each department, utilizing time coding on employee timesheets.

f. Concerning the rent and heat charges, explain why this allocation approach is reasonable.

g. Provide the calculation of the rent and heat charges recorded in the test year. Include the total square feet occupied and heated by Berea.

h. Concerning the administrative charge, explain why the outlined allocation methodology is reasonable.

i. Explain in detail why the allocation of administrative charges has been based on 1997 data instead of a more current time period. Include in the explanation a discussion of how frequently the administrative charge allocation has been reviewed.



j. Determine the administrative charge using data as of October 31, 2002 or some time period within the test year. Include all calculations, workpapers, supporting documents, and assumptions used to make the determination.

20. Refer to the Application, Exhibit 22.

a. Has Berea hired a new Utilities Administrator to replace the previous Utilities Administrator?

b. If yes to part a, indicate when the individual was hired and the salary applicable to Berea.

c. If no to part (a), does Berea anticipate hiring a new Utilities Administrator? If yes, describe Berea's efforts to date and when Berea hopes to hire a new Utilities Administrator.

d. If Berea does not plan to hire a new Utilities Administrator, would Berea agree that the test-year salary and benefits for this position should be removed from the test-year expenses? Explain the response.

21. Refer to the Application, Exhibit 30. Does Berea annually perform an analysis comparing its actual financial results with its operating budgets? If yes, provide copies of any analysis performed during the test year.

22. Refer to the Application, Exhibit 32. Item 3, Depreciation Expense, is shown as \$374,307.

a. Provide the FERC plant account numbers or a description of the plant items to which the depreciation expense of \$374,307 applies.

b. Identify the account detail level to which Berea can provide depreciation expense data (Distribution plant, account 364, or pole size).

23. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 7. For each of the accounts listed below, explain in detail the reason(s) for the change in the account balance between October 31, 2001 and October 31, 2002.

a. Page 1 of 6, Account No. 1290 Accounts Receivable Write Offs.

b. Page 1 of 6, Account No. 1291 College Utility Bills Clearing  
Accounts Receivable.

c. Page 1 of 6, Account No. 1295 Accounts Receivable.

d. Page 1 of 6, Account No. 2225 Undistributed Receipts.

e. Page 1 of 6, Account No. 1360 Material and Supplies.

f. Page 2 of 6, Account No. 1929 Poles, Towers and Fixtures.

g. Page 2 of 6, Account No. 1932 Underground Conductors.

h. Page 3 of 6, Account No. 1933 Line Transformers.

i. Page 3 of 6, Account No. 1936 Street Lighting & Signal System.

j. Page 3 of 6, Account No. 1943 Laboratory Equipment.

k. Page 3 of 6, Account No. 1944 Power Operated Equipment.

l. Page 4 of 6, Account No. 1947 Other Tangible Property.

m. Page 4 of 6, Account No. 2102 Accounts Payable General.

n. Page 5 of 6, Account No. 2218 Contribution In Aid of  
Construction.

o. Page 5 of 6, Account No. 2801 Due to Other Funds.

24. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 8. For each of the accounts listed below, explain in detail the

reason(s) for the change in the account balance between October 31, 2001 and October 31, 2002.

- a. Page 1 of 12, Account No. 5828 Industrial Class 4.
- b. Page 1 of 12, Account No. 5830 Industrial Class 5.
- c. Page 2 of 12, Account No. 5851 Provision for Rate Refund  
Electric.
- d. Pages 2 and 3 of 12, Account No. 5852 Late Payment Charge  
(Forfeited Discounts).
- e. Page 3 of 12, Account No. 5853 Other Income.
- f. Page 3 of 12, Account No. 5858 Telephone Attachments.
- g. Page 4 of 12, Account No. 6201 Administrative Salaries.
- h. Page 4 of 12, Account No. 6202 Hourly Wages.
- i. Page 4 of 12, Account No. 6203 Sick Pay Wages.
- j. Page 4 of 12, Account No. 6206 Overtime Wages.
- k. Page 4 of 12, Account No. 6208 Meter Reading Labor.
- l. Page 4 of 12, Account No. 6211 Service Labor.
- m. Page 4 of 12, Account No. 6213 Customer Service Labor.
- n. Page 4 of 12, Account No. 6740 Student Payroll.
- o. Page 5 of 12, Account No. 6856 Social Security Taxes.
- p. Page 5 of 12, Account No. 6857 TIAA/CREF.
- q. Page 5 of 12, Account No. 6858 Blue Cross/Blue Shield.
- r. Page 6 of 12, Account No. 6869 Dental Insurance.
- s. Page 6 of 12, Account No. 7452 Capitalized Labor.

- t. Page 6 of 12, Account No. 7454 Overhead.
- u. Page 7 of 12, Account No. 7462 Street Lighting.
- v. Page 7 of 12, Account No. 7472 Distribution Expense.
- w. Page 7 of 12, Account No. 7475 Overhead.
- x. Page 8 of 12, Account No. 7478 Meter.
- y. Page 8 of 12, Account No. 7481 Overhead.
- z. Page 8 of 12, Account No. 7484 PCB Transformers Disposal.
- aa. Page 8 of 12, Account No. 7485 Street Lighting.
- bb. Page 9 of 12, Account No. 7489 Computer Usage.
- cc. Page 9 of 12, Account No. 7492 Contract Labor.
- dd. Page 9 of 12, Account No. 7493 Uncollectible Accounts.
- ee. Page 9 of 12, Account No. 7494 Travel.
- ff. Page 9 of 12, Account No. 7496 Telephone.
- gg. Page 9 of 12, Account No. 7497 Electricity.
- hh. Page 10 of 12, Account No. 7505 Sundry.
- ii. Page 11 of 12, Account No. 7508 Building Maintenance.

25. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 8, page 6 of 12. Explain in detail why the account balances for Account No. 7453 Operations Labor and Account No. 7458 Repair Labor are recorded as negative balances.

26. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 14.

a. Explain in detail why Berea does not have formal written policies on the compensation of its attorneys, auditors, and all other professional service providers.

b. Indicate how much of the total annual audit cost was allocated to Berea.

27. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 16.

a. For each of the employee benefits listed below, provide a detailed description of the benefit. Include in the description a discussion of who is covered by the benefit (employee, family, surviving spouse), any required employee contribution to the cost of the benefit, and when Berea last reviewed the level of the benefit. Also include the last premium statement or invoice received during the test year for each benefit.

- (1) Retirement.
- (2) Medical Insurance.
- (3) Life Insurance.
- (4) Flexible Spending Medical.
- (5) Disability Insurance.
- (6) Employee Assistance Program.
- (7) Dental Insurance.

b. Provide the last premium statement or invoice received during the test year for the Unemployment Compensation and Workers Compensation coverage.

c. Provide a description of Berea's policies concerning Vacation Leave and Sick Leave. Include in the description how the amounts expensed are determined.

d. Explain in detail why all employee benefits are expensed. Include in this explanation why it is appropriate that some of the employee wages and salaries could be capitalized but the corresponding benefit expenses would not be capitalized.

28. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 19.

a. Explain in detail why the wages and salaries recorded as Distribution Expense and Administrative and General increased over the calendar year 2001 levels.

b. Provide the actual overtime hours recorded by Berea for calendar years 1997 through 2001 and for the test year.

29. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 20.

a. For Kevin Howard and Jack Rupard, indicate whether the individual was hired or terminated on the date noted in the last column of the schedule provided with the response.

b. Does Sharon Shearer normally work a standard year of 2,080 hours? Explain the response.

c. When calculating the proposed adjustment to wages and salaries, did Berea include Ms. Shearer at the hours worked during the test year or a normalized 2,080? Explain the response.

d. Given the levels of overtime experienced in the test year, has Berea considered hiring additional employees, even on a part-time basis? Explain the response.

30. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 22. Given Berea's proposed increase in revenues, explain why Berea did not propose adjustments to reflect additional franchise fees or the PSC Assessment.

31. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 23. Explain in detail why additions to utility plant are shown as negative amounts.

32. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 26.

a. Identify the transactions listed on pages 2 through 6 of 6 in this response which make up the total shown on page 1 of 6 for Industry Association Dues.

b. For each of the transactions listed below, explain the purpose of the transaction, the benefit received by Berea from the transaction, and why the expense should be included for rate-making purposes.

(1) Page 2 of 6, Membership fee with Quad State Instructors, Inc.

(2) Page 2 of 6, Membership renewal fees with IAEI.

(3) Page 2 of 6, Annual membership dues with KY-TN Utility Accounting Association.

(4) Page 2 of 6, January 24<sup>th</sup> Legislative Reception Fee.

(5) Page 2 of 6, Installation of phone and extension, Reference No. J0037669.

(6) Page 2 of 6, Food and supplies for Fall Employee Picnic.

(7) Page 2 of 6, Yard Work, Reference No. I0151615.

(8) Pages 2 and 5 of 6, Pens and Magnets, Reference Nos. J0037737 and J0040909.

(9) Page 3 of 6, Management Lunch Meeting, Reference No. J0037737.

(10) Page 3 of 6, Food and supplies for Employee Christmas Party, Percolators, and Ham, Reference No. Visa-MB.

(11) Pages 4 through 6 of 6, Flowers and gifts for sympathy or get well.

(12) Page 5 of 6, Dinner for 13 members of the Board of Trustees, Reference No. J0041944.

(13) Page 6 of 6, BCU Business Magnetic Cards.

(14) Page 6 of 6, Lunch meal for UDAT.

33. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 30.

a. Does Berea believe that the test-year level of professional services expense represents a reasonable, on-going level of expense for Berea? Explain the response.



b. For each of the professional services listed below, describe the service provided, indicate whether the expense is recurring, and why the expense should be included for rate-making purposes.

(1) Page 2 of 4, Environmental Consultants, Inc. Line Clearance Contractor.

(2) Page 2 of 4, R. W. Beck Organizational Assessment & Operational Review.

(3) Page 3 of 4, R. W. Beck Development of Construction Standards Book.

(4) Page 3 of 4, R. W. Beck General engineering regarding Glades Road Lighting.

(5) Pages 3 and 4 of 4, Spiegel & McDiamid KU Matters.

(6) Page 4 of 4, Stoll, Keenon & Park Dairy Mart bankruptcy.

c. Explain in detail why Berea was allocated 50 percent of the expense associated with the R. W. Beck Organizational Assessment & Operational Review and the Stoll, Keenon & Park billing for the Dairy Mart bankruptcy matter. Include in the explanation the basis for the 50 percent allocation and why that allocation level is reasonable.

34. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 37. If available, indicate the portion of Berea's membership fees to the Municipal Electric Power Association and the American Public Power Association that support lobbying activities by these organizations.

35. Refer to the response to the Commission Staff's First Data Request dated February 10, 2003, Item 38.

a. Provide a description of the features contained in Berea's pension plan. Include copies of materials describing the plan that are provided to new employees.

b. Identify what the initials TIAA/CREF represent.

c. If the payments Berea makes on the pension plan are a function of individual salaries, explain why the pension plan payments are not allocated to the departments on the basis of the individual salaries assigned to the departments, rather than on the basis of total compensation of each department.



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DATED: April 17, 2003

cc: All Parties