

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

THIRD 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 30, 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 response to the Commission Staff's Second Data Request dated April 17, 2003, Item 1.

a. Indicate when Berea began borrowing funds from the Berea College Current Fund (Current Fund).

b. State whether the outstanding balance of loans from the Current Fund has been zero at any time during the past 6 years. Include the date(s) when the zero balance occurred.

c. Berea was asked in Item 1(e) if it had secured Commission approval for the loans from the Current Fund. The response did not address the question. Provide the originally requested information.

d. Does Berea believe that the provisions of KRS 278.300 do not apply to its borrowings from the Current Fund? Explain the response in detail.

2. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 4(c). Berea's cost support for the \$35.00 minimum charge is based upon customer-related costs allocated to the small commercial customer class and the total number of small commercial bills.

a. Explain whether Berea intends to apply the \$35.00 amount or some other minimum monthly charge to residential net metering customers.

b. If Berea intends to apply the \$35.00 monthly minimum charge to residential net metering customers, explain why it is not proposing a separate minimum monthly charge for residential net metering customers that is based upon customer-related costs allocated to residential customers, or one charge for both residential and small commercial customers based upon the average of residential and small commercial customer-related costs.

3. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 6. In response to a question about the cost justification for

the proposed \$50 fee for inverter inspections, Berea indicated that it based the proposed fee on the tariff approved by the Commission in Case No. 2001-00304.¹

a. Explain why the approved inspection fee for Kentucky Utilities Company represents the reasonable cost to Berea for the inverter inspection.

b. Has Berea prepared a cost analysis for the inverter inspection based on its own incurred costs? If yes, provide the results of that analysis, including all supporting calculations and workpapers. If no, explain in detail why such an analysis has not been performed.

4. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 10.

a. Provide a description of each project included in the \$129,837 in capital additions that Berea did not originally include in its proposed depreciation adjustment. If any of the projects were part of the Highway KY 595 project, include a notation to this effect in the project description.

b. For each of the capital projects listed in part (a), indicate the completion status of each project as of October 31, 2002.

c. If a project was not 100 percent completed as of October 31, 2002, explain in detail why the project balance should be included in the recalculated depreciation adjustment.

5. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 11.

¹ Case No. 2001-00304, The Tariff Filing of Kentucky Utilities Company to Add Pilot Net Metering Service.

a. If known, what was the actual level of collection on the outstanding balance for Hayes Lemmerz International?

b. Does Berea know why its uncollectible accounts expense has fluctuated so much during the past five calendar years? If yes, provide the reasons identified by Berea for the fluctuations.

6. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 12.

a. Provide the original cost of each of the six Banner Modules and the associated licensing fees.

b. Is the maintenance and operational cost associated with each module approximately the same? If not, provide the annual maintenance and operational cost associated with each module.

c. If the original cost of the various Banner Modules and/or the maintenance and operational cost associated with each module are not approximately equal, explain why it is reasonable to utilize an allocation method based on the number of modules purchased by Berea and Berea College.

d. Refer to the response in Item 12(e). Since Berea College's students have access and utilize computer resources, explain why the exclusion of student usage from the allocation does not result in Berea being allocated computer resource costs that should be borne by Berea College on behalf of its students.

7. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 16. Berea states that it wishes to perform more analysis relative to the implementation of a flat rate energy charge.

a. Explain whether it is Berea's intent is to perform the analysis within the time constraints of this case.

b. If Berea does not expect to complete its study of implementing a flat rate structure as part of this case, explain why it does not and state when it expects to complete its analysis.

8. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 18. Since Berea cannot determine when its last depreciation study was performed, would it agree that serious consideration should be given to conducting such a study within the next 3 years?

9. Refer to the Application, Exhibit 19 and the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 19.

a. Concerning the Shared Expenses shown on Exhibit 19, page 1 of 3, do these amounts reflect Berea's 50 percent share or the total to be allocated to the electric and water utilities?

b. Concerning the response to Item 19(a), how frequently has Berea reviewed the cost allocation based on the ratio of customers between electric and water utilities?

c. Would Berea agree that this ratio of customers should be periodically checked to determine its accuracy? Explain the response.

d. Based on the response to Item 19(b), it appears that the electric customers make up approximately 55 percent of the total utility customers. Given this information, does Berea believe that its allocation of Shared Expenses should be

adjusted to reflect a 55/45 percent split instead of maintaining the 50/50 percent split?

Explain the response.

10. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 24.

a. Concerning Item 24(w), Account No. 7475 Overhead, provide a detailed description of Berea's tree-trimming program.

(1) If the tree-trimming work is being performed under a contract with an outside vendor, provide copies of the contract.

(2) Include the estimated tree-trimming cost for each year of the 4-year cycle.

b. Concerning Item 24(bb), Account No. 7489 Computer Usage, describe in detail the cost allocation method utilized to assign computer usage expense prior to the adoption of the new method. Include examples of how the allocation factor(s) were determined and how computer usage expenses were allocated under the previous methods. Also explain why the allocation methodology was changed.

c. Concerning Item 24(cc), Account No. 7492 Contract Labor, provide copies of the contract for meter reading in effect as of test-year end. If the terms or conditions of the contract have changed, provide copies of the contract as of the date of this response.

(1) For the test year, provide the total in-house expense for meter reading and the total contract meter reading expense.

(2) If available, provide the estimated annual contract meter reading expense for the next 3 calendar years.

11. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 25. Based on Berea's response, it appears that Berea records all labor costs initially as an expense, and then adjusts the amounts to reflect the portion of the labor costs that are capitalized.

a. Is this a correct understanding of how Berea records its labor expense? Explain the response.

b. If this is a correct understanding of Berea's process, does Berea believe this accounting approach is consistent with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USoA)? Explain the response.

12. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 27(d). Based on Berea's response, it appears that even if an employee's labor is eventually capitalized, the associated benefits are expensed.

a. Is this a correct understanding of how Berea records employee benefit expenses? Explain the response.

b. If this is a correct understanding of Berea's practice, does Berea believe this accounting approach is consistent with the FERC USoA? Explain the response.

13. Refer to the response to the Commission Staff's Second Data Request dated April 17, 2003, Item 32.

a. Was Berea aware that in previous Commission decisions the following types of expenses were not included for rate-making purposes: legislative reception fees, food and supplies for employee picnics and Christmas gatherings, give-a-ways of pens and magnets, and flowers and gifts of sympathy or get well wishes?

b. Can Berea provide any additional reasons as to why these expenses should be included for rate-making purposes?

14. Refer to the responses to the Commission Staff's Second Data Request dated April 17, 2003, Item 33.

a. Is the Organizational Assessment and Operational Review (Assessment & Review) by R. W. Beck covered by a contract with R. W. Beck? If so, provide copies of the contract.

b. Provide a summary of the issues identified in the Assessment & Review.

c. Provide a description of the specific activities R. W. Beck will be undertaking in conjunction with the Assessment & Review during the next 2 years.

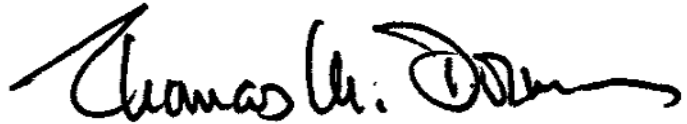
d. Concerning the Construction Standards Book by R. W. Beck, is this project covered by a contract with R. W. Beck? If so, provide copies of the contract.

e. Indicate how frequently R. W. Beck plans to update the Construction Standards Book.

f. Concerning the Glades Road Lighting project with R. W. Beck, provide the status of this project as of test-year end and as of the date of the response to this data request.

g. Indicate how many projects similar to the Glades Road Lighting project Berea has undertaken in the last 5 calendar years. Include a description of each project.

h. Concerning the Dairy Mart bankruptcy, provide the status of that case as of test-year end and as of the date of the response to this data request.

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a stylized flourish at the end.

Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602-0615

DATED: _____

cc: All Parties