

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LICKING VALLEY)
RURAL ELECTRIC COOPERATIVE) CASE NO.
CORPORATION FOR AN ADJUSTMENT) 2009-00016
OF RATES)

THIRD DATA REQUEST OF COMMISSION STAFF
TO LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

Licking Valley Rural Electric Cooperative Corporation (“Licking Valley”), pursuant to 807 KAR 5:001, is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 21, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Licking Valley shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Licking Valley fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Licking Valley's response to item 3 of Commission Staff's Second Data Request ("Staff's Second Request"). This response states that "[i]t is believed that the 175W MV lights replaced the previous 100 W incandescent lights and have been charged the same rate". The revenue analysis provided by Licking Valley in Exhibit J of the application, and subsequently revised in response to item 4 of Staff's Second Request, shows billing determinants for both the 175W MV and the 100 watt halide. Given this, does Licking Valley agree that the most appropriate action to take would be to add the 175W MV as a fourth lighting charge to the tariff rather than replace the 100 watt halide? If no, explain.

2. Refer to Licking Valley's response to item 4 of Staff's Second Request.

a. Licking Valley provided revised Exhibits J and S and stated that no other exhibits should have changed. Provide a revised Exhibit 14 or explain why this exhibit would not change.

b. Refer to page 2 of 7 of the revised Exhibit J and Exhibit D of the application. State whether Licking Valley has any customers on the Farm and Home ETS rate. If so, explain why it is not included in either the revenue analysis or the tariff.

c. Refer to page 3 of 7 of the revised Exhibit J. Explain why the last column does not include minimum kVa capacity revenues of \$7,869.

3. Refer to Licking Valley's response to item 9 of Staff's Second Request. The response states that Other Deductions was excluded from Exhibit R in error. Describe the impact of this exclusion on the cost-of-service study and explain whether its inclusion would change Licking Valley's proposal regarding rate design in this case.

4. Refer to the response to item 11.a of Staff's Second Request. Explain how the listed payroll, material, transportation, and property tax expenses are related to the lighting class.

5. Refer to the response to item 11.b of Staff's Second Request and Exhibit R of the application. In Exhibit R, page 5 of 28, Account 590 was functionalized as follows:

Lines	83.73%
Transformers	4.83%
Services	2.09%
Meters	9.35%

Explain how these allocation percentages were calculated.

6. Refer to the response to item 12 of Staff's Second Request. If Construction Work in Progress had been directly assigned, provide the amounts that would have been allocated into the six categories listed on Exhibit R, page 8 of 28.

7. Refer to the response to item 13 of Staff's Second Request which discusses how the weighted cost in column 3 was calculated in Exhibit R, page 18 of 28. This response states that "[t]he minimum transformers for all other rate classes have a factor that is proportional to the cost of the transformer for that rate class relative to the cost of the transformer for the residential class". Provide the calculation for each of the weighted costs in column 3 except for the residential class.

8. Refer to the response to item 16 of Staff's Second Request and Exhibit R, page 27 of 28. Provide the calculation for the Revenue from Customer Charge of \$2,205,191 in the Residential Farm & Home column.

9. Refer to the response to item 23 of Staff's Second Request. This response explains that fuel cost recovery is not the cause of the increase in revenues from 2007 to 2008 being substantially less than the increase in purchased power costs. However, the response does not explain why the increase in purchased power costs is not matched by a comparable increase in revenues. Explain in detail why a \$1.4 million increase in purchased power costs did not translate into a similar increase in revenues from 2007 to 2008. Include in your response whether or not the lag in the recognition of revenue was a contributing factor.

10. Refer to Exhibit 1 of the application and Licking Valley's response to item 24 of Staff's Second Request.

a. Fully describe Licking Valley's policy regarding the administration of medical leave which was in effect immediately prior to implementing the current policy in March of 2008. Provide supporting documentation, if any, concerning Licking Valley's previous medical leave policy.

b. Explain whether the current policy was patterned after similar policies in effect at other East Kentucky Power Cooperative, Inc. ("EKPC") member cooperatives. If so, identify the other cooperatives.

c. Fully describe Licking Valley's policy for payment of unused vacation days. Provide supporting documentation, if any, concerning Licking Valley's policy for payment of unused vacation days.

d. Refer to pages 3 and 4 of Exhibit 1 of the application, specifically, the column labeled "Vac/Sick" for the test year hours worked and wages. Provide a detailed schedule of the vacation and sick hours and corresponding wages paid to each employee listed as receiving such payments.

e. In the same format as item 10.d above, provide a schedule of vacation and sick payments, by employee, for normalized wages.

f. Given that this policy was implemented in March 2008 and could potentially result in an inflated payment of unused medical days in excess of 75, explain why this would be representative of the annual expense going forward.

g. In the same format as pages 3 and 4 of Exhibit 1 of the application, provide a schedule for the year ending December 31, 2007.

11. Refer to Licking Valley's response to item 26.a of Staff's Second Request. Explain the significance of the month of December in accounting for the increase in this account as opposed to any other month throughout the year.

12. Refer to Licking Valley's response to item 26.b of Staff's Second Request.

a. Provide a breakdown of costs attributable to the establishment of the right-of-way crew and the purchasing of right-of-way chemicals charged to Account 593.10 during the 2008 test period and provide the date when the cooperative right-of-way crew was established.

b. In the response to item 26.b, Licking Valley stated that the right-of-way crew was established "to perform smaller projects that would be more economical than using the contractor." Fully describe the type of projects that Licking Valley has determined to be "smaller projects".

c. Combined right-of-way maintenance charged to Accounts 593.10 and 593.20 increased \$105,893, or approximately 20 percent, from 2007 to 2008. In light of this increase, explain how the establishment of a cooperative right-of-way crew was determined to be more economical than not having an in-house right-of-way crew.

13. In its response to item 26.g of Staff's Second Request, Licking Valley identified \$6,300 of the \$16,692 increase in annual meeting expense. Explain what gave rise to the remaining balance of \$10,392.

14. In its response to item 26.i of Staff's Second Request, Licking Valley identified \$23,200 of the \$38,548 decrease in Maintenance of Generators expense. Explain what gave rise to the remaining balance of \$15,348.

15. Refer to Licking Valley's response to item 28 of Staff's Second Request. The updated Exhibit 5 indicates an increase in the test-year interest for RUS loan 1B250 of \$7,544 more than the amount included in the same schedule in the application. If this is correct, explain the reason for the increase.

16. Licking Valley's response to item 30 of Staff's Second Request did not fully describe the nature of the NRECA seminars attended by Tommy Hill and John May during the test year. Provide a detailed narrative or documentation describing fully the agenda of the seminars and the nature of the topics covered at each NRECA seminar.

17. Refer to Licking Valley's response to item 32.a of Staff's Second Request.

a. Provide written documentation of Licking Valley's policy regarding reimbursement for exercise equipment.

b. How long has such a policy been in place and on how many occasions has Licking Valley reimbursed employees for exercise equipment?

c. Explain whether the exercise equipment for which Licking Valley reimbursed Larry Easterling is located on Licking Valley's premises and therefore available to other employees.

18. Refer to Licking Valley's response to item 32.b of Staff's Second Request. Explain how often Licking Valley replaces flags and whether both of the American flags purchased are currently being displayed.

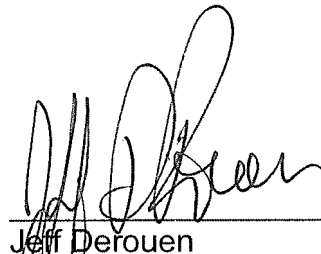
19. Refer to Licking Valley's response to item 33 of Staff's Second Request.

a. Explain if all employees of Licking Valley receive a shirt whether or not they attend the annual meeting.

- b. Explain whether employees are allowed to keep the shirts.
- c. Explain whether any restrictions are placed on when and where the shirts can be worn.
- d. Explain whether new shirts are purchased each year for the employees in preparation for the annual meeting.

20. Refer to Licking Valley's response to item 18.b of the Attorney General's ("AG's") Initial Request. Provide a summary comparative analysis of the annual meeting expenses incurred in 2006, 2007 and 2008. Expenses should be summarized by the major categories of expense incurred in each year.

21. Refer to Licking Valley's response to item 13 of the AG's Initial Request regarding directors' compensation for attending regular board meetings. Explain whether Licking Valley is aware that the Commission has previously not allowed this type of additional compensation to be recovered by electric cooperatives through rates.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: SEP - 8 2009

cc: Parties of Record

Honorable Gregory D Allen
Attorney at Law
Collins & Allen Attorneys at Law
730 Old Burning Ford Road
P.O. Box 475
Salyersville, KY 41465

Lawrence W Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Kerry K Howard
Manager, Finance and Administration
Licking Valley R.E.C.C.
P. O. Box 605
271 Main Street
West Liberty, KY 41472