

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR A)
CERTIFICATE OF CONVENIENCE AND NECESSITY) CASE NO.
PURSUANT TO KRS 278.020 AND 807 KAR 5:001,) 2010-00516
SECTION 9 AND RELATED SECTIONS,)
AUTHORIZING CERTAIN PROPOSED)
CONSTRUCTION)

FIRST INFORMATION REQUEST OF COMMISSION STAFF TO
BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

Pursuant to 807 KAR 5:001, Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") 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 no later than 15 days from the date of this request. 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 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.

Big Sandy 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 Big Sandy fails or refuses to furnish all or part of the requested information, Big Sandy 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. In a letter received by the Commission on March 22, 2011, it was stated that “the administrative offices and payment center will remain at its present location.” Explain whether Big Sandy plans on retiring the existing warehouse and associated land once the new operations center is constructed.

a. If the answer to item 1 is yes:

(1) Provide the amount that will be retired from Big Sandy’s books in A/C 390.10 - Structures & Improvements.

(2) Provide the amount that will be retired from Big Sandy’s books in A/C 389.00 – Land & Land Rights.

(3) If the warehouse and land are to be sold, does Big Sandy anticipate any Gain/Loss on Disposition of Property?

(4) Provide the square footage of the current warehouse and acreage of the associated land.

b. If the answer to item 1 is no, explain how Big Sandy will continue to use the present warehouse in the future.

c. State whether any remediation of the flooding problem was evaluated and the projected cost of such remediation.

2. In the letter received by the Commission on March 22, 2011, it was stated that "Big Sandy has acquired 2.3 acres of property located 1.9 miles south from our Main Office complex on Kentucky Route 321." In the Application, three acres of property was purchased October 12, 2010 for the new operations center. The letter also states that "the cost of the property and the site preparation is estimated at \$250,000."

a. What is the assessed or appraised value of the 2.3 acres and the purchase amount?

b. Provide the name of the seller of the property. State whether the seller of the property has any affiliation with Big Sandy's officers, employees or board members, and the nature of the affiliation.

c. Describe, in general, the evaluation process of determining the location and size of the property for the new operations center.

3. Explain whether the \$1.418 million cost of the new operations center includes needed office furniture and equipment, stores equipment, garage equipment, or other types of equipment and furnishings required in the day-to-day operations.

a. If yes, provide a listing of included equipment including costs.

b. If the answer to item 3 is no, provide a detailed listing of items and cost to properly stock the operations center with needed furnishings and equipment, and how will this cost be accounted for and financed.

4. Explain the amount of the annual depreciation expense and how the annual amount of depreciation expense was determined for the new operations center.

5. Explain whether Big Sandy pays any property tax on in-service plant property and equipment since none was shown in the Application, Exhibit 2, Page 3 of 3, the Income Statement (Period from 10/2009 to 09/2010) in Tax Expense – Property & Gross Receipts.

a. If property tax is paid, how much was paid during the period of October 2009 to September 2010 for the existing warehouse and what account was charged?

b. Explain what the annual estimated property taxes will be on the new operations center.

c. If no property taxes were paid by Big Sandy during this time period, explain why not.

6. The Application states that 100 percent of the financing for this work will be with United States Rural Utilities Services (“RUS”).

a. Explain whether financing has been sought and approved by RUS. If not, explain Big Sandy’s time line for requesting and receiving approval of financing.

b. What will the approximate rate of interest be on this debt?

7. The projected cost of the operations center is \$1.418 million and is to be financed with RUS. Based on information presented in the Application, Exhibit 3, Page

2 of 3, Account 131.12 (Cash General Citizens Gen Check) has a negative balance of \$199,055.20 as of 09/30/2010. Also, there are two accounts in Account 136 (Temporary Investments) with a total balance of \$908,363 as of 09/30/2010.

a. Explain why Account 131.12 (Cash General Citizens Gen Check) has a negative or credit balance of \$199,055.20.

b. Does Big Sandy normally run a negative balance in its cash account? If yes, explain why.

c. Will any of the monies in Account 136 be used to offset the negative balance in the cash account? Explain.

8. Confirm that the account balance in Account 231.00 – Notes Payable is a positive or debit balance as of 09/30/2010. If the answer is yes and the account balance is a positive or debit balance, explain why a normally negative or credit balance account has a positive or debit balance.

9. Explain why the Long Term Debt amounts in the Application, Exhibit 1, Page 1 of 1, do not agree with the Long Term Debt amounts on the Balance Sheet in Exhibit 3, Page 1 of 3.

10. Explain whether the construction of this proposed operations center will necessitate Big Sandy filing a general rate case and, if so, how much sooner a general rate case may be filed to recover the cost.

11. In the letter received by the Commission on March 22, 2011, a \$75,000 generator is listed as part of the proposed total cost of the new operations center.

a. Explain if this generator is for backup or emergency power.

b. What will the fuel source be for this generator?

c. Who will the electric supplier be for the new operations center?

12. In the Application, the proposed cost for the new operations center is \$1.0 million. Explain the reasons for the increase in cost to \$1.418 million in the letter received by the Commission on March 22, 2011.

a. Did Big Sandy send a Request for Proposal ("RFP") to construct the proposed facilities?

(1) If yes, provide the list to whom it was sent and a copy of the RFP. Also provide a copy of the responses to the RFP that were received by Big Sandy.

(2) If no, explain why an RFP is not necessary. Explain how the estimated cost of \$1,418,481 was derived.

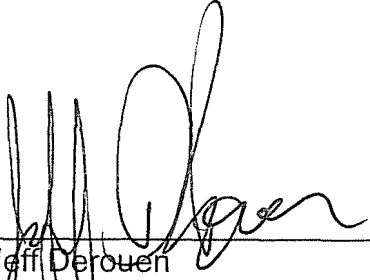
13. On the map labeled Boundary Survey for Big Sandy filed March 22, 2011, two additional metal buildings are identified just below and to the right of the proposed one-story metal building.

a. State whether these buildings currently exist on the property.

b. If existing, state the proposed use of these buildings or indicate if they will be removed.

c. If not existing, state whether Big Sandy is proposing to build these metal buildings. If yes, state the cost for each of these buildings and explain whether the cost is included in the \$1.418 construction estimate.

14. Provide Big Sandy's most recently available financial statements.



Jeff Derouen
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DATED APR 14 2011

cc: Parties of Record

Case No. 2010-00516

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