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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 2005-00125
FOR AN ADJUSTMENT OF RATES)

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Big Sandy Rural Electric Cooperative Corporation to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.


(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY

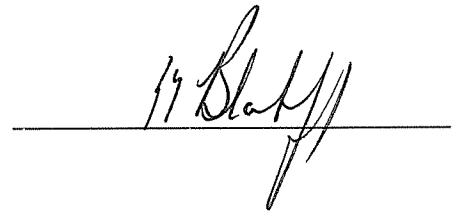


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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 17th day of June, 2005, I have filed the original and seven copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

BOBBY D SEXTON
PRESIDENT/GENERAL MANAGER
BIG SANDY RECC
504 11TH STREET
PAINTSVILLE KY 41240-1422



Attorney General's Initial Request for Information
to Big Sandy Rural Electric Cooperation
Case Number 2005-00125

1. With reference to paragraph 12 a. of the Application, provide a copy of the Settlement Agreement with the Commission dated April 17, 1996 in Case No. 95-383.
2. With reference to paragraph 12 c. of the Application, provide the following information:
 - a) Provide a copy of the Joint Mortgage Agreement requiring the maintenance of an operating TIER ratio of 1.25 based on an average of two of the three most current years.
 - b) Explain whether or not the appropriate TIER ratio to be used for the 1.25 Joint Merger Agreement requirement and for ratemaking purposes should be the TIER calculation excluding G&T capital credits ("Modified Tier"). Also explain why.
3. Explain why no Taxes – Other amount of \$17,172 was reflected on Exhibit S, page 2 of 4 in the determination of the test year TIER of 0.38.
4. With regard to the DSC ratio calculations shown on Exhibit K, page 3, please provide the following information:
 - a) Does the Coop's Joint Mortgage Agreement, or any other existing security agreement document, require any particular minimum DSC or Modified DSC ratio? If so, provide this minimum ratio and explain whether DSC or the Modified DSC ratio would be the appropriate measurement to use.
 - b) Explain why the Coop used \$2,002,299 rather than \$1,065,129 for the depreciation expenses in the adjusted test year.
 - c) Confirm that if the adjusted test year depreciation expense amount of \$1,065,129 is used, this would result in a Modified DSC of 1.67. Also, explain whether this re-calculated DSC ratio would still be in the range that is allowed by the Joint Mortgage Agreement or any other existing security agreement document (if applicable) or would be considered reasonable by the Coop.
5. Exhibit K, page 1 shows an Equity Capitalization amount of \$29,284,353 for the Adjusted Year. In this regard, please provide the following information:
 - a) Reconcile this pro forma Equity Capitalization balance of \$29,284,353 to the corresponding pro forma Equity Capitalization balance of \$26,854,867 shown on Exhibit L, page 3, line 17.
 - b) Confirm that if the adjusted test year Equity capitalization balance of \$26,854,867 is used, this would result in a rate of return of 4.32% rather than 3.96%.
6. With regard to the adjusted balance sheet information shown on Exhibit S, page 1, please provide the following information:

- a) Explain the reason for and derivation of the Accumulated Operating Provisions increase of \$76,000.
 - b) Explain the reason for and derivation of the Net Change in Assets increase of \$1,024,004.
 - c) Explain the reasons for and derivations of the plant decrease of \$6,224 and accumulated depreciation increase of \$32,185.
7. With regard to the Consumer Deposit balance on the Coop's balance sheet, please provide the following information:
- a) Provide the actual balances for each of the years 2003, 2002, 2001, 2000 and 1999.
 - b) Explain why this balance has not been used as a rate base deduction on Exhibit L, page 1.
8. Please provide the actual base rate revenues (equivalent to the test year base revenues of \$14,848,666) for each of the years 2001, 2002 and 2003.
9. For the same Other Operating Revenue accounts 450, 451, 454 and 456.1 shown on Exhibit Y, page 5, provide the actual revenues for each of the years 2001, 2002 and 2003. In addition, explain any significant year-to-year variances.
10. Adjustment 11 on Exhibit S, page 3 shows a pro forma Other Operating Revenue adjustment of \$4,735 for CATV. In this regard, provide the following information:
- a) If this revenue adjustment is supported on Exhibit 12, page 1, reconcile the revenue adjustment amounts of \$4,735 and \$4,521.
 - b) What are the actual CATV Pole Attachment revenues booked in 2001, 2002, 2003 and the test year 2004?
 - c) Explain whether the CATV Pole Attachment revenues are included in the actual total account 454 rent revenues of \$89,414.72. If so, provide the actual remaining account 454 rent revenues (for rent activities other than CATV) for each of the years 2001, 2002, 2003 and 2004, broken out by rent type/activity.
11. Please explain the reasons for and provide actual source documentation in support of the proposed pro forma revenue adjustment of \$21,300 for Non-Recurring charges (see Adj. No. 13 on Exhibit S, page 3).
12. Please provide the actual property taxes (equivalent to the taxes of \$213,935 shown on Exhibit 4, page 1) for each of the years 2001, 2002, and 2003.
13. Please provide the expense account allocation of the actual 2004 payroll taxes of \$151,277 similar to what is shown for property taxes on Exhibit 4, page 1.
14. With regard to Other Interest expense of \$29,615 for the 2004 test year, please provide the following information:

- a) Provide a breakout of the various types of interest expenses making up the total interest amount of \$29,615.
 - b) Broken out in the same components as requested in part a) above, provide the actual Other Interest expenses for each of the years 2001, 2002, and 2003.
 - c) What is the Coop's current Customer Deposit interest rate?
15. With regard to the non-operating interest income of \$100,134 for the test year, please provide the following information:
 - a) Schedule showing the component make-up of this total interest income amount, as well as the source for this interest income.
 - b) Broken out in the same components as requested in part a) above, provide the actual non-operating interest income for each of the years 2001, 2002 and 2003.
16. With regard to non-operating margins, other (Exhibit V, page 1, line 36), please provide the following information:
 - a) What is the source for the negative test year income amount of \$6,347? In addition, explain whether this item is to be considered an annual recurring event. If not, explain why it has been reflected for ratemaking purposes in this case.
 - b) What is the source for the positive 2003 income amount of \$208,596. If there is more than one source, provide a dollar amount breakout of the \$208,596 by source.
 - c) Provide the actual non-operating margins, other dollar amounts (indicate negative or positive) for each of the years 2001 and 2002, including the reasons and sources for these income amounts.
17. With regard to capital credits (Exhibit V, page 1, line 40), please provide the following information:
 - a) What is the nature and purpose of these capital credits. In addition, distinguish these capital credits from the G&T capital credits.
 - b) Provide the equivalent actual capital credits for each of the last 5 years prior to the 2004 test year.
 - c) How do the \$46,189 and \$21,900 capital credit amounts for 2004 and 2003, respectively (Exhibit V, page 1, line 40), relate to the corresponding capital credit amounts shown on Exhibit 21, page 1?
18. For each of the O&M expense accounts (starting at account 580 and ending with account 935) shown on Exhibit Y, pages 5 and 6, provide the equivalent actual O&M expenses booked in 2003, 2002, and 2001. In addition, provide explanations for any annual variances in excess of 15%.
19. In the same format and detail as shown on Exhibit T, provide the Operating Budget for calendar year 2005. If this Operating Budget is available in the expense account detail

shown in the Trial Balance on Exhibit Y, pages 5 and 6, provide this more detailed Operating Budget information.

20. Exhibit X shows the following expense amounts in the 2004 test year as compared to 2003 for the following expense accounts:

	2004	2003	Variance
593 Maintenance	333,657	272,342	61,315 (22.5%)
593 ROW Maintenance	180,785	250,543	(69,758) (27.8%)
593 ROW Contractor	386,143	205,855	180,288 (87.5%)
902 Meter Reading	142,512	108,247	34,265 (31.7%)
903 Consumer Collection	475,916	405,431	70,485 (17.4%)

In this regard, please provide the following information:

- a) Explain the reasons for these very significant year-to-year expense variances.
 - b) Provide the equivalent expense account dollar amounts included in the Coop's 2005 Operating Budget.
21. As evident from Exhibit 1, page 3, the Regular salary increases for the salaried employees 16, 130, 136 and 157 from actual 2004 to normalized are 7.06%, 3.02%, 2.36% and 34.37%. Please explain how these proposed salary increases were determined and provide justification for the very large 34.37% increase (\$94,994 vs. \$70,691).
22. For each of the 37 hourly and 2 part-time employees listed on Exhibit 1, pages 3 and 4, provide (1) the hourly rates for the Regular wages actually in effect in the 2004 test year, (2) compare this to the proposed Wage Rates January 1, 2005 listed on the same exhibit, (3) provide the % wage rate increases from these rate comparisons, and (4) explain how these % wage increases were determined and can be justified.
23. The normalized overtime expenses of \$104,359 are 4.42% higher than the actual 2004 overtime expenses of \$100,907. Please explain how this normalized overtime expense increase was determined and what the basis for it is.
24. Provide the actual number of employees (in total and as broken out between salaried, hourly, summer/part-time, and retirees) at the end of 2001, 2002, and 2003, and on a monthly basis for the 2004 test year. In addition, indicate the level of employees assumed in the determination of the pro forma normalized wages and salaries.
25. With regard to the salary and wage information shown on Exhibit 1, page 7, please provide the following information:
- a) Provide a detailed explanation why the 2004 test year total payroll amount of \$1,958,852 is so much (13%) higher than the corresponding total payroll amount of \$1,728,753 for 2003.

- b) Provide the total number of employees underlying the total wage and salary amounts for each of the years 2001 through 2004.
 - c) Provide the projected total payroll costs included in the 2005 Operating Budget, including the projected underlying number of employees.
 - d) The average overtime hours for the years 2001 through 2003 amount to approximately 2,500 hours. By contrast, the overtime hours for 2004 (which have also been used for the normalized test year) amount to 3,170 hours, or almost 27% higher than the actual 3-year average. Please explain the reasons for this large overtime increase. In addition, explain whether, and if so why, the Coop considers the actual 2004 overtime hours to be representative of what can be expected on an ongoing basis in the near future.
 - e) Provide the projected overtime hours included in the Coop's 2005 Operating Budget.
26. In the same format and detail as shown on Exhibit 22, page 2, provide the actual Employee Benefit expenses (total and by component) and underlying number of employees for each of the years 2001, 2002, and 2003, as proposed for the pro forma normalized test year, and as included in the Coop's 2005 Operating Budget.
27. For each month of 2005 to date, provide the actual monthly (1) FAS 106 accruals, (2) Retirement account accruals, and (3) Group Insurance expenses.
28. Please provide a detailed description and dollar amount breakout of the 2004 test year employee benefit expenses of \$5,966 in account 926 shown on Exhibit Y, page 6.
29. It is the AG's understanding that the Kentucky PSC excludes for ratemaking purposes all cooperative attorney expenses associated with NRECA subscriptions and the attendance of cooperative association (NRECA, KAEC) meetings. As shown on Exhibit 8, page 3, lines 57, 59, 63, 64, 71 and 72 and page 4, lines 97, 99, and 108, there are still a number of these legal expenses claimed by Big Sandy for ratemaking purposes in this case. Please explain why these legal expenses were not removed for ratemaking purposes in this case.
30. Which one of the 7 directors listed on Exhibit Z, page 1 was the designated "alternate delegate" director representing Big Sandy's Board of Directors at NRECA and KAEC annual meetings?
31. With regard to uncollectible expenses, please provide the following information:
- a) Actual uncollectible expense accruals booked in account 904 in each of the years 2001 through 2004.
 - b) Actual net write-offs incurred in each of the years 2001 through 2004
 - c) Actual revenues subject to uncollectibles in each of the years 2001 through 2004.
 - d) Projected uncollectible expenses included in the 2005 Operating Budget.
 - e) Big Sandy's policy regarding the determination of the annual uncollectible accrual level.

32. Please provide a component breakout (by regulatory activity) of the 2004 Account 928 Regulatory Commission expenses of \$5,965.85. In addition, verify that none of the expenses included in this test year account are related to the current rate case.
33. Please provide a detailed breakout (including brief description) showing all of the expense items included in the 2004 test year account 921 Office Supplies expenses of \$118,160.
34. Please provide a detailed breakout (including brief description) showing all of the expense items included in the 2004 test year account 908 Consumer Assistance expenses of \$89,155.
35. Please provide a detailed breakout (including brief description) showing all of the expense items included in the "Annual Meeting" expenses of \$923.53, \$480.66 and \$28.29 listed on Exhibit 10, page 6, lines 35-37.
36. With respect to Exhibit D, the first 2 pages are labeled as 1 of 5 and 2 of 5, yet only 4 pages were supplied, with the latter pages listed 3 of 4 and 4 of 4. Are there four or five pages? If there is a fifth page, please provide.
37. Please refer to Exhibit B, Exhibit C, and Exhibit 13. The labels of the Non-Recurring Charges in these three exhibits do not align with each other. Specifically Exhibit B has categories "27) Temporary Disconnect/Reconnect Fee" and "32) Reconnection Fee," Exhibit C has an "Installation and reconnect fee" and a "Reconnect fee," and Exhibit 13 has a "Connect fee" and a "Reconnect Fee". Please explain which of these labels describe the same fees.
38. Please refer to Exhibit D and Exhibit 13. The Non-Recurring Charges increases in Exhibit 13 total \$21,300, yet Exhibit D, page 1 totals to \$28,475. In addition, the increases for some individual items in these two exhibits do not agree. Please reconcile the figures in these two exhibits.
39. Please refer to Exhibit B, page 22 of 25. With respect to Miscellaneous Charge 27. Temporary Disconnect/Reconnect Fee, it appears this applies only to Seasonal Disconnects.
 - a) Please provide the reason customers are receiving these disconnect/reconnects.
 - b) Please provide the number of disconnect/reconnects during the test year for residential customers (Schedule A-1).
 - c) Please provide the number of disconnect/reconnects during the test year for commercial customers (Schedule A-2).
 - d) Please provide the average length of time service was disconnected for these disconnect/reconnects.

- e) Does the disconnect/reconnect fee recover the cost of this service as well as monthly customer charges lost during the disconnected period? If not, please explain why not.
40. Please refer to Exhibit B, page 23 of 25. With respect to Miscellaneous Charge 33, Late Payment Penalty;
- a) Please explain why this charge is 10%, instead of the more customary 5% charged by most utilities.
 - b) Please provide all calculations, assumptions and workpapers used to establish the need for such a high Late Penalty.
 - c) Please provide the number of Late Penalties charged during the test year.
 - d) Please provide the amount of money collected through late penalties during the test year.
41. Big Sandy has proposed to increase the monthly customer charge for A-2 customers by 50% to \$15.00 per month. Please provide all calculations, assumptions and workpapers used to develop this proposed charge.
42. Please refer to Exhibit 13. Please explain why a Connect (seasonal disconnect/reconnect) is listed in this exhibit to take 30 minutes, while a Reconnect (disconnect/reconnect for non-payment) takes 45 minutes for the exact same operation?
43. Please provide the number of disconnect/reconnects for non-payment that took place during regular business hours during the test year.
44. Please provide the number of disconnect/reconnects for non-payment that took place during overtime hours during the test year.
45. Please explain whether meters are “customer read” or read by Big Sandy on a monthly basis for the following rate classes:
- a) Residential Schedule A-1;
 - b) Commercial Schedule A-2;
 - c) Schedule LP; and
 - d) Schedule LPR
46. Please explain why Big Sandy is proposing to increase meter test fees by 100%. Please describe in detail all expenses associated with testing a meter.
47. Is it correct that while Big Sandy has tariffs IND 1 and IND 2, it has no customers on these tariffs.
48. Please Provide Exhibit J in an electronic format. Please leave all formulas intact. Please also provide the format in which the exhibit was created (example EXCEL 97).

49. Please Provide Exhibit R (the Cost of Service Study and associated schedules) in an electronic format. Please leave all formulas intact. Please also provide the format in which the exhibit was created (example EXCEL 97).
50. Please Provide Exhibit 13 in an electronic format. Please leave all formulas intact. Please also provide the format in which the exhibit was created (example EXCEL 97).
51. Please provide all calculations, assumptions, and workpapers used in the production of the Cost of Service Study that have not already been provided.
52. Please provide all calculations, assumptions, and workpapers used to produce the “Energy Sales” figures by month and by class found in Exhibit R, page 7 of 25, in the Cost of Service Study. Please also provide the source of data used in these calculations.
53. Please provide all calculations, assumptions, and workpapers used to produce the “Wholesale Billing CP Contributions” figures by month and by class found in Exhibit R, page 8 of 25, in the Cost of Service Study. Please also provide the source of data used in these calculations.
54. Please provide all calculations, assumptions, and workpapers used to produce the “Monthly Peak Demands for Each Rate Class” figures by month and by class found in Exhibit R, page 9 of 25, in the Cost of Service Study. Please also provide the source of data used in these calculations.
55. Please refer to the “Wholesale Billing CP Contributions” figures on Exhibit R, page 8 of 25, and the “Monthly Peak Demands for Each Rate Class” figures on Exhibit R, page 9 of 25. The figures on page 8 appear to be Coincident Peaks, while the figures on page 9 appear to be Non-Coincident Peaks for each class by month. By definition, Non-Coincident Peaks are always greater or equal to Coincident Peaks. This appears to be the case in all months for the A-2, LP, LPR and YL classes. But there are six months, January, February, March, April, October and November, where the Coincident Peak is higher than the Non-Coincident Peak for the A-1 class. Please explain why these months have higher Coincident Peaks than Non-Coincident Peaks for class A-1, and how this could be possible.
56. Please provide the methodology used to calculate class Coincident Peaks found in Exhibit R, page 8 of 25.
57. Please provide the methodology used to calculate class Monthly Peak Demands found in Exhibit R, page 9 of 25.