

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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JUL 15 2005

In the Matter of:

PUBLIC SERVICE  
COMMISSION

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

ATTORNEY GENERAL'S SUPPLEMENTAL'S 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 Supplemental 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

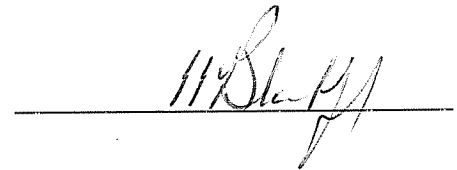


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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 15th day of July, 2005, I have filed the original and seven copies of the foregoing Supplemental 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 11<sup>TH</sup> STREET  
PAINTSVILLE KY 41240-1422



The Attorney General's Supplemental Request  
for Information to Big Sandy RECC  
Case No. 2005-00125

1. The response to AG-1-8 shows the following growth numbers in the unadjusted annual base rate revenues from 2001-2004:

2002 over 2001:	\$697,461
2003 over 2002	\$479,836
2004 over 2003	\$ 66,511

Please explain the reasons why the base rate revenue growth numbers in 2002 and 2003 of \$697,461 and \$479,836, respectively, were so large as compared to the relatively small base rate revenue growth in the 2004 test year of only \$66,511.

2. With regard to the response to AG-1-12 and Exhibit 4, page 1 concerning the subject of property taxes, please provide the following information:

- a. Is the property tax amount of \$213,935 shown on Exhibit 4, page 1 the actual property tax amount booked in 2004? If not, explain what the equivalent actual 2004 amount was and what the amount of \$213,935 represents.
- b. Exhibit 4, page 1 shows a proposed pro forma test year property tax adjustment of \$3,472. Please provide all calculations and source documentation in support of this proposed property tax increase adjustment.
- c. Based on the information shown on Exhibit 4, page 1, is Big Sandy proposing total pro forma adjusted property taxes of \$217,407 (\$213,935 + \$3,472)? If not, please identify the amount of the adjustment.
- d. If the answer to part c above is affirmative, consider the following information derived from the response to AG-1-12 and part c above:

2001 Property Tax	\$204,734	
2002 Property Tax	\$207,011	Growth over 2001 = \$ 2,277
2003 Property Tax	\$209,910	Growth over 2002 = \$ 2,899
2004 Pro Forma Tax	\$217,407	Growth over 2003 = \$ 7,497

The actual annual property tax growth has been in the range of about \$2,300-\$2,900 in the past 2 years. Please explain why the proposed growth of \$7,497 for the pro forma property tax amount claimed in this case is so much higher than the actual growth experienced in the prior two years.

3. With regard to the response to PSC-2-13 i: Employee 16 has a vehicle allowance of \$972 included for ratemaking purposes. Does this employee drive a service truck home? If not, why should the \$972 be allowed for ratemaking purposes?
4. With regard to the response to AG-1-22, please provide the following information:

- a. Empl. 1: explain reasons why the actual 1/1/04 wage rate of 22.78 increased by 1.02 to 23.80 in 9/04 and explain why this wage rate increased by another 0.71 to 24.51 effective 1/05.
- b. Empl. 3: explain reasons why the actual 1/1/04 wage rate of 21.92 increased by 0.87 to 22.78 in 3/04 and explain why this wage rate increased by another 0.68 to 23.46 effective 1/05.
- c. Empl. 20: explain reasons why the actual 1/1/04 wage rate of 14.54 increased by 1.46 to 16.00 in 4/04 and explain why this wage rate increased by another 1.00 to 17.00 effective 1/05.
- d. Empl. 27: explain reasons why the actual 1/1/04 wage rate of 7.96 increased by 1.04 to 9.00 in 2/04 and increased again by 2.00 to 11.00 in 8/04 and explain why this twice-increased wage rate increased by another 0.83 to 11.83 effective 1/05.
- e. Empl. 33: explain reasons why the actual 1/1/04 wage rate of 7.96 increased by 8.74 to 16.70 in 2/04 and increased again by 0.78 to 17.48 in 7/04 and explain why this twice-increased wage rate increased by another 0.52 to 18.00 effective 1/05.
- f. Empl. 40: explain reasons why the actual 1/1/04 wage rate of 20.84 increased by 1.36 to 22.20 effective 1/05.
- g. Empl. 42: explain reasons why the actual 1/1/04 wage rate of 10.50 increased by 3.00 to 13.50 in 8/04 and by another 0.41 to 13.91 effective 1/05.
- h. Empl. 124: explain reasons why the actual 1/1/04 wage rate of 16.88 increased by 1.12 to 18.00 in 4/04 and by another 0.50 to 18.50 effective 1/05.
- i. Empl. 131: explain reasons why the actual 1/1/04 wage rate of 13.72 increased by 0.78 to 14.50 in 4/04 and by another 0.50 to 15.00 effective 1/05.
- j. Empl. 133: explain reasons why the actual 1/1/04 wage rate of 15.15 increased by 1.35 to 16.50 in 4/04 and by another 0.50 to 17.00 effective 1/05.
- k. Empl. 134: explain reasons why the actual 1/1/04 wage rate of 12.71 increased by 3.40 to 16.11 in 3/04 and increased again by 1.60 to 17.71 in 8/04 and explain why this twice-increased wage rate increased by another 0.50 to 18.21 effective 1/05.
- l. Empl. 138: explain reasons why the actual 1/1/04 wage rate of 15.15 increased by 1.35 to 16.50 in 4/04 and by another 0.50 to 17.00 effective 1/05.
- m. Empl. 139: explain reasons why the actual 1/1/04 wage rate of 10.41 increased by 3.59 to 14.00 in 4/04 and by another 0.50 to 14.50 effective 1/05.
- n. Empl. 149: explain reasons why the actual 1/1/04 wage rate of 13.53 increased by 1.00 to 14.53 in 1/04 and increased again by 1.47 to 16.00 in 4/04 and explain why this twice-increased wage rate increased by another 0.50 to 16.50 effective 1/05.
- o. Empl. 155: explain reasons why the actual 1/1/04 wage rate of 7.57 increased by 1.93 to 9.50 in 4/04 and by another 7.00 to 16.50 effective 1/05.
- p. Empl. 156: explain reasons why the actual 1/1/04 wage rate of 7.21 increased by 0.79 to 8.00 in 4/04 and by another 9.00 to 17.00 effective 1/05.

**NOTE: In answering the above questions a. through p., please do not simply refer to the footnotes shown on Exhibit 1, pages 5 and 6. Rather, provide a detailed answer to each of the questions asked in questions a. through p. above.**

5. With regard to the response to PSC-2-11 h, i, mm and n, please provide the portions of the 2004 expenses in Account 902 (\$142,512), Account 903 (\$475,916), Account 593.00 (\$333,657) and Account 593.10 (\$180,785) that represent in-house labor expenses that are included in the 2004 test year total labor expense amount of \$1,958,853.
6. For each of the years 2001 through 2004, provide the non-labor portions of the expenses booked in accounts 593, 593.00 (ROW maintenance), 593.10 (ROW Contract), 902, and 903.
7. Please explain the reason for the 87.5% increase in the Account 593.10 ROW Contractor expenses of \$386,143 in 2004 over the corresponding expenses in Account 593.10 of \$205,856 in 2003.

In addition, explain why Big Sandy believes that the very high expense level in 2004 can be considered representative of what can be expected on an ongoing basis during the rate effective period for this case.

8. Information in the response to AG-1-18 and AG-1-19 show that Big Sandy's Account 935 Miscellaneous General Plant expenses are as follows:

2001 Actual	\$50,542
2002 Actual	\$56,270
2003 Actual	\$60,438
2004 Actual	\$94,272
2005 Budget	\$30,656

In this regard, please provide the following information:

- a. Provide a breakout of the type of expenses included in account 935 for 2004 and indicate if the 2004 expenses include any expense types that were not included in the account 935 expenses for 2003, 2002, and 2001 and in the 2005 budgeted expense level.
  - b. Explain why Big Sandy considers the actual 2004 expense level to be representative of the expense level that can be expected on an ongoing basis during the rate effective period of this case given the actual historic and 2005 budgeted expense levels shown in the above table.
9. With regard to the response to AG-1-27, please provide the following information:
    - a. Big Sandy is booking monthly FAS 106 expenses of \$8,167 in each of the first 5 months of 2005, which is equivalent to an annual accrual level of \$98,000. Will this monthly accrual change to \$14,500 (annual accrual of \$174,000) and, if so, when will this first occur, if at all?
    - b. Reconcile the monthly accrual levels of \$8,167 in the first 5 months of 2005 with the information stated on the first page of the Zumstein Actuarial Valuation report shown in Exhibit 6, page 3 of 11.

- c. The 5-month total 2005 Group Insurance expenses add to \$185,267 which, on an annualized basis, would be \$444,641. This annualized 2005 expense amount is close to the 2005 Group Insurance expenses of \$453,000 budgeted for 2005 as shown in the response to AG-1-26. Please explain why Big Sandy has not made an expense reduction adjustment to the actual 2004 Group Insurance expense amount of \$572,341 claimed for ratemaking purposes in this case to reflect a normalized expense amount of approximately \$453,000.
10. With regard to the response to AG-1-28, please provide the following information:
  - a. Provide a detailed description, including nature and purpose, of the \$2,147 retirement related expense.
  - b. Provide a description of the Miscellaneous employee expense amount of \$60.
  - c. Explain the nature and purpose of the \$3,511 expense amount for Employee Auto Use. Explain which particular employees get this benefit. Also explain why these expenses are properly chargeable for ratemaking purposes.
11. With regard to the response to AG-1-33, please provide the following information:
  - a. Detailed breakout and nature/purpose description of the expense items included in the Employee meeting expenses of \$12,817.
  - b. Detailed breakout and nature/purpose description of the expense items included in the Dues expenses of \$2,091.
  - c. Detailed breakout and nature/purpose description of the expense items included in the Others expenses of \$2,002.
12. With regard to the response to AG-1-34, please provide the following information:
  - a. Detailed nature/purpose description of the type of advertising included in the Advertising expenses of \$2,788.
  - b. Detailed breakout and nature/purpose description of the expense items included in the School Programs expenses of \$2,502.
  - c. Detailed breakout and nature/purpose description of the expense items included in the Meeting expenses of \$2,366.
  - d. Detailed breakout and nature/purpose description of the expense items included in the Miscellaneous expenses of \$1,101.
13. As shown in Exhibit 11, Big Sandy has claimed total estimated rate case expenses for this rate case of \$33,000, including \$28,000 for consulting/accounting fees and is proposing to amortize these total estimated rate case expenses over a 3-year period in the separate pro forma adjustment no. 11. Big Sandy has also separately reflected for ratemaking purposes in this case \$5,966 of regulatory commission expenses in account 928 that are included in the unadjusted 2004 test year expenses. As confirmed in the response to AG-1-32, these Account 928 expenses consist of consulting/accounting fees associated with the current rate case. Based on this information, would Big Sandy agree that these regulatory expenses of \$5,966, when considered in combination with the total pro form rate case expenses of

\$33,000 claimed in this case, represents an expense double count? If you do not agree, explain your disagreement in detail.

14. As shown on Exhibit 16, the increase in revenues from the test year end customer adjustment represents an increase in *base rate* revenues, i.e., the proposed revenue increase adjustment does not include any impact on fuel revenues since those revenues are excluded from the filing for ratemaking purposes.

By contrast, the associated increase in the cost of power calculated and reflected on Exhibit 16 represents an increase in both base rate and fuel rate power costs. This is inconsistent with the base rate approach used for the revenue increase calculation and incorrect since the fuel costs have been removed for ratemaking purposes in this case. As shown at the bottom of Exhibit 16, Big Sandy has calculated the cost per kWh purchased by dividing the *total* cost of power for the test year of \$11,947,454 (i.e., base rate power costs of \$10,585,239 plus fuel power costs of \$1,362,215) into the total kWh purchased. Since the \$1,362,215 of fuel power costs is removed for ratemaking purposes in this case, Big Sandy should have divided only the base rate power costs of \$10,585,239 into the total kWh purchased. This would result in a cost per kWh purchased of \$0.03899 rather than the cost of \$0.04401 incorrectly reflected by Big Sandy.

Please confirm your agreement with the above-stated facts. If you do not agree, explain your disagreement in detail.

15. Follow-up to Item 37. This response makes reference to “the Second Service connection fee.”
  - a. Please explain in detail what a “Second Service connection” is, including why, when, and what type of customer would have this connection performed.
  - b. Please explain why the statement that “these are the same rate.” This is the same rate as what rate?
  - c. Please explain why there is “no change in the existing or proposed revenues.”
16. Follow-up to Item 39. There was no response to part (e) of this question, please respond. 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?
17. Follow-up to Item 40.
  - a. Other than the fact that a 10% late fee has been used in the past, is there any reason that Big Sandy is charging a 10% late fee, as opposed to a lower fee, such as 5%, which is more customary for utilities?
  - b. Please provide the names of other utilities that charge a 10% late charge, and provide documentation of those charges.
18. Follow-up to Item 42.
  - a. Are all disconnects for non-payment made on the pole, as opposed to at the meter?



- b. Please provide the number of disconnects for non-payments made during the test year on the pole.
  - c. Please provide the number of disconnects for non-payments made during the test year at the meter.
  - d. Does Big Sandy put seals on customer meters to prevent tampering?
  - e. Please provide the names of other utilities that disconnect for non-payment at the pole instead of at the meter.
  - f. Please provide the authority (statute, regulation, Commission Order) determines whether disconnects for non-payments are made at the pole and/or at the meter.
19. Follow-up to Item 45.
- a. Please provide the number of residential customers that read their own meters.
  - b. Please provide the number of residential customers that have their meters read by Big Sandy.
20. Follow-up to Item 49. With respect to the “Classification” worksheet in the electronic version of the Cost of Service Study submitted and with respect to the “Account 365 - Overhead Conductor” calculations:
- a. Please explain in detail why the minimum conductor size was selected to be a 4/0 cable, which is a rather large cable capable of carrying 357 Amps, when 11 of the other 14 conductors on the list are smaller in size (such as No. 6 wire that can carry 140 Amps).
  - b. Please explain why a zero intercept methodology was not employed as was done with the calculation of the minimum size pole or transformer in this same worksheet.
21. Follow-up to Item 49. With respect to the “Classification” worksheet in the electronic version of the Cost of Service Study submitted and with respect to the “Account 365 - Overhead Conductor,” please provide the rated Amperage capacity of the conductor for each of the 15 conductors listed.
22. Follow-up to Item 49. With respect to the “Customer Allocations” worksheet in the electronic version of the Cost of Service Study submitted and with respect to the “C. Services” calculations:
- a. Why is this based on minimum cost, since it is not being divided into demand and customer components?
  - b. Please provide the average cost per service for each customer class.
  - c. Please provide the Maximum cost per service for each customer class.
  - d. Please provide the total cost of services for each customer class.
  - e. Please provide the source of the “Number” of services in Column K, as well as the definition of these figures and all calculations used to generate these figures.
  - f. Please provide the source of the “Units” and “Costs” contained formula for the “Unit/Cost” in Column M, as well as the definition of these figures and all calculations used to generate these figures.

23. Follow-up to Item 49. With respect to the “Customer Allocations” worksheet in the electronic version of the Cost of Service Study submitted and with respect to the “D. Meters” calculations:

- a. Why is this based on minimum cost, since it is not being divided into demand and customer components?
- b. Please provide the average cost per meter for each customer class.
- c. Please provide the Maximum cost per meter for each customer class.
- d. Please provide the total cost of meter for each customer class.
- e. Please provide the source of the “Units” and “Costs” contained formula for the “Unit/Cost” in Column M, as well as the definition of these figures and all calculations used to generate these figures.

24. Follow-up to Item 49. With respect to the “Customer Allocations” worksheet in the electronic version of the Cost of Service Study submitted and with respect to the “E. Customer & Accounting Services” calculations:

- a. Please provide all calculations, assumptions, and workpapers used to generate the “\$\$ Weight” figures of:
  - i) Meter Reading = 1.5
  - ii) Consumer Records = 5.0
  - iii) Consumer Assistance = 1.0
- b. Please provide all calculations, assumptions, and workpapers used to generate the “Factor” figures of
  - i) Meter Reading Factor = 1 for Schedule 1
  - ii) Meter Reading Factor = 2 for all other Schedules
  - iii) Consumer Records Factor = .5 for Schedule 5
  - iv) Consumer Records Factor = 3 for Schedule 1
  - v) Consumer Records Factor = 4 for all other Schedules
  - vi) Consumer Assistance Factor = .25 for Schedule 5
  - vii) Consumer Assistance Factor = 1 for all other Schedules
- c. Please provide the actual test year costs for the following:
  - i) Meter Reading
  - ii) Consumer Records
  - iii) Consumer Assistance

25. Follow-up to Item 52 and 54.

- a. Big Sandy takes power under which EKPC tariff(s)? If Big Sandy takes power under different tariffs for different substations, please provide which tariff is used for each substation.
- b. Please provide copies of the tariffs listed in part (a) above.
- c. Please provide copies of all of the invoices for power submitted to Big Sandy by EKPC for each month of the test year.