

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF INTER-COUNTY ENERGY)
COOPERATIVE CORPORATION FOR AN) CASE NO. 2006-00415
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 Inter-County Energy Cooperative Corporation ["ICECC"], 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 ICECC objects 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.

(10) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,
GREGORY D. STUMBO
ATTORNEY GENERAL

A handwritten signature in black ink, appearing to read "D.G. Howard, II", is written over a horizontal line.

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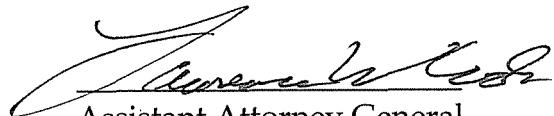
Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the Attorney General's Initial Requests For Information were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to:

Hon. James William Barnett
Attorney at Law
Sheehan, Barnett, Hays,
Dean & Pennington, P.S.C.
P.O. Box 1517
Danville, KY 40423-1517

James L. Jacobus
President/CEO
Inter-County Energy Cooperative
Corporation
P. O. Box 87
Danville, KY 40423-0087

all on this 24th day of January, 2007.


Assistant Attorney General

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1. Please confirm that the cash working capital requirement for the Adjusted Test Year should amount to \$881,378 rather than \$875,707.
2. Given that the Coop has the availability of \$395,175 worth of Customer Deposit funds (see Exhibit S, page 1, line 45) and has not deducted this Customer Deposit balance from its rate base, explain why the Coop believes it appropriate to include \$24,388 for Customer Deposit interest expense (see Exhibit X, page 8, acct. 431) in its determination of the requested rate increase in this case. Stated differently, if Customer Deposits are not to be considered for ratemaking purposes in this case, explain why the interest expenses associated with Customer Deposits have been considered for ratemaking purposes by the Coop.¹
3. Is ICECC aware of the well-established Commission ratemaking policy that customer deposits may not be deducted from rate base and, consistent with that policy, that customer deposit interest may not be included as an above-the-line ratemaking expense (see page 9 of the Commission’s Order in Delta Natural Gas Company’s 1999 rate case, Case No. 1999-176)?
4. Would ICECC agree that its proposal to treat the test year customer deposit interest expense of \$24,388 for ratemaking purposes in this case is inconsistent with the Commission’s ratemaking policy established in Delta’s Case No. 1999-176 described in the preceding AG data request? If not, explain your answer.
5. With regard to ICECC’s proposal to include \$3,613 of interest expenses associated with the EKPC market loans, please provide the following information:
 - a. Explain the reason and nature of these EKPC loans and the currently scheduled expiration dates of these loans.
 - b. Explain why, similar to what ICECC has proposed for its short term debt interest, ICECC has not removed this EKPC loan interest for ratemaking purposes based on the assumption that these EKPC borrowings will be repaid as a result of additional revenues generated from this rate application.
6. With regard to the normalized depreciation expense calculations shown on Exhibit 3, page 2, please provide the following information:
 - a. It appears that the total normalized depreciation expense includes approximately \$300 (3.35% x \$8,860) for depreciation associated with land. Please explain why this is appropriate.

¹ The AG also notes that the Coop has removed the test year short term debt interest expenses of \$180,416 for ratemaking purposes in this case.

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- b. Provide the basis for the depreciation rates used in the calculation of the actual test year per books expense of \$2,762,949 and of the normalized expense amount of \$2,859,329.
7. Exhibit N, page 10, paragraph 6 states that "Several of the Directors of Inter County, its General Manager and another employee are members of the Board of Directors of various associated organizations." Please provide a listing showing the names of the General Manager, Directors and employee and the associated organizations for which each of these individuals are a member of the Board of Directors.
8. With regard to ICECC's non-utility revenues, expenses and taxes (e.g., property taxes) included in the test year, please provide the following information:
 - a. Listing and description of these non-utility revenues, expenses and taxes.
 - b. Test year dollar amounts for each of these non-utility revenues, expenses and taxes and the account numbers in which these non-utility items have been recorded.
 - c. Revised Exhibit S, page 2 showing what the test year Statement of Operations would be if all non-utility revenues, expenses and taxes are removed.
9. Exhibit S, page 2, line 32 shows that ICECC is proposing to include for rate recognition in this case a net expense amount of \$21,719, consisting of \$31,413 for merchandising revenues and \$53,132 for merchandising expenses (see Exh. X, page 9, accounts 415.1 and 416.1). In this regard, please provide the following information:
 - a. Provide a description of all items making up the merchandising revenues of \$31,413 and explain whether these items represent non-utility revenues.
 - b. Provide a description of all items making up the merchandising expenses of \$53,132 and explain whether these items represent non-utility expenses.
 - c. Explain why ICECC continues with the practice of merchandising when the costs exceed the revenues.
 - d. Explain why it is appropriate to reflect these net merchandising expenses for ratemaking purposes in this case.
10. Exhibit S, page 2, line 39 shows that ICECC is proposing to include for rate recognition in this case an expense amount of \$33,780 of Other Non-Operating Margins. Please provide a description of the nature and purpose of this expense amount and explain why it is appropriate to reflect this expense amount for ratemaking purposes in this case.

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11. Exh. X, page 2, account 442.300 shows that the test year Large Commercial Sale revenues of \$875,923 are approximately 37% higher than the revenues of \$638,722 for the prior year. Exh. 17 shows that ICECC only has one Large Commercial Sale customer. Please indicate who this customer is and why the test year revenues from this customer are so much higher than in the prior year.
12. Exh. X, page 2, account 442.320 shows that the test year Industrial Sales revenues of \$1,360,910 are approximately 81% higher than the revenues of \$750,842 for the prior year. Please explain the reasons for this large increase. If this is due to the addition of new customers, indicate the names of these customers and the time they became customers during the test year.
13. Exh. X, page 1, account 442.100 shows that the test year Small Commercial Sales revenues of \$552,185 are approximately 41% higher than the revenues of \$391,917 for the prior year. Please explain the reasons for this large increase.
14. With regard to the fuel and environmental surcharge revenues and expenses for the test year, please provide the following information:
 - a. What represents the \$291,088 difference between the fuel and environmental surcharge revenues of \$5,613,034 and expenses of \$5,321,946? Explain in detail why these two amounts are not equal.
 - b. Exhibit 15, page 3 shows test year fuel adjustment and environmental surcharge expenses totaling \$5,725,689. Please reconcile this amount to the test year fuel adjustment and environmental surcharge expenses of \$5,613,034.
15. With regard to rate case expenses, please provide the following information:
 - a. Reconcile the \$20,000 annual amortization amount shown on Exhibit S, page 3 to the \$24,000 annual amortization amount shown on Exhibit 12.
 - b. Contracts, agreements or copies of any other documentation in support of the attorney and consulting fees of \$5,000 and \$60,000, respectively.
 - c. Actual rate case expenses booked and accrued to date, broken out by the same expense components as shown on Exhibit 12.
16. Exhibit X, page 7 shows that account 935 – Maintenance of generators expenses are \$347,686 for the test year and \$220,832 for the year prior to the test year. In this regard, please provide the following information:
 - a. Actual account 935 – Maintenance of generators expenses for each of the 12-month periods ending 7/31/04, 7/31/03, and 7/31/02.

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- b. Detailed description of the reasons for the 57.5% increase in the expenses for the test year as compared to the expenses for the year prior to the test year.
 - c. If the test year expense of \$347,686 includes expenses associated with maintenance activities that are only performed infrequently, identify these activities and the associated expense amounts.
17. Provide a description of the test year capital credit expenses of \$11,494 and an explanation why these expenses should be recognized for ratemaking purposes.
18. With regard to Exhibit 11, page 11, please provide the following information:
 - a. The nature and purpose of the \$600 for "credentials and elect comm fees." In addition, explain why these expenses should be recognized for ratemaking purposes.
 - b. The nature and purpose of the \$1,861 for "annual mtg shirt logo" In addition, explain why these expenses should be recognized for ratemaking purposes.
19. With regard to Exhibit 11, page 10, please provide the following information:
 - a. Why didn't ICECC also disallow for ratemaking purposes the \$473 dues for the Mercer Co Chamber of Commerce? How are these expenses distinguishable for ratemaking purposes from the other chamber of commerce dues that were disallowed?
 - b. Description of the items included in the total expense amount of \$1,359.90.
20. ICECC's annual legal retainer expenses have increased from \$4,800 (\$400/month) to \$7,200 (\$600/month). In this regard, please provide the following information:
 - a. Upon the retirement of its previous attorney (charging a retainer of \$400/month), was the new attorney (charging a retainer of \$600/month) engaged after a competitive bidding process? If so, provide the results of this bidding process.
 - b. If not, explain how and why ICECC chose the new attorney and explain why ICECC accepted a monthly retainer fee that is 50% higher than its prior monthly retainer fee.
21. Please provide the actual legal expenses incurred by ICECC for New Loan Services in each of the 4 years prior to the test year.
22. As shown on Exhibit 9, pages 3 and 4, the test year legal expenses include a total of \$3,885.91 for expenses associated with legal seminars that have not been removed

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- for ratemaking purposes in this case. Is ICECC aware that the PSC has established a ratemaking policy in prior electric distribution cooperative rate cases that disallows all expenses associated with the travel to, registration for, and attendance at legal seminars by cooperatives' attorneys?
23. In the same type of detail as, for instance, Exhibit 11, pages 3 – 11, provide a detailed listing and dollar amount breakout of the \$165,085 test year expenses for account 921 – Office Supplies and of the \$27,671 test year expenses for account 926 – Employee Benefits.
24. Exhibit X, pages 3 and 4 shows test year account 583 Overhead Line expenses of \$1,178,678; account 588 – Miscellaneous Distribution expenses of \$267,092; account 593 – Maintenance of Overhead Line expenses of \$377,609; and account 593.20 – Pole Treatment Maintenance expenses of \$131,756. For each of these expense accounts, please provide the following information:
- a. Test year expenses exclusive of internal labor expenses.
 - b. Equivalent expenses exclusive of internal labor expenses for each of the 4 years prior to the test year.
 - c. Explanations for the large expense increases of the test year expenses over the expenses booked in the year prior to the test year.
25. Who is (are) ICECC's designated deligate(s) to the KAEC annual meetings and who is (are) ICECC's designated deligate(s) to the NRECA meetings?
26. With regard to the directors fees and expenses shown for each director on Exhibit 10, please provide the following information:
- a. What is the nature and purpose of the NRECA Regional Meetings and for what purpose do the directors attend these meetings?
 - b. What is the nature and purpose of the NRECA Director Conference and for what purpose do the directors attend these conferences?
 - c. Who sponsors the Strategic Issues Conferences; what is the nature and purpose of these conferences; and for what purpose do the directors attend these conferences?
 - d. What is the nature and purpose of the KAEC Coordinated Training Program and for what purpose do the directors attend this program?
 - e. Why hasn't ICECC removed the KAEC Annual meeting expenses of \$78.75 on page 11 of 23?
 - f. Who sponsors the CFC Financial Forum; what is the nature and purpose of this program; and for what purpose do the directors attend this program?
 - g. Why hasn't ICECC removed the NRECA Annual Meeting expenses of \$475.00, \$44.80, \$664.18 and \$1,678.93 on pages 15 and 16 of 23?

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- h. Why hasn’t ICECC removed the NRECA Annual Meeting expenses of \$839.16 and \$1,099.02 on pages 21 and 22 of 23?
- 27. Please provide a detailed breakout of the components of, and the nature and purpose of, the test year account 912 – Demonstration expenses of \$7,806.
- 28. Please reconcile the total wage adjustment of \$179,149 (\$112,823 + \$66,326) shown under Adjustment 1 on Exhibit S, page 3 to the total wage adjustment of \$188,983 shown in Exhibit 1, page 1.