



INTER COUNTY
ENERGY COOPERATIVE

A Touchstone Energy Cooperative 

February 2, 2007

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PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

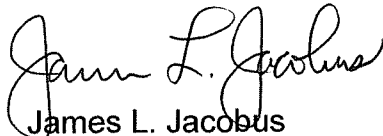
**Re: Case No. 2006-00415 – Attorney General's Initial Request for
Information to Inter-County Energy Cooperative Corporation**

Dear Ms. O'Donnell:

Enclosed please find the original and ten copies of the responses to the Attorney General's Initial Request for Information dated January 24, 2007.

If you have any questions, please do not hesitate to call.

Sincerely,



James L. Jacobus
President/CEO

- Copy To:
- 1) Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Frankfort, KY 40601
 - 2) Hon. James William Barnett
Attorney at Law
Sheehan, Barnett, Hays, Dean & Pennington, PSC
P. O. Box 1517
Danville, KY 40423-1517



CASE NO. 2006-00415

**Attorney General's Initial
Request for Information**

Filed: February 2, 2007



P. O. Box 87 – Danville, KY 40423-0087 – (859) 236-4561

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)
ADJUSTMENT OF RATES)

CASE NO. 2006-00415

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.

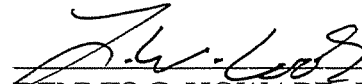
INTER-COUNTY ENERGY
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OFFICE OF PRESIDENT / CEO

(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



DENNIS G. HOWARD, II
LAWRENCE W. COOK
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315

Attorney General's Requests For Information

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.

Attorney General's Requests For Information

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.

Attorney General's Requests For Information

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?

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 1. Cash working capital

Response

The working capital should be \$881,378 for the test year.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 2. Interest on customer deposits

Response

Consumer deposits are a current liability, not a deduction from capital. Since deposits are refundable, they should not be considered in the rate base.

Historically Consumer Deposits have not been removed from the rate base in calculating rate of return for distribution electric cooperatives. Inter County has followed this practice in preparing rate base calculations.

Since customer deposits have not been deducted from the rate base, the interest should not be deducted either.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 3. Customer deposits in the rate base

Response

See response to Item 2 of this request for information.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 4. Customer deposit interest

Response

Based on the response to Items 2 and 3 of this request for information, it is not Inter County's opinion that the treatment of customer deposits and related interest have been inconsistently treated.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 5. EKPC loans

Response

- a Funds are advanced from EKPC so that Inter County can lend these funds to its members to finance the installation of geothermal systems. Inter County will charge its customers 1% more than the rate paid to EKPC. These loans to EKPC are for a two year period with a balloon balance due, if not paid, then the loan can be renegotiated for an additional two year period. The loans, and maturity dates, for the balloon payments, are as follows:

<u>Loan Number</u>	<u>Principal Balance</u>	<u>Maturity Date</u>
14	13,490	2/1/2008
15	9,276	8/1/2008
16	16,494	1/1/2008
17	5,302	1/1/2008
18	11,582	3/1/2008

- b The EKPC loans are to lend funds to members to finance the installation of geothermal units. The repayments from members is used to repay the loans from EKPC.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 6. Depreciation expense

Response

- a. The land should not have been included in the calculation.
- b. As stated in Exhibit 3, page 1 of the Application, the rates follow RUS Bulletin No. 183-1.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 7. Members of associated organizations

Response

Directors:

Paul Ballard	KAEC
Daniel Divine	EKPC

General Manager (President/CEO):

James L. Jacobus	UUS, KAEC, EKPC
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VP, Finance and Accounting:

Vickie Lay	RCCU Credit Union
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Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 8. Non utility activities

Response

a

b

<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
415.000	Rev from cellular phones	(163)
415.200	Rev from Ky Kingdom tickets	(788)
415.300	Rev from surge protectors	245
415.600	Rev from sewer maintenance	275
415.700	Rev from ETS units	30,813
415.800	Rev from credit card rebates	1,031
		<u>31,413</u>
416.000	Exp of cellular phones	506
416.300	Exp of surge protectors	213
416.600	Exp of sewer maintenance	100
416.700	Exp of ETS units	52,312
		<u>53,131</u>
	Net income	<u><u>(21,719)</u></u>

c See attached

Inter County Energy
Case No. 2006-00415
Statement of Operations, Adjusted

Exhibit S
page 2 of 4
Witness: Alan Zumstein

	<u>Actual Test Year</u>	<u>Normalized Adjustments</u>	<u>Normalized Test Year</u>	<u>Proposed Increase</u>	<u>Proposed Test Year</u>
Operating Revenues:					
Base rates	\$29,916,024	\$0	\$29,916,024	\$3,826,544	\$33,742,568
Fuel and surcharge	5,613,034	(5,613,034)	0		0
Other electric revenue	932,487	138,568	1,071,055		1,071,055
	<u>36,461,545</u>	<u>(5,474,466)</u>	<u>30,987,079</u>	<u>3,826,544</u>	<u>34,813,623</u>
Operating Expenses:					
Cost of power:					
Base rates	20,376,310	0	20,376,310		20,376,310
Fuel and surcharge	5,321,946	(5,321,946)	0		0
Distribution - operations	1,953,258	105,303	2,058,561		2,058,561
Distribution - maintenance	1,389,892	19,550	1,409,442		1,409,442
Consumer accounts	1,635,071	53,469	1,688,540		1,688,540
Customer service	476,804	16,358	493,162		493,162
Sales	0	0	0		0
Administrative and general	1,350,631	(149,316)	1,201,315		1,201,315
Total operating expenses	<u>32,503,912</u>	<u>(5,276,582)</u>	<u>27,227,330</u>	<u>0</u>	<u>27,227,330</u>
Depreciation	2,540,379	103,064	2,643,443		2,643,443
Taxes - other	37,048	0	37,048		37,048
Interest on long-term debt	2,165,551	327,127	2,492,678		2,492,678
Interest expense - other	208,415	(180,415)	28,000		28,000
Other deductions	33,378	(33,378)	0		0
Total cost of electric service	<u>37,488,683</u>	<u>(5,060,184)</u>	<u>32,428,499</u>	<u>0</u>	<u>32,428,499</u>
Utility operating margins	<u>(1,027,138)</u>	<u>(414,282)</u>	<u>(1,441,420)</u>	<u>3,826,544</u>	<u>2,385,124</u>
Nonoperating margins, interest	72,921	0	72,921		72,921
Nonoperating margins, other	(289,026)	255,246	(33,780)		(33,780)
Patronage Capital Credits:					
G & T		0	0		0
Other	68,413	0	68,413		68,413
Net Margins	<u>(\$1,174,830)</u>	<u>(\$159,036)</u>	<u>(\$1,333,866)</u>	<u>\$3,826,544</u>	<u>\$2,492,678</u>
TIER	0.46		0.46		2.00

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 9. Merchandising activities

Response

- a See response to Item 8, a & b of this request for information. These are considered non utility activities by Inter County.
- b See response to Item 8, a & b of this request for information. These are considered non utility activities by Inter County.
- c Inter County believes that ETS units benefit the members who have the ETS units installed, and the members as a whole through its demand side management benefits of ETS units.
- d Inter County should have removed, this was an oversight only.

Inter County Energy
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Attorney General's Initial Request for Information

Item 10. Other non operating margins

Response

This account represents the gain or loss on the disposition of general plant items that have retired. Inter County will continue to retire general plant items, especially vehicles, and will continue to recognize a gain or loss on the retirement of these items.

Transportation equipment	
Original cost	141,663
Accumulated depreciation	<u>90,083</u>
Net book value	51,580
Salvage recovered	<u>17,800</u>
Net gain (loss)	<u><u>(33,780)</u></u>

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 11. Large Commercial rate

Response

Morton Custom Plastics

Effective July 15, 2005, this customer elected to discontinue the interruptible rate and be on the Schedule C1 rate. The customer had been notified that EKPC would actually apply the provisions of the interruptible rate and would be interrupted during the next year. As a result, the customer pays more in demand related costs. The demand the customer pays Inter County is exactly the same as Inter County pays EKPC on the power bill.

Inter County Energy
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Attorney General's Initial Request for Information

Item 12. Industrial Sales rate

Response

Wal-Mart become a new customer on June 13, 2005 and Joy Mining became a new customer on August 8, 2005.

Inter County Energy
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Attorney General's Initial Request for Information

Item 13. Small Commercial Rate

Response

On July 1, 2004, The PSC approved a change to Inter County's tariff language for residential consumers to limit new small businesses that at one time qualified for this rate. These consumers would be placed on the small commercial rate. Existing consumers prior to July 1, 2004 could not be changed from the existing residential rate to the small commercial rate unless a change in their load characteristics made them no longer eligible for the residential rate under the old tariff language. Since July 1, 2004, new consumers that qualified for the small commercial rate are being placed on that rate instead of the residential rate.

Inter County Energy
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Attorney General's Initial Request for Information

Item 14. Fuel adjustment and environmental surcharge

Response

- a Inter County follows the guidelines established by the Kentucky Public Service Commission in passing the fuel adjustment and environmental surcharge, as billed to Inter County from East Kentucky Power Cooperative. In this process, there are timing differences between the time EKPC includes these amounts on the power bill and the time Inter County bills these amounts to its consumers.
- b Inter County has not recognized \$5,613,034 as an expense for fuel and environmental surcharge. Inter County has recognized \$5,321,946 as its expense related to fuel and environmental surcharge. As stated in Item 14, a, of this response, Inter County follows the guidelines established by this Commission, which relates to timing differences.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 15. Rate case expenses

Response

- a The amount on Exhibit S, page 3 should have been the \$24,000. An oversight only.
- b There are no contracts or documentation to support the amounts listed on Exhibit 12 of the Application, these are estimates. The Attorney General may not be aware, but the Commission allows actual costs incurred in determining the level of costs to be allowed when determining the revenue requirement.
- c In the Commission order, First Data Request of Commission Staff to Inter County Energy Cooperative Corporation, Item 36. c., "Monthly updates of the actual costs incurred during the course of this proceeding, in the manner prescribed above" requires Inter County to file monthly details of costs. In Inter County's reply to that order, dated January 5, 2007, Inter County complied with that request through November 2006. Inter County is in the process of closing its books for December 2006, and at that time it will comply with the order noted above.

Since the Attorney General is a party to this case, all correspondence will be sent to the Attorney General's office.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 16. Account No. 935, Maintenance of general plant

Response

a Total expense for the 12 months ended

7/31/04	173,140
7/31/03	175,730
7/31/02	127,344

b Property taxes and liability insurance have increased by approximately \$40,000. This will be a recurring charge.

c Asbestos abatement 72,654

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 17. Capital credit expenses

Response

This is the time employees spend dealing with capital credit accounting and recordkeeping.

All accounting and recordkeeping dealing with capital credits should be included for rate making purposes.

Inter County Energy
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Attorney General's Initial Request for Information

Item 18. Annual meeting expenses

Response

- a An oversight, should have been removed.
- b All Inter County employees wore the same colored shirt with the Inter County logo for the purpose of identifying to the members that that person was an employee of Inter County to assist with the needs of the members. Since this was for the benefit of members at the annual meeting to identify Inter County employees, this should be included for rate making purposes.

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 19. Miscellaneous general expenses

Response

- a An oversight, should have been removed.
- b Picture frames for office, snacks for board meetings, kitchen supplies for break room, and various others. Included are the following that should be removed for rate making purposes:

Flowers	233
Candy for drive thru	296

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information

Item 20. Legal retainer expenses

- a The new attorney was not selected as part of a bidding process. He was selected because he was part of the law firm the retired attorney was associated with.
- b He was selected because he was part of the law firm the retired attorney was associated with.

The previous attorney had health insurance premiums paid by Inter County. The new attorney does not have that provision, therefore, the amount paid on a monthly basis to the new attorney is less than that paid to the previous attorney.

Inter County Energy
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Attorney General's Initial Request for Information

Item 21. Legal expenses for new loan services

Response

The amount of legal expenses incurred in each of the previous 4 years is:

2005	1,600.00
2004	0.00
2003	0.00
2002	5,951.23

Inter County files for a loan application every 3 or 4 years.

Inter County Energy
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Attorney General's Initial Request for Information

Item 22. Expenses to attend legal seminars

Response

NRECA and KAEC have seminars specifically related to legal issues that effect electric cooperatives. Inter County feels it is very important for its attorney to be abreast of the issues that effect the electric industry and specifically, Inter County. Attending these meetings, and receiving industry specific magazines assists Inter County in maintaining compliance with local and national laws and regulations that affect the electric industry.

Since Inter County's attorney attends meetings specifically related to legal issues effecting the electric industry, Inter County is of the opinion that these expenses should be included for rate-making purposes.

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Attorney General's Initial Request for Information
Account No. 921.00, Office Supplies and Expenses

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
08/23-05	187600	KY Chamber of Commerce	299.00	Employee mtg. expenses
09/09-05	187723	Harris Group	4,369.60	Computer software support
09/09-05	187707	Visa	1,181.22	Employee mtg. expenses
09/09-05	187707	Visa	402.75	Employee mtg. expenses
09/09-05	187707	Visa	120.49	Office supplies
08/30-05	187648	BellSouth	322.75	Telephone bills
09/08-05	187698	City of Danville	124.64	Water bill
08/10-05	187457	AT&T	139.37	Telephone bills
09/13-05	187730	Cellular One	106.04	Telephone bills
08/29-05	187638	Office Equipment Rental	480.33	Copier and fax rental
08/23-05	187609	Tamco Capital Corp.	318.00	Telephone lease
09/09-05	187714	Danville Office Supply	127.98	Office supplies
08/01-05	187468	Vickie Lay	876.42	KAEC accounting mtg.
10/06-05	188063	Visa	329.90	Employee mtg. expenses
10/06-05	188063	Visa	190.75	Camera for inspections
10/06-05	188063	Visa	255.18	Employee training materials
10/06-05	188063	Visa	315.88	Printer stand
09/22-05	187941	BellSouth	330.91	Telephone bills
09/22-05	187942	Cellular One	70.08	Telephone bills
09/29-05	187993	Office Equipment Rental	480.33	Copier and fax rental
09/22-05	187946	Pitney Bowes Reserve	1,300.00	Postage
09/16-05	187874	Adelphia	252.06	Cable service
10/04-05	188029	Source Imaging LLC	431.20	Document disposal
09/22-05	187937	Tamco Capital Corp.	111.06	Telephone lease
08/17-05	187394	TNCI	69.83	Telephone bills
09/22-05	187947	TNCI	73.14	Telephone bills
10/05-05	188042	Danville Office Equip	149.98	Office supplies
10/04-05	188018	Farmers Nat'l Bank	127.00	Direct deposit fees
11/15-05	188432	Visa	545.11	Employee mtg. expenses
11/15-05	188432	Visa	190.80	Christmas cards
11/15-05	188432	Visa	388.39	Employee mtg. expenses
10/04-05	188101	BellSouth	323.13	Telephone bills
11/02-05	188363	City of Danville	125.29	Water bill
10/10-05	188091	Debra Wilmot	183.42	HR conference
10/26-05	188295	Office Equipment Rental	480.33	Copier and fax rental
11/02-05	188355	Centro Information Systems	129.57	W-2 Forms and envelopes
10/19-05	188258	Adelphia	140.84	Cable service
11/02-05	188359	Lexington Herald	132.08	Newspaper subscription
10/26-05	188294	Office Depot	302.65	Office supplies

Inter County Energy
Case No. 2006-00415

Attorney General's Initial Request for Information
Account No. 921.00, Office Supplies and Expenses

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
10/26-05	188305	Tamco Capital Corp.	364.55	Telephone lease
10/26-05	188307	TNCI	59.41	Telephone bills
11/15-05	188412	Danville Office Equip	216.52	Office supplies
10/11-05	188519	Kiplinger	89.04	Subscription
11/17-05	188599	Marion Co Water Distr.	137.52	Water bill
12/08-05	188781	Visa	299.00	Employee mtg. expenses
11/10-05	188502	BellSouth	315.55	Telephone bills
12/07-05	188761	Office Equipment Rental	615.47	Copier and fax rental
11/17-05	188581	Adelphia	140.84	Cable service
11/15-05	188568	NRECA	501.38	RE magazine subscription
11/28-05	188694	Source Imaging LLC	638.00	Document disposal
11/17-05	188605	Office Depot	74.45	Office supplies
11/30-05	188733	Tamco Capital Corp.	345.94	Telephone lease
11/15-05	188577	TNCI	61.87	Telephone bills
12/07-05	188748	Danville Office Equip	255.12	Office supplies
11/17-05	188597	Vickie Lay	296.89	Employee mtg. expenses
12/13-05	188929	Owen Electric Coop	1,950.40	Employee training material
12/15-05	188802	Society for Human Resource	80.00	Membership dues
01/10-06	189153	Visa	313.20	Employee mtg. expenses
01/10-06	189153	Visa	101.76	Exec leadership subscription
12/07-05	188833	BellSouth	265.49	Telephone bills
12/29-05	189071	Pitney Bowes	77.35	Mail machine supplies
12/29-05	189053	Cellular One	37.54	Telephone bills
12/29-05	189068	Office Equipment Rental	410.47	Copier rental
12/29-05	189072	Pitney Bowes Reserve	1,300.00	Postage
12/28-05	188811	Adelphia	140.84	Cable service
12/13-05	188928	NRECA	206.70	Practice pointer subscription
12/29-05	189076	Tamco Capital Corp.	327.16	Telephone lease
12/29-05	189077	TNCI	62.34	Telephone bills
01/09-06	189105	Danville Office Equip	138.00	Office supplies
01/09-06	189118	Farmers Nat'l Bank	108.80	Direct deposit fees
01/11-06	189415	Jim Jacobus	378.75	Employee mtg. expenses
02/08-06	189444	Visa	184.75	Employee mtg. expenses
02/08-06	189444	Visa	587.20	Employee mtg. expenses
01/11-06	189171	BellSouth	318.31	Telephone bills
01/24-06	189359	Office Equipment Rental	410.47	Copier rental
01/24-06	189348	Adelphia	137.82	Cable service
01/11-06	189232	Smith & Christensen LLP	2,600.00	Affirmative action plan
01/26-06	189385	NRECA	1,200.00	CEO Close Up seminar

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Account No. 921.00, Office Supplies and Expenses

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
02/07-06	189436	NRECA	106.00	Mgt. Quarterly magazine
01/23-06	189343	Tamco Capital Corp.	327.16	Telephone lease
01/11-06	189236	TNCI	50.14	Telephone bills
02/09-06	189453	Danville Office Equip	489.56	Office supplies
02/17-06	189495	Jim Jacobus	300.00	Employee mtg. expenses
03/03-06	189695	KAEC	200.00	Manager Assoc. dues
03/09-06	189766	Visa	900.00	Remote access support fee
03/09-06	189766	Visa	1,454.86	Employee mtg. expenses
02/13-06	189553	BellSouth	265.87	Telephone bills
03/03-06	189705	City of Danville	121.55	Water bill
03/03-06	189699	Office Equipment Rental	410.47	Copier rental
02/13-06	189555	CF Solutions	114.83	Computer paper
02/22-06	189645	Adelphia	137.82	Cable service
02/08-06	189536	NRECA	525.00	CEO annual mtg. registration
02/22-06	189575	Tamco Capital Corp.	327.16	Telephone lease
03/03-06	189704	TNCI	79.67	Telephone bills
03/03-06	189715	Danville Office Equip	519.29	Office supplies
02/13-06	189560	Vickie Lay	371.00	Employee mtg. expenses
04/13-06	190058	RCCU	117.00	Credit card fees
04/17-06	190115	Visa	1,197.49	Employee mtg. expenses
04/17-06	190115	Visa	831.27	Employee mtg. expenses
03/03-06	189795	BellSouth	274.93	Telephone bills
03/28-06	189976	Office Equipment Rental	410.47	Copier rental
03/03-06	189813	Pitney Bowes Reserve	1,300.00	Postage
03/13-06	189853	Adelphia	215.05	Cable and internet service
04/13-06	190049	NRECA	424.00	National compensation survey
03/13-06	189870	Tamco Capital Corp.	327.16	Telephone lease
03/13-06	189871	TNCI	153.56	Telephone bills
04/11-06	19009	Danville Office Equip	189.96	Office supplies
04/11-06	190014	Farmers Nat'l Bank	129.70	Direct deposit fees
04/28-06	190273	James Jacobus	500.00	Employee mtg. expenses
05/11-06	190343	Visa	129.96	Employee mtg. expenses
05/11-06	190343	Visa	170.40	Employee mtg. expenses
05/11-06	190343	Visa	175.20	Office supplies
05/11-06	190343	Visa	495.00	Employee mtg. expenses
04/12-06	190185	BellSouth	265.31	Telephone bills
04/26-06	190238	Pitney Bowes	134.59	Mail machine supplies
04/26-06	190228	Cellular One	80.67	Telephone bills
04/12-06	190144	Cellular One	115.99	Telephone bills

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
04/26-06	190236	Office Equipment Rental	410.47	Copier rental
04/19-06	190193	Adelphia	178.81	Cable and internet service
04/19-06	190208	Office Depot	236.86	Office supplies
04/12-06	190170	Tamco Capital Corp.	327.16	Telephone lease
05/09-06	190292	Danville Office Equip	163.64	Office supplies
05/22-06	190518	Currin Energy Page LLC	196.10	Annual magazine subscription
05/22-06	190541	Oakstone Wellness Publishi	460.25	Newsletter
06/07-06	190685	Visa	889.98	Employee mtg. expenses
06/07-06	190685	Visa	375.20	Employee mtg. expenses
05/08-06	190383	Bellsouth	208.71	Telephone bills
05/08-06	190407	City of Danville	126.77	Water bill
05/31-06	190618	Office Equipment Rental	410.47	Copier rental
05/12-06	190471	Adelphia	157.60	Cable and internet service
05/22-06	190351	Adelphia	266.29	Cable and internet service
05/10-06	190439	Tamco Capital Corp.	318.00	Telephone lease
05/22-06	190552	TNCI	52.69	Telephone bills
06/06-06	190655	Danville Office Equip	514.64	Office supplies
05/31-06	190610	Vickie Lay	206.37	Employee mtg. expenses
07/06-06	190976	Visa	216.59	Board room cabling
07/06-06	190976	Visa	625.40	Firewall support
07/06-06	190976	Visa	113.71	Employee mtg. expenses
06/01-06	190718	BellSouth	247.27	Telephone bills
06/14-06	190837	US Post Office	138.00	PO Box rental
06/30-06	190939	Debra Wilmot	93.21	HR conference exp
06/01-06	190720	Cellular One	97.22	Telephone bills
07/03-06	190944	Cellular One	77.73	Telephone bills
06/28-06	190934	Office Equipment Rental	410.47	Copier rental
06/08-06	190770	Pitney Bowes Reserve	1,300.00	Postage
06/20-06	190876	Adelphia	423.89	Cable and internet service
06/01-06	190727	NRECA	291.50	Legal reporting service
06/14-06	190832	Tamco Capital Corp.	327.16	Telephone lease
06/08-06	190775	US Voice & Data	387.28	Telephone maintenance
06/14-06	190833	TNCI	71.55	Telephone bills
06/20-06	190877	Advocate Messenger	121.45	Newspaper subscription
07/10-06	190987	Danville Office Equip	108.28	Office supplies
06/13-06	190713	Vickie Lay	300.00	Employee mtg. expenses
07/06-06	190968	Farmers Nat'l Bank	112.60	Direct deposit fees
08/08-06	191314	Visa	162.83	Employee mtg. expenses
08/08-06	191314	Visa	809.54	Employee mtg. expenses

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
08/08-06	191314	Visa	127.20	Cards
07/12-06	191108	BellSouth	245.51	Telephone bills
07/12-06	191139	City of Danville	137.08	Water bill
07/14-06	191033	Debra Wilmot	100.00	Employee mtg. expenses
07/28-06	191230	Cellular One	75.15	Telephone bills
07/28-06	191241	Office Equipment Rental	522.87	Copier rental
07/21-06	191037	Adelphia	266.29	Cable and internet service
07/28-06	191227	Adelphia	157.60	Cable and internet service
07/12-06	191138	Tamco Capital Corp.	327.16	Telephone lease
07/21-06	191180	TNCI	69.30	Telephone bills
08/02-06	191267	Danville Office Equip	287.59	Office supplies
		Items individually less than \$100	2,288.33	
		Cooperative electric usage	43,965.11	
		Transportation costs	11,269.99	
		Property tax allocation	57,547.43	
		Property insurance allocation	3,928.92	
		EKPC Partner Plus reimbursement	<u>(14,550.50)</u>	
			<u>165,085.21</u>	

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Account No. 926.00, Employee Benefits

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
08/01-05	187402	Ephriam McDowell Medical Ctn	1,647.00	Annual EAP service
09/08-05	187690	Premier Drug Testing	607.35	Employee drug testing
08/23-05	187595	Commonwealth Administrators	139.50	Section 125
09/29-05	187950	Lesley Barsotti	480.00	Wellness assessment for employees
09/19-05	187740	Cintas Corp.	445.94	First aid supplies
09/16-05	187884	McDowell Wellness Center	350.00	1st aid, CPR, training
09/13-05	187840	Premier Drug Testing	171.00	Employee drug testing
09/16-05	187878	Commonwealth Administrators	139.50	Section 125
09/30-05	188005	Cintas Corp.	1,088.89	First aid supplies, trucks
10/14-05	188201	Lesley Barsotti	520.00	Wellness assessment for employees
10/12-05	188097	Joe's 4th Street Deli	102.56	United Way breakfast
10/19-05	188269	Perryville Embroidery	307.00	Logo on employee uniforms
10/19-05	188271	Premier Drug Testing	446.00	Employee drug testing
10/26-05	188286	Commonwealth Administrators	139.50	Section 125
11/15-05	188410	Cintas Corp.	306.98	AED training
12/07-05	188756	Industrial Park Distributors	176.90	Coffee for employee mtg.
11/17-05	188585	Boyle County Health Fair	646.00	Employee flu shots
12/07-05	188764	Premier Drug Testing	228.00	Employee drug testing
11/30-05	188719	Commonwealth Administrators	435.00	Section 125, Medicare Part D test
01/10-06	189153	Visa	144.15	Employee Christmas dinner
12/06-05	188827	Wal-Mart Stores	1,980.00	Employee Christmas gift cards
12/08-05	188855	Atoka LLC	2,448.72	Employee Christmas dinner
12/29-05	189073	Premier Drug Testing	275.00	Employee drug testing
01/11-06	189161	Commonwealth Administrators	139.50	Section 125
12/29-05	189063	Lloyd McGuffey	377.50	Reimburse tuition
01/10-06	189135	Cintas Corp.	292.94	First aid supplies, trucks
01/11-06	189226	NRECA	299.78	Business travel insurance
01/26-06	189378	Commonwealth Administrators	130.50	Section 125
01/23-06	189310	Behavioral Medicine Network	183.00	Employee Assistance Program (EAP)
02/13-06	189559	Donald Hamner, MD	261.00	CDL physical
03/09-06	189758	Industrial Park Distr.	218.00	Coffee
02/13-06	189564	McDowell Wellness Center	1,540.00	First aid, CPR training
03/03-06	189707	WalMart Vision Center	197.16	Safety glasses
02/13-06	189571	Premier Drug Testing	389.00	Employee drug testing
03/03-06	189687	Commonwealth Administrators	108.00	Section 125
02/13-06	189552	Behavioral Medicine Network	183.00	EAP service
02/22-06	189653	Ralph Feldman	175.00	Replace lens
04/13-06	190040	Donald Hamner, MD	159.00	CDL physical
04/13-06	190059	Spill Management Products	286.95	Eye wash station
03/28-06	189974	McDowell Wellness Center	100.00	First aid, CPR training
03/17-06	189894	Premier Drug Testing	218.00	Employee drug testing
04/11-06	190007	Commonwealth Administrators	126.00	Section 125
04/10-06	190003	Cintas Corp.	375.24	Restock first aid kits

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Account No. 926.00, Employee Benefits

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
03/13-06	189773	Behavioral Medicine Network	183.00	EAP service
04/12-06	190167	Perryville Embroidery	105.00	Logo on employee uniforms
04/26-06	190239	Premier Drug Testing	228.00	Employee drug testing
04/16-06	190197	Commonwealth Administrators	126.00	Section 125
04/12-06	190176	Behavioral Medicine Network	183.00	EAP service
06/06-06	190658	Dr Stanley Eades	502.74	Hearing tests
05/11-06	190445	Lexington Legends	1,008.00	Employee picnic
06/13-06	190694	Industrial Park Distr.	144.75	Coffee
05/22-06	190546	Premier Drug Testing	275.00	Employee drug testing
05/31-06	190599	Commonwealth Administrators	126.00	Section 125
05/10-06	190415	Behavioral Medicine Network	183.00	EAP service
06/13-06	190711	Donald Hamner, MD	261.00	CDL physical
06/01-06	190722	Danville Country Club	500.00	Deposit, employee Christmas dinner
07/14-06	191016	Premier Drug Testing	208.00	Employee drug testing
07/03-06	190946	Commonwealth Administrators	126.00	Section 125
06/13-06	190706	Behavioral Medicine Network	183.00	EAP service
07/28-06	191234	Donald Hamner, MD	705.00	CDL physical
07/28-06	191232	Commonwealth Administrators	126.00	Section 125
08/08-06	191285	Behavioral Medicine Network	183.00	EAP service
	Checks less than \$100 individually		<u>3,331.28</u>	
			<u><u>27,672.33</u></u>	

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Attorney General's Initial Request for Information

a & b

Account 583.00, Overhead line expenses

	<u>Total</u>	<u>Labor</u>	<u>Special Equipment</u>	<u>Remaining</u>
Test year	1,178,678	357,541	(191,521)	1,012,658
2005	944,391	333,686	(229,360)	840,065
2004	946,914	328,481	(141,285)	759,718
2003	948,902	311,935	(125,030)	761,997
2002	827,545	326,159	(150,515)	651,901

Account 588.00, Miscellaneous distribution expenses

	<u>Total</u>	<u>Labor</u>	<u>Remaining</u>
Test year	267,092	81,358	185,734
2005	187,776	75,036	112,740
2004	219,468	72,664	146,804
2003	193,323	65,256	128,067
2002	99,782	39,816	59,966

Account 593.00, Maintenance of overhead line expenses

	<u>Total</u>	<u>Labor</u>	<u>Remaining</u>
Test year	377,609	180,003	197,606
2005	315,232	195,012	120,220
2004	430,618	207,127	223,491
2003	327,709	191,726	135,983
2002	417,724	196,519	221,205

Account 593.20, Pole treatment expenses

	<u>Total</u>	<u>Labor</u>	<u>Remaining</u>
Test year	131,756	0	131,756
2005	93,737	0	93,737
2004	38	0	38
2003	1,502	0	1,502
2002	149,993	0	149,993

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Attorney General's Initial Request for Information

Item 24. Distribution and operation expenses

c Account 583.00, Overhead line expenses

Property taxes and employee benefits increased and increases in fuel costs, the prices for material and other costs.

Account 588.00, Miscellaneous distribution expenses

Inter County contracted for a joint use pole inventory to be taken. This resulted in an additional \$77,301. It is estimated that Inter County will have this service provided approximately every 3-5 years.

Account 593.00, Maintenance of overhead line expenses

Appears to be no unusual expenditures or expenses in the test year that are not of a normal or recurring nature.

Account 593.20, Pole treatment expenses

Inter County contracts for pole treatment inspections. Poles are either tested as good, with no further action required, need treatment, when poles are treated for further deterioration, or fail, when the pole needs to be replaced. Inter County implemented this program to test poles on a periodic basis, which is estimated to be on a 12 year cycle for the entire system. The cost for this program is estimated to equal out at the level of the last two years over a 5 year period.

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Item 25. NRECA and KAEC delegates

Response

KAEC

Daniel Divine

NRECA

Delegate

Daniel Divine

Alternate Delegate

Jason Todd

Inter County Energy
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Attorney General's Initial Request for Information

Item 26. Director training and meetings

Response

- a Train and educate directors on issues that effect the electric industry. It is extremely important that directors attend these meetings to be updated on these and other issues effecting the cooperatives and the electric industry.
- b Train and educate directors on issues that effect the electric industry. It is extremely important that directors attend these meetings to be updated on these and other issues effecting the cooperatives and the electric industry.
- c NRECA sponsors this conference. Train and educate directors on issues that effect the electric industry. It is extremely important that directors attend these meetings to be updated on these and other issues effecting the cooperatives and the electric industry.

NRECA sponsors director training seminars at different locations and times of the year to accommodate directors needs. These seminars are held at different locations to allow directors to attend.

- d KAEC coordinates with NRECA to bring national speakers to Kentucky to educate and train electric cooperative directors on issues effecting the electric industry and cooperatives
- e Oversight only.
- f National Rural Utilities, Cooperative Finance Cooperative is the sponsor. This seminar is to understand financial issues, ratios, financial statements, power production and other related topics. It is extremely important that directors attend these meetings to be updated on these and other issues effecting the cooperatives and the electric industry.

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Item 26. Director training and meetings

- g Daniel Divine is the NRECA Representative for Inter County

In addition, the NRECA Annual meeting is a combination of training and education seminars for directors during the day and more organizational activities in the evenings. These programs are similar to the education seminars that NRECA sponsors at the Director Conferences and Regional Meetings. As such, these costs and expenses should be included for rate making purposes.

- h The NRECA annual meeting is a combination of training and education seminars for directors during the day and more organizational activities in the evenings. These programs are similar to the education seminars that NRECA sponsors at the Director Conferences and Regional Meetings. As such, these costs and expenses should be included for rate making purposes

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Item 27. Account 912.00, Demonstration expense

Response

Costs for the following:

Stanford-Lincoln County Industrial authority
Lincoln County Community Assessment
Web link for Commercial and Industrial accounts
Kentucky Association of Economic Development workshop

These are all costs for economic development in the community and inform and educate commercial and industrial accounts.

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Attorney General's Initial Request for Information

Item 28. Wage adjustment

Response

Expense	112,823
capitalize	66,326
Clearing and other accounts	
Stores, transportation, sick leave, non operating	<u>9,833</u>
Proposed adjustment	<u><u>188,982</u></u>