




A Touchstone Energy Cooperative 

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MAR 13 2007

PUBLIC SERVICE
COMMISSION

March 13, 2007

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

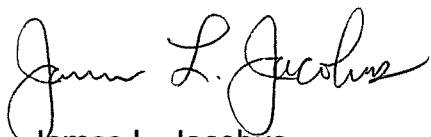
**Re: Case No. 2006-00415
Application of Inter-County Energy Cooperative
For An Adjustment of Rates**

Dear Ms. O'Donnell:

Please find enclosed the original and six (6) copies of the responses to the Commission's Order "Third Data Request of Commission Staff to Inter-County Energy Cooperative" dated March 1, 2007.

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

Sincerely,



James L. Jacobus
President/CEO


Copy To: Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Frankfort, KY 40601



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PUBLIC SERVICE
COMMISSION

A Touchstone Energy Cooperative 

CASE NO. 2006-00415

**Third Data Request of
Commission Staff to
Inter-County Energy Cooperative**

March 13, 2007



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

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

1. Refer to the Second Data Request of Commission Staff dated February 2, 2007 ("Staff's Second Request"). Item 4. Inter County states that the term of the agreement with East Kentucky Power Cooperative ("East Kentucky") is 24 months with a clause for renewal.

a. Provide a copy of the written agreement with East Kentucky.

A copy is attached.

b. When did Inter County originally enter into this agreement with East Kentucky?

November 1993 was the first loan.

c. Has Inter County renewed the agreement with East Kentucky? If yes, how many times?

No. Inter County has kept the same agreement with East Kentucky since that time.

d. Provide the outstanding balance as of January 31, 2007.

\$68,358.41

RESIDENTIAL MARKETING LOAN PROGRAM
REQUEST FOR FUNDS

Member System Name Inter-County Energy
Date Submitted 1/3/07
Amount Requested \$ 14,450.00

Funds are requested to reimburse member system for loans made during period
beginning 1/1/2006 and ending 12/31/2006
(date) (date)

Funds are requested in advance to cover estimated loans for the period
beginning _____ and ending _____
(date) (date)

Loan Activity During Last Quarter

New Loans made:

<u>Identification No.</u>	<u>Amount of Loan</u>	<u>Term</u>	<u>Program</u>
<u>10363 - Ison</u>	<u>3,950.00</u>	<u>60</u>	<u>HP</u>
<u>10368 - Brown</u>	<u>10,500.00</u>	<u>72</u>	<u>GEO</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Principal and interest collected on all loans:

\$ _____ principal \$ _____ interest

This request is made in compliance with the guidelines of the EKPC residential marketing loan program. Inter-County Energy agrees to make
(cooperative name)
monthly payments of principal and interest to EKPC to fully repay all funds disbursed to
Inter-County Energy under the residential marketing loan program.
(cooperative name)

Interest will be charged at the rate of 4.4 % per annum and will be fixed for a period of six years. Monthly principal and interest payments for any disbursement to the named cooperative by EKPC will be based on a six (6) year amortization schedule commencing on the date of such disbursement. There is no prepayment penalty.

Signed Shirley A. Sullivan

Date 12/29/06

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

2. Refer to the Staff's Second Request, Item 6. Inter-County states that it has invested amounts in local industrial development corporations to assist in bringing in new industry or expansion of existing industry.

a. When did Inter-County begin investing in local industrial development corporations?

A narrative of the activities with the industrial development is attached as Item 2(a).

b. Provide a list of the other participants in the local industrial development corporation?

See attached Item 2(a).

c. Provide a detailed schedule showing the number of industries that have either located or expanded as a result of Inter-County's investment in the local industrial corporations. Include the amount of Inter-County's investment, the number of jobs created and the impact on Inter-County's system.

See attached Item 2(c).

INDUSTRIAL DEVELOPMENT HISTORY

Inter-County Energy

Within the Certified Service Territory of Inter-County Energy, only Lincoln and Marion County Industrial authorities own any substantial amounts of land for Industrial Development. Below is a summary of the history of Inter-County's involvement in Industrial Development in conjunction with the individual Industrial Authorities.

LINCOLN COUNTY

December 2002

Participated in the Lincoln County Flex E-Grant seminar with the Lincoln County Judge Executive, Fran Carney of the Kentucky Cabinet for Economic Development and some area engineering firms. The purpose of the meeting was to overcome barriers to Economic Development. There was no investment on Inter-County's part.

July 8, 2003

Inter-County hosted and facilitated an Economic Development Seminar in Stanford which included invited guests consisting of city and county elected officials and economic development directors from the counties of Boyle, Lincoln, Garrard, Mercer, Marion and Casey. About 45 were in attendance. The following speakers were a part of this program:

1. **J.R. Wilhite**, Commissioner, Community Development, Kentucky Cabinet for Economic Development
2. **Darrell Gilliam**, Executive Director, Capitol Community Economic/Industrial Development Authority
3. **David Ravencraft**, Assistant manager, Industrial Development, East Kentucky Power Cooperative
4. **Wayne Foster**, Executive Director, Kentucky Institute for economic Development
5. **Ken Carroll**, Executive Director, Blue Grass State Skills Corporation, Kentucky Cabinet for Economic Development.

Inter-County Energy's investment was \$350.00 for the speaker fees and lunch for all participants.

October 17-18, 2005

Inter-County arranged and sponsored a Planning Session for Economic Development in Lincoln County (Community Assessment) facilitated by the Kentucky Association for Economic Development Community Assessment Team. In conjunction with this program, Inter-County funded four E.D. Planning Committee Sessions in various locations throughout Lincoln County to assist in gathering input about issues to be used in the development of a master plan for E.D. in Lincoln County. These sessions ran from March 8, March 20th, March 24th and March 27th. The result of this planning session was the hiring of a full-time E.D. Executive and an E.D. Community Master Plan. Inter-County Energy and East Kentucky Power equally covered the entire \$3,000.00 cost of this planning session.

MARION COUNTY

March 15, 1993

Mr. Tom Lund of the Marion County Industrial Foundation made a presentation to the Inter-County Board requesting that Inter-County assist in applying for a zero-interest \$150,000 loan through the REA under the Rural Development Act to use these funds for the expansion of the Industrial Park through the purchase of 155 acres. The Industrial Foundation would repay the loan as parcels of land were sold and the Lincoln Trail AD would assist in the preparation of the paperwork.

February 10, 1995

The board was notified that the application to REA in the amount of \$150,000 for the purchase of industrial land had been denied.

May 12, 1995

Tom Lund and John Thomas of the Marion County Industrial Board asked the Inter-County Board to consider assisting in applying for a \$300,000 grant to be used to purchase and increase the size of this incubator building within the industrial park. Lund explained that the support of Inter-County was needed as a guarantor and that the Lincoln Trail AD would assist in the preparation of the paperwork.

August 18, 1995

Manager Leo Hill updated the board on the progress of a loan application for an industrial incubator building expansion. He explained that the Marion County Industrial Foundation was providing \$177,000 for the purchase of the existing building and that a grant from RUS was being requested in the amount of \$150,000 to be used for the expansion of the building. The board approved to proceed with the application for a \$150,000 grant on behalf of the Marion County Industrial Foundation.

April 12, 1996

Jim Coleman of EKPC requested that Inter-County participate in assisting the Marion County Industrial Foundation in building a speculative building by sharing the interest cost on a construction loan for a period of three years. He stated that the interest was estimated to run \$26,825.32 annually and that EKPC would pay 60% and ICE would pay 40%. He further explained that when the building is sold, EKPC and ICE would be repaid and that in any event, the interest would be repaid within three years. He also stipulated that the speculative building would have to be served by Inter-County. *KenMar Tool and Die, a small family-owned operation, originally occupied this building in December of 1996, but later moved. Montebello now occupies this building and has since 1998.*

May 12, 2000

Manager Jim Jacobus brought to the attention of the board the fact that Wallace Computing Company would be closing their doors effective May 31, 2000. With an empty building, Inter-County receives no revenues. Marion County Industrial Foundation President Tom Lund was concerned that if Wallace Computing turned the facility over to a real estate agent, the price of the property would be unattractive to an interested buyer. The Foundation then decided they would pursue the purchase of the 90,000 square foot facility and its 40 acres of land with an offer of \$2.3 million. The facility recently appraised at \$4.0 million. Wallace refused their offer of \$2.3 million, but did counter offer at \$2.6 million. The Foundation accepted the counter offer. On July 28, 2000 Inter-County and EKPC jointly loaned the Marion County Industrial Foundation \$2.0 million (\$1.0 million each) with the Foundation paying the remaining \$600,000

on their own. The loan was for 1 year, with an extension of two additional 1-year notes if agreeable to all parties. The terms of interest were based on the CFC short-term line of credit rate. The Foundation paid Inter-County monthly for their portion of interest with EKPC deferring their interest until the building was sold. ***The building was sold the NSU in early 2001*** and the deed of release was filed on February 14, 2001.

May 25, 2001

Jim Jacobus received a letter from Marion County Industrial Foundation Executive Director Tom Lund requesting that Inter-County participate in loaning the Foundation funds to construct a 100,000 square foot speculative building within the industrial park at an estimated cost of \$960,000 to \$1,200,000.

November 9, 2001

Manager Jim Jacobus brought to the attention to the board the matter of participating with the Marion County Industrial Foundation in loaning the organization \$474,613.000 for the construction of a 90,000 square foot speculative building (total loan cost of \$949,225 with EKPC and ICE). The loan was for 1 year, with an extension of two additional 1-year notes if agreeable to all parties. The interest rate will be based on the variable CFC short-term line of credit on a month-by month basis with the interest deferred until the end of the term of the note or the sale of the building whichever comes first. The loan documents were signed December 20, 2001. The deed of release was filed March 28, 2005. ***TBMK looked at this speculative building, but decided it did not meet its needs and built their own facility behind this building. Joy Mining later purchased this speculative building and is its present occupant.***

Note: Loans to the Industrial Foundations are paid back in full principal plus interest. The speculative building program has been very successful to Marion County in that it brings prospective industrial clients to the community. In many cases, the speculative building may not meet the needs of the prospect and may then prompt them to locate at another site within the county. It may or may not locate on Inter-County's lines.

**New/Expanding Industrial List
Inter-County Energy Cooperative**

Industry	Date Opened	# Jobs Created	Inter-County's Investment	Annual Impact on Inter-County's System
Wallace Computer	1994	100		Closed May 31, 2000
Wlibert Plastics	1995	250		\$ 1,073,864.00
Montebello	1998	100	Refer to	\$ 334,655.00
Maker's Mark Distillery (Expansion)	2000	10	attached list	\$ 147,605.00
NSU	2001	200	Item 2(a)	\$ 511,167.00
TBMK *	2003	103		\$ 239,647.00
Joy Mining Manufacturing	2005	164		\$ 170,595.00
TOTAL		927	0	\$ 2,477,533.00

* TBMK is in the process of doubling their current facility and load

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

3. Refer to the Staff's Second Request, Item 12.

a. Provide a detailed description of the employee benefits that Inter County provides to its employees. Include in the description the health insurance coverage for employees and family, the amount of life insurance provided, whether Inter County matches the employee contribution for retirement savings, and any other benefits that impact Inter County's financial statements.

All benefits that are paid by Inter County are listed, with the associated amount that Inter County pays, as Exhibit T, page 1 of 1 of the Application.

Inter County provides employees, and their families, with medical and prescription drug coverage.

Life insurance is 2 times annual salary.

Inter County contributes 2% of base pay, with the employee contributing from a minimum of 1% up to \$15,000.

b. It does not appear that Inter County has recognized any change in health insurance premiums in the Application. What is the annual renewal period for Inter County's health insurance plan?

January 1 of each year.

c. Does Inter County anticipate a change in the premiums at the annual renewal time? If an annual renewal has occurred since the filing of the Application, did Inter County's health insurance premiums change from the test year level? If so, provide the updated information.

As of January 1, 2007 Inter County changed its medical insurance coverages. The new coverages increased the co-pays for prescription drugs, added an annual out-of-pocket limit on prescription drugs and increased deductibles for medical coverage and for the annual out-of-pocket.

As of January 1, 2007, the new rates and number of employees covered are as follows:

	<u>Number of Employees</u>	<u>January 1, 2006</u>		<u>January 1, 2007</u>	
		<u>Monthly Rates</u>	<u>Annual Cost</u>	<u>Monthly Rates</u>	<u>Annual Cost</u>
Employee	8	\$380.80	36,557	\$448.98	43,102
Employee/children	7	\$899.34	75,545	\$967.52	81,272
Employee/spouse	19	\$1,051.38	239,715	\$1,119.56	255,260
Employee/family	28	\$1,450.92	487,509	\$1,519.10	510,418
	62		839,325		890,051

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

4. Refer to the Staff's Second Request, Item 16. Inter County provides a copy of the written agreement with the new law firm.

a. Is Inter County aware that the Commission has generally not included for rate-making purposes expenses for legal seminars, annual subscriptions, and National Rural Electric Cooperative Association ("NRECA") annual member meetings paid on behalf of its retained legal counsel?

Yes.

b. Does Inter County believe that the written agreement provides adequate justification to change the previous rate-making treatment for these expenses by the Commission? Explain the response.

No. However, it is Inter County's opinion that this cost should be allowed since this ultimately benefits the members of Inter County by having its attorney knowledgeable in electric cooperative activities on a state and national level. It should be noted that professional services are not viewed as a commodity by Inter County. Every effort is made to select professional services that have utility experience and have competitive fees.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

7. Refer to the Staff's Second Request, Item 17.

- a. Who are the members of the audit committee and how are they chosen?

Paul Ballard Joseph Spalding William Peyton

The board as a whole will select three (3) directors to serve on the Audit Committee.

- b. Refer to page 17 of 30. Describe what action Inter County has taken on the recommendation listed.

The recommendation was dated April 24, 2006. On May 1, 2006, Inter County had executed a new "Agreement" with Townsend to incorporate the internal audit findings.

- c. Refer to page 20 of 30. Describe what action Inter County has taken on the cost-containment measures stated in the Plan Contributions and Dependent Coverage section.

The recommendation was dated June 12, 2006 and was reviewed and discussed at the July 20, 2006 Inter County Board of Directors meeting. Since the timing of this recommendation and discussion in the 2006 calendar year was close to the deadline for the open-enrollment period for the spouses' insurance options, it was decided that this item would continue to be evaluated with the insurance carrier. A recommendation will be brought back to the Inter County Board of Directors in the spring of 2007 in order to give advance notice to affected employees who may need to notify their spouse's insurance carrier of any changes to made in coverage.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

6. Refer to the Staff's Second Request, Item 18. What is the basis for Inter County's conclusion that the expenses are lower when Inter County provides the lunch? Explain the response.

The audit agreement states the fee is for time and expenses. When Inter County takes the auditor to lunch, they can control the amount of lunch and time taken for lunch.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

7. Refer to the Staff's Second Request, Item 19(g) and (h). Inter County states that the NRECA annual meeting is a combination of training and education seminars for directors. Provide a copy of the agenda or any meeting materials provided to attendees from the NRECA annual meeting held during the test year.

A copy of the 2006 Annual Meeting Schedule and details is attached. It should be noted that entertainment is held during lunches and in the evenings. When an Inter County attendee elects to participate in any entertainment, it is at the attendees' expense. Inter County does not reimburse an attendee for this cost.

Investing in the Future



2006 ANNUAL MEETING ORLANDO



National Rural Electric
Cooperative Association

A Teacher Energy Cooperative

2006 Annual Meeting & Expo Schedule

Schedule subject to change.

Tuesday, February 14

8:00 a.m. – 5:00 p.m.
1:00 p.m. – 5:00 p.m.

TechAdvantage® Pre-Conference Workshops
RUS Electrical Engineering Workshop

Wednesday, February 15

8:00 a.m. – 5:00 p.m.

TechAdvantage® Pre-Conference Workshops
RUS Electrical Engineering Workshop

Thursday, February 16

8:00 a.m. – 4:00 p.m.
8:30 a.m. – 5:00 p.m.

Director Training
TechAdvantage Conference

Friday, February 17

8:00 a.m.
8:00 a.m. – 4:00 p.m.
8:00 a.m. – 4:00 p.m.
9:00 a.m.
9:00 a.m. – 4:30 p.m.
4:30 p.m. – 7:30 p.m.

Standing Committee Joint Meeting
TechAdvantage Conference
Director Training
Standing Committee Meetings
Workplace Law
TechAdvantage Expo Gala Grand Opening

Saturday, February 18

8:00 a.m. – 4:00 p.m.
8:00 a.m. – 4:30 p.m.
8:00 a.m. – 5:00 p.m.
8:30 a.m.
9:00 a.m. – 12:10 p.m.
10:00 a.m. – Noon
Noon – 2:00 p.m.
Noon – 3:00 p.m.
3:45 p.m.

Director Training
Legal Seminar 46
Registration
Standing Committee Meetings
Technology Showcase
TechAdvantage Expo (CEO & Co-op Staff Only)
Electric Cooperative Bar Association Annual Meeting
TechAdvantage Expo
Southeastern Data Cooperative Annual Meeting

Sunday, February 19

7:30 a.m.
7:30 a.m. – 5:00 p.m.
8:00 a.m. – 4:00 p.m.
8:30 a.m. – Noon
8:30 a.m.
9:00 a.m.
10:30 a.m.
11:00 a.m. – 3:00 p.m.
3:00 p.m.

Congressional Action Center Opens
Registration
Director Training
Legal Seminar 46
NRECA Board Meeting
Ecumenical Service
NISC Annual Meeting
TechAdvantage Expo
NRTC Annual Meeting

Monday, February 20

7:30 a.m. – 5:00 p.m.
8:30 a.m. – 11:00 a.m.

Registration
NRECA Annual Meeting—Opening
General Session

- Report of NRECA CEO
- Distinguished Service Award
- Keynote Address

11:30 a.m. – 2:30 p.m.
Noon
1:00 p.m.
2:45 p.m.
8:00 p.m.

TechAdvantage Expo
Celebration Luncheon
NCSC Annual Meeting
Forum Sessions
Entertainment Night

Tuesday, February 21

7:30 a.m. – 5:00 p.m.
8:30 a.m.

Registration
Second General Session

- Youth Leadership Council
- Rural Utilities Service Report
- Clyde T. Ellis Award Presentation
- NRECA President's Report
- Touchstone Energy Cooperatives Annual Meeting

Business Session

- NRECA Secretary/Treasurer's Report
- Nominations & Resolutions

10:30 a.m.

Forum Sessions
CFC Annual Meeting
Federated Rural Electric Insurance Exchange
Annual Meeting

1:00 p.m.
2:30 p.m.
4:30 p.m.

ACRE® Breakfast
Registration
Closing General Session

- International Programs Report
- Award Ceremony
- Keynote Address
- Cooperative Director Celebration

Wednesday, February 22

7:00 a.m.
7:30 a.m. – Noon
8:30 a.m. – 11:00 a.m.

ACRE® Breakfast
Registration
Closing General Session

- International Programs Report
- Award Ceremony
- Keynote Address
- Cooperative Director Celebration

Meeting Details

Annual Meeting Program & Schedule

The Annual Meeting & Expo Schedule provides a high-level overview of events as they occurred during the meeting.

[Download the Annual Meeting & Expo Schedule](#)

Annual Meeting Program

Saturday, February 18

Electric Cooperative Bar Association Annual Meeting

Rosen Plaza Hotel
Noon

Straying from the traditional Sunday afternoon meeting, members of the Electric Cooperative Bar Association will hold their sixth Annual Meeting on Saturday, February 18. ECBA Chair Richard Tisinger, Sr., will conduct the business of the members during the luncheon break on the first day of the NRECA Legal Seminar. Following the business meeting, ECBA has invited a dynamic and well-respected keynote speaker to address ECBA members and guests. The ECBA Annual Meeting provides a great opportunity for you to network with fellow electric co-op attorneys from across the country. You won't want to miss it.

Sunday, February 19

Ecumenical Service

9:00 a.m.
Orange County Convention Center

We understand that the schedule of the Annual Meeting may offer challenges to the majority of our attendees who are accustomed to attending Sunday morning Christian worship services. While we can't replicate your home church communities here, we are pleased to offer an in-house interdenominational Christian church service to those attendees interested in worshiping in fellowship with their electric co-op friends. The Youth Leadership Council will provide musical selections as part of this program. Information on local services offered by other specific denominations and religions is available from the Concierge.

Dr. Jerry Pounds, Sr.
President, Truett-McConnell College
Cleveland, Georgia

John K. Brown
Recording Artist
Orlando, Florida

NISC Annual Meeting

10:30 a.m.
Orange County Convention Center

NISC delivers advanced information technology solutions and services to electric cooperatives in 47 states. Join NISC's membership at the NISC 2006 Annual Meeting where President and CEO Vern Dosch will provide an update on Fiscal Year 2005 accomplishments and operations, including the status of iVUE Accounting and Business, Customer Care and Engineering solutions for utilities. A 9:30 a.m. continental breakfast will precede the NISC Annual Meeting.

SEDC Annual Meeting

2:30 p.m.
Orange County Convention Center

NRTC Annual Meeting

3:00 p.m.
Orange County Convention Center

Please join your telecommunications cooperative, NRTC, for its 2006 Annual Meeting. NRTC Chairman Ed Short and Secretary-Treasurer

Terry Bruns will share the cooperative's Year 2005 accomplishments and financial results. President and CEO Bob Phillips will provide an update on WildBlue and other technology innovations planned for members in 2006. Voting for Districts 1, 8, 9, and 10 board seats will also be conducted at the meeting. Captain Scott O'Grady, an Air Force pilot who survived six days evading enemy soldiers in the war-ravaged Bosnia countryside, will be the featured speaker.

Monday, February 20

Opening General Session

8:30 a.m.

Orange County Convention Center

Enjoy the pageantry of the opening general session. Listen as NRECA Chief Executive Officer Glenn English reports to the membership about how NRECA is "Investing for the Future" for cooperatives. NRECA's Distinguished Service Award will be bestowed, and we'll hear one of the world's top communications specialists—Michael Sheehan. An advisor to presidents and business leaders, Michael will share his insights about effectively communicating the cooperative difference and the hard facts about challenges facing the entire electric industry.



Celebration Luncheon

Noon

The Peabody Orlando

Come honor the recipients of the National Electric Cooperative Community Service Award during this inspiring luncheon. Featured speaker Mike Rayburn, known as the World's Funniest Guitar Virtuoso, uses his astounding guitar creations, uproarious songs and simple tools to encourage, challenge and energize you to transform your co-op and your life. Be sure to order your tickets soon! The luncheon is growing in popularity and tickets go fast.

NCSC Annual Meeting

1:00 p.m.

The Peabody Orlando

NCSC's 2006 Annual Meeting will include addresses from NCSC President Robert Toombs and a guest speaker presentation. There will be director elections for districts 1, 2, 3, 4 and 5.

NRECA Forums

2: p.m.

Orange County Convention Center

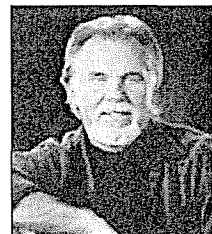
Educational forums drill down into a variety of critical subjects and prepare cooperative directors and staff members to be more effective at their jobs. An array of sessions will be presented. Watch for complete descriptions on cooperative.com.

Entertainment Night

8:00 p.m.

Orange County Convention Center

Kenny Rogers, one of country music's biggest stars will take to the stage, performing such hits as *Coward of the County*, *Ruby Don't Take Your Love to Town*, *The Gambler*, *Lucille*, and many more. Tickets are \$35 (before January 26) and \$45 (after January 26).



Tuesday, February 21

Second General Session

8:30 a.m.

Orange County Convention Center

This jam-packed session will feature an address by NRECA President Ron Bergh outlining the accomplishments and challenges for the association. The Clyde T. Ellis Award will be presented, and the Rural Utilities Service will focus on the vital partnership between RUS and the cooperatives. We'll be inspired by the Youth Leadership Council presentation and energized during the Touchstone Energy Cooperatives annual meeting in which a powerful series of new advertising and communication resources are unveiled. Touchstone Energy will also roll out of the Power and Hope Employee Recognition program and a tribute to cooperative heroes.

Business Session

10:30 a.m.

Orange County Convention Center

Resolutions from the membership are the lifeblood of NRECA – setting the priorities and goals for the member-focused association. Attend the annual business meeting to hear reports about the accomplishments and financial condition of the association and participate in the culmination of the year-long resolutions process.

NRECA Forums

1:00 p.m.

Orange County Convention Center

Educational forums drill down into a variety of critical subjects and prepare cooperative directors and staff members to be more effective at their jobs. An array of sessions will be presented. Watch for complete descriptions on cooperative.com.

CFC Annual Meeting

2:30 p.m.

Orange County Convention Center

CFC's 2006 Annual Meeting will include addresses from CFC President Jim Duncan and Governor and CEO Sheldon C. Petersen. Cal Ripken, baseball's most consecutive games played legend, will be the CFC keynote speaker.

**Federated Annual Meeting**

4:30 p.m.

Orange County Convention Center

Join us at our 2006 Annual Membership Meeting to hear more great news of our continuing success. President and CEO Frank Fraas will address Federated's membership on progress made towards making safety a hallmark of the REC program. Vice President of Finance and CFO Phil Irwin will review the Company's financials for 2005 and there will be director elections for Regions 1, 8, 9 and 10.

Wednesday, February 22**18th Annual ACRE® Meeting & Breakfast**

7:00 a.m.

Orange County Convention Center

Attend and show your support for ACRE! Celebrate our accomplishments over the last year and learn about what to expect in 2006 as we head into the fall elections. Shuttle bus service will begin at 5:45 a.m. and entertainment starts at 6:30 a.m.

Closing General Session

8:30 a.m.

Orange County Convention Center

Don't miss the "Celebration of the Cooperative Spirit" during the last morning's general session. Learn how NRECA is helping light up the world through its International Programs. We'll shine the spotlight on those directors who have earned their Certified Cooperative Director designation and honor cooperative leaders who are making a difference in their communities. Hear the intriguing inside story about the importance of accountability in the workplace from Sherron Watkins, the former Vice President of Enron Corporation who alerted then-CEO Ken Lay about accounting irregularities within the company.



NRECA Forums**Monday, February 20, 2006****NRECA Forums – 2:30 p.m.****Orange County Convention Center****West Hall****Forum 1: The Politics of High Energy Prices****Location:** West Hall F3 - 4

Today a potent mix of forces has come together to increase costs, forcing almost all electric utilities to raise rates – or consider doing so in the near future. When prices go up and reliability is threatened, competing interests will pressure policy makers to respond. What new legislation should we look for? Will new proposals hurt or benefit consumers? What are states doing to address high energy and electricity prices? How can member consumers help capture the attention and support of policy makers? This session will provide insights into today's policy environment, describe who the major actors are, and offer solutions for cooperative leaders.

Moderator

Dena Stoner; Vice President of Government Relations, NRECA

Speakers

- Michael Sheehan, Sheehan and Associates
- Kateri Callahan, President, The Alliance to Save Energy, Capitol Hill staffer

Forum 2: Dealing with a Carbon-Constrained Future**Location:** West Hall F5

The debate over climate change is growing more active in Washington DC, in states across America, and in the minds of many of our consumers. Increasingly, politicians are growing more interested in doing "something" while protecting the economy and holding down dramatic increases in energy prices. This session will focus on the political debate that is raging over the climate change issue, and how cooperatives are responding.

Moderator

Kirk Johnson, Executive Director, Environmental Affairs, NRECA

Forum 3: Integrating Utility Technologies to Improve Cooperative Performance**Location:** West Hall F1 - 2

Over time, cooperative organizational structures, and the software applications that support those structures, have evolved based on the idea that strong independent departments are necessary to ensure accountability. Due to wasted investments in unsuccessful technology projects, today there is a fundamental rethinking of the unspoken rules and assumptions that underlie the way we conduct our business. This session will explore successful and unsuccessful strategies for improving cooperative performance. It will focus on the important role of new technology and gains in efficiency to enhance the value that cooperatives are providing their members.

Tuesday, February 21, 2006**NRECA Forums – 1:00 p.m.****Orange County Convention Center****West Hall****Forum 4: Power, Price and Difficult Decisions****Location:** West Hall F3 - 4

Changes in the electric utility industry and the global economy have brought new threats and opportunities to cooperatives, particularly related to building new plants, the purchase of power, and the management of risks in the wholesale marketplace. Volatile fuel costs – and our nation's reliance upon energy from unstable regions of the world – add to the challenges facing the electric utility industry. Join nationally recognized experts in energy, national security and power system planning to discuss these challenges for electric cooperatives.

Moderators

- Wally Tillman, NRECA, Vice President, Energy Policy & General Counsel

- Dave Mohre, NRECA, Executive Director, Energy & Environment Division

Speakers

- Guy Caruso, Administrator, The U.S. Energy Information Agency
- Brown Thornton, Vice President, R.W. Beck,

Forum 5: Building High Board Performance

Location: West Hall F5

Given the uncertainty of the current energy environment, it's never been more important for boards to effectively deal with conflict, ensure a well-rounded decision making process, and boost the productivity of board meetings. This panel will explore some current issues in conflict management and the relevance of the late Peter Drucker's ideas to electric cooperatives. Drucker's ideas including the rise of the knowledge worker, the roles of board and management, and the importance of organizational renewal and self development will be discussed in terms of their relevance to day's electric cooperative board.

Moderator

Martin Lowery, NRECA, Executive Vice President, External Affairs

Panelists

- Bob Kabat
- Greg Boudreaux
- Monica Schmidt, Executive Director, National Consulting Group

Forum 6: Building Regional Economies

Location: West Hall F1 - 2

Electric co-ops have long played a central role in building infrastructure in their service territories and surrounding communities that is so important for growth. However, changing economic dynamics of rural America continue to create challenges for ensuring successful economic growth. How can we do better? In this session, Thomas Dorr and Glenn English discuss what we have learned and what it will take to build strong regional economies for the future, and cover:

- How to improve the likelihood of success
- The key ingredients for success
- How to remove the barriers to real growth
- The leadership role of the electric cooperative

Designed to inspire and educate, this session will expand your horizons for helping to better ensure local quality of life and prosperity for *your communities*.

Speakers

- The Honorable Thomas Dorr, Undersecretary of Rural Development, USDA
- Glenn English, Former Chair, Conservation, Credit, and Rural Development Subcommittee Agricultural Committee, U.S. House of Representatives and CEO, NRECA

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

8. Refer to Staff's Second Request, Item 21(c).
- a. Explain in detail what types of expenses are included. If the expenses are for equipment, explain why the equipment was not capitalized and depreciated as general plant.

Substantially all expenses were for equipment. Inter County expenses all items less than \$2,000 individually. This is in accordance with the RUS Uniform System of Accounts.

- b. Provide a copy of the provision in Inter County's insurance policies that allow for a reduction in insurance rates by the addition of a wellness program.

Inter County misstated, and apologizes accordingly, for this statement. When the insurance premiums were with NRECA, there was a wellness program clause. Inter County was with NRECA until 2001. The current insurance program does not have this provision. However, Inter County continues to review its insurance coverage, and if it is more economical to select NRECA as the carrier, then the wellness program would again be part of the rates.

Inter County is of the opinion that the wellness program does have a benefit in that employees are more healthy, and thus, reduce missed work days. Also, due to the nature of linemen and servicemen, these employees need to be healthy and in good shape to perform their duties.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

9. Refer to Staff's Second Request, Item 21(f) and (g). Explain in detail why these expense items were not capitalized and depreciated as general plant.

Inter County expenses all items less than \$2,000 individually. This is in accordance with the RUS Uniform System of Accounts.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

10. Refer to Staff's Second Request, Item 21(n). Explain in detail what types of programming changes were required. Provide a schedule of the number of times Inter county has required programming changes in the 3 years preceding the test year and the corresponding expense for the changes.

The programming charge during the test year was for the implementation of the environmental surcharge. The method for passing the cost on to consumers is not the same for the environmental surcharge as it is for the fuel adjustment.

<u>Year</u>	<u>Number of Occurrences</u>	<u>Cost</u>
2005	6	5,250
2004	5	8,775
2003	1	150

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

11. Refer to the Staff's Second Request, Item 23. Does Inter County purchase new annual meeting uniforms each year? When did Inter County begin the practice of purchasing annual meeting uniforms? Explain the response.

Inter County does not supply an entire uniform, but a shirt only. All the shirts are matching colors so that members attending the annual meeting can identify Inter County employees. Inter County began supplying a new shirt at every annual meeting since 1995.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

12. Refer to the Staff's Second Request, Item 25. Provide a schedule of the gain or loss on disposition of general plant that Inter County has experienced over the last five calendar years.

Inter County has supplied this information to Attorney General's Supplemental Request for Information, Item 3. This response excludes losses associated with the retirement of the existing headquarters.

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

13. Refer to the Application, Exhibit 14, page 2.

a. Inter County's cost justification includes 40 minutes of labor involved in processing a returned check. Provide a breakdown of the individual tasks involved in processing a returned check including the amount of time required by each task. If needed, include a narrative explanation of the procedure involved in processing a returned check.

Narrative attached.

b. Inter County's cost justification includes 40 minutes of labor involved in meter testing. Provide a breakdown of the individual tasks involved in testing a meter, including, if applicable, the amount of time allocated for removing a meter and returning it for testing.

Narrative attached.

**Inter County Energy Cooperative Corporation
Non Recurring Charges
July 31, 2006**

Returned Check

When a check is not honored by the bank and is returned to Inter County Energy, the bank stamps the check with the reason it was not honored. Inter County Energy's bank charges the cooperative a fee of \$7 for each returned check.

When the CSR receives the check from the bank, the name, address, account number and amount of the payment are verified and the account number is written on the returned check listing sheet from the bank. A copy of this register along with the check is retained by the CSR responsible for maintaining the subsidiary accounts receivable records. **(Time to complete process: approximately 10 minutes.)**

The CSR enters the returned check information on an excel spread sheet. The CSR then enters the returned check to the customer's account along with a service charge of \$10. **(Time to complete process; approximately 10 minutes.)**

A "Returned Check Notice" is prepared and mailed to the customer stating the amount of the check plus the service charge; the date the check must be paid; the reason the check was returned and the bank the check was drawn on. A copy of this notice is placed in a central location at the headquarters' office and a copy is faxed to the district office. **(Time to complete the process: approximately 10 minutes.)**

If the returned check is paid via the US Mail, the payment is keyed to the customer's account, the check notice is pulled and notation is made on the notice of the payment date; the notice is folded and put into an addressed envelope; postage added and the check along with the receipt/notice is returned to the customer. If the check is paid in person, the same process applies except the dishonored check is returned to the customer at that time. **(Time to complete process: approximately 5 minutes.)**

If the check is not paid by the date stated on the notice, the check is subject to disconnect. This is an ongoing process that is check each day by the CSR. If the check is not paid by the appointed date, a hand-written disconnect notice is prepared and forwarded to the appropriate service technician for disconnection. **(No time allotted since not all check are subject to this process. However, if it does happen there is time involved for the CSR and the service technician.)**

At the end of each month, the Accounting Department uses the excel spread sheet prepared by the CCR to balance the monthly bank statement and the general ledger. This is confirmed with the CSR responsible for the subsidiary account. **(Time to complete process: approximately 5 minutes.)**

Per discussions with all parties involved in this process, 40 minutes is the minimum time it takes to process and account for returned checks.

**Inter County Energy Cooperative
Non Recurring charges
July 31, 2006**

Labor for meter tests

Requires a regular trip charge for the service men.

The meter is pulled by the service men, brought to the warehouse where it is boxed and sent to a contractor to be tested. The results of the tests are mailed back to the Service Clerk at Inter County Energy. The test results are recorded on a meter test card that is retained in the service department. The results of the test are mailed to the customer by the Service Clerk. The contractor charges the cooperative a fee for each meter test.

It is estimated by the operations department that it takes the service technician **approximately 20 minutes** to pull the meter, replace a new meter and complete the paperwork for the meter change.

Per discussions with the Service Clerk and the Warehouse Attendant, it requires **approximately 20 minutes** to box the meter; record the results after the test is completed and mail the test letters to customers.

Miles driven for each service

Per discussions with the Operations Superintendent and the service men, it is estimated that each trip is approximately 15-20 miles. Therefore, 15 miles per trip was used.

Cost per mile driven

The transportation system used by Inter County Energy does not allow for the calculations of a per mile cost per vehicle. The costs are allocated on a per hour of use basis.

Since most vehicles used on service calls, collections and reconnects are service trucks and not large bucket trucks, Inter County Energy has chosen to use the Internal Revenue Service cost per mile of \$0.365 (thirty-six and one-half cents).

Inter County Energy
Case No. 2006-00415
Third Data Request of Commission Staff

14. Refer to the Inter County's Response to the AG's Initial Request for Information, Item 14. Inter County states that it has not recognized \$5,613,034 as an expense for fuel and environmental surcharge; rather it has recognized \$5,321,946 as its expense. Inter County's Statement of Operations included in its Application as Exhibit S, shows normalized adjustment for fuel and environmental expense is \$5,321,946, but that amount is not supported by Exhibit 15, page 3 of Inter County's Application. Provide all necessary calculations and workpapers that support the \$5,321,946 adjustment for fuel and environmental surcharge.

Exhibit 15, page 3 of 3	
Fuel adjustment	3,594,302
Environmental surcharge	<u>2,131,387</u>
	5,725,689
Exhibit W, page 8 of 13	
Account No. 186.90, Defer fuel adjustment	195,377
Account No. 186.100, Environmental surcharge	<u>208,366</u>
	<u>5,321,946</u>

Starting January 1, 2006, Inter County elected to try to more closely match power costs, which include fuel adjustment and environmental surcharge, to revenues billed to its consumers. The current month amounts from the power bill are recorded in these deferred accounts, then reversed the next month as amounts are billed to consumers. There is a one month lag from the expense on the power bill to the time the amounts are billed to consumers. The accounts numbers 186.90 and 186.100 are from the July 2006 EKPC power bill.