

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FLEMING-MASON)	CASE NO.
ENERGY COOPERATIVE, INC. FOR AN)	2007-00022
ADJUSTMENT OF RATES)	

SECOND DATA REQUEST OF COMMISSION STAFF TO
FLEMING-MASON ENERGY COOPERATIVE, INC.

Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 14, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Fleming-Mason shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which Fleming-Mason fails or refuses to furnish all or part of the requested information,

Fleming-Mason shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. In Fleming-Mason's last rate case, Case No. 2001-00244,¹ on pages 20 through 24 and page 33 of the August 7, 2002 Order, the Commission discussed the reasons an alternative approach was taken with the depreciation rates in that case and the reasons why another depreciation study was required. On page 47 of the August 7, 2002 Order, ordering paragraph 7, the Commission ordered Fleming-Mason to undertake and complete a new depreciation study no later than July 2007. In the Application, Item 3, page 1 of 6, Fleming-Mason acknowledges the depreciation study from the previous case and its decision to continue to utilize those rates for this case. In the Response to First Data Request of Commission Staff dated February 7, 2007 ("Staff's First Request"), Item 39, Fleming-Mason states that it elected not to file a depreciation study with its Application in this proceeding.

a. Given the Commission's requirement that Fleming-Mason file a new depreciation study and the reasons given in the previous Order, explain in detail why Fleming-Mason has not filed a new depreciation study in this case.

¹ Case No. 2001-00244, Adjustment of Rates of Fleming-Mason Energy Cooperative Corporation, final Order dated August 7, 2002.

b. Provide a copy of the report showing Fleming-Mason's conversion of the distribution plant accumulated depreciation balances from the functional level to the account level as ordered by the Commission in the previous case.² Include all assumptions and rationale used to develop the account level balances.

2. In the August 7, 2002 Order in Case No. 2001-00244, page 48, ordering paragraph 10, the Commission ordered Fleming-Mason to address the four deficiencies in its proposed equity management plan³ within 3 years from the date of that Order or the filing of the next rate case, whichever occurs first. In its response to Staff's First Request, Item 16, Fleming-Mason states it is in the process of developing an equity management plan and will file it when it is finalized and approved by the board of directors. Given the Commission's August 7, 2002 Order, explain in detail why Fleming-Mason did not file the equity management plan by August 7, 2005.

3. Provide a copy of the modified Policy No. 52 and Fleming-Mason's capital credit rotation program as required in the August 7, 2002 Order, page 48, ordering paragraph 11. In addition, provide a copy of the status reports filed as a supplement to Fleming-Mason's Annual Reports for 2003, 2004, and 2005.

4. Provide a schedule of any outstanding industrial park debt service loans that remain from the previous rate case.

5. In the August 7, 2002 Order, page 49, ordering paragraph 16, the Commission ordered Fleming-Mason to report on the status and financial condition of Fleming-Mason Service Corporation ("Service Corp."). On page 45 of the August 7,

² August 7, 2002 Order at 47, ordering paragraph 8.

³ Id. at 35-36.

2002 Order, the Commission listed the items to be included in the annual report to the membership. In the Application, Exhibit P, Fleming-Mason provided its annual reports for 2004 and 2005 that included a balance sheet for Service Corp. for the years ending 2004 and 2005. It does not appear that Service Corp. is mentioned elsewhere in the annual reports. Provide the citation that shows where Fleming-Mason has included the required information in its annual reports to its membership. If the information was not included in the annual reports to its membership, explain in detail why it was not included.

6. In Case No. 2002-00291,⁴ the Commission denied Fleming-Mason's request for authorization to guarantee the line of credit between Service Corp. and the National Cooperative Services Corporation. In the Application, Exhibit N, page 17 of 25, Item 12, Fleming-Mason's audited financial statements disclose Fleming-Mason's guarantee of the line of credit and that the Commission has denied the request to guarantee the line of credit. Given the Commission's order in the financing case, explain why Fleming-Mason is still guaranteeing the line of credit for Service Corp.

7. Refer to the Application, Exhibit B, page 13 of 34. The Environmental Protection Agency will no longer allow mercury vapor lamp ballast to be manufactured or imported after January 1, 2008. Explain how Fleming-Mason will address this situation in its tariff.

8. Refer to the Application, Exhibit H-1, page 1 of 2, answer 3. Provide a copy of any correspondence with the Rural Utilities Service and the National Rural

⁴ Case No. 2002-00291, Authorization Under KRS 278.300 of Fleming-Mason Energy Cooperative Corporation of Approval of Guarantee of Revolving Line of Credit for Fleming-Mason Service Corporation, final Order dated January 21, 2004.

Utilities Cooperative Finance Corporation ("CFC") regarding Fleming-Mason's financial ratios.

9. Refer to the Application, Exhibit H-2, page 2 of 2, answer 7. Explain in detail why the times income earned ratio changed so drastically between 2002 and 2006.

10. Refer to the Application, Exhibit J, page 2 of 12.

a. Explain what would generate a billing adjustment.

b. Provide, in Microsoft Excel 97-2003 format, a copy of the Cost-of-Service Study with all formulas intact.

11. Refer to the Application, Exhibit N, page 17 of 25, Item 11.

a. Provide a detailed explanation of how Fleming-Mason determines the monthly amount it charges Service Corp.

b. Provide any assumptions or allocations used to determine the amount.

12. Refer to the Application, Exhibit N, pages 20 and 22 of 25.

a. Provide the current business plan for Service Corp. and any of its affiliates or subsidiaries.

b. Describe the status of Service Corp. as a going-concern.

13. Refer to the Application, Exhibit P. Provide a copy of the 2006 annual report.

14. Refer to the Application, Exhibit R, Allocation of Revenue Requirements to Rate Classes. Most of the eight pages of the exhibit have pound signs in some of the cells, rather than numbers. Provide a copy with the numbers legible.

15. Refer to the Application, Exhibit W. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between December 31, 2005 and December 31, 2006.

- a. Account No. 365 – Overhead conductors, page 1 of 10.
- b. Account No. 367 – Underground conductors, page 1 of 10.
- c. Account No. 390 – Structures and improvements, page 1 of 10.
- d. Account No. 392 – Transportation equipment, page 1 of 10.
- e. Account No. 393 – Stores, page 2 of 10.
- f. Account No. 397 – Communications equipment, page 2 of 10.
- g. Account No. 398.10 – Miscellaneous – Field house, page 2 of 10.
- h. Account No. 107.20 – CWIP – direct cost, page 2 of 10.
- i. Account No. 123.11 – Subsidiary investment, page 4 of 10.
- j. Account No. 165.10 – Insurance, page 5 of 10.
- k. Account No. 183 – Preliminary survey, page 6 of 10.
- l. Account No. 186.20 – Miscellaneous, page 6 of 10.
- m. Account No. 219.30 – Prior year's losses, page 7 of 10.
- n. Account No. 227 – Obligations under capital lease, page 7 of 10.
- o. Account No. 232.10 – Accounts payable, page 7 of 10.
- p. Account No. 232.50 – Power bill, page 8 of 10.
- q. Account No. 237.50 – Consumer deposits, page 9 of 10.

16. Refer to the Application, Exhibit X. For each income statement account listed below, describe the reason(s) for the change in the account between December 31, 2005 and December 31, 2006.

- a. Account No. 450 – Forfeit discounts, page 1 of 8.
- b. Account No. 583 – Overhead line expense, page 2 of 8.
- c. Account No. 593.10 – Maintenance – right-of-way cutting, page 2 of 8.
- d. Account No. 593.30 – Maintenance – outages, page 2 of 8.
- e. Account No. 593.40 – Maintenance – radio operators, page 2 of 8.
- f. Account No. 594 – Maintenance – underground, page 3 of 8.
- g. Account No. 595 – Transformers, page 3 of 8.
- h. Account No. 903.20 – Consumer collection, page 3 of 8.
- i. Account No. 904 – Uncollectible accounts, page 4 of 8.
- j. Account No. 908.10 – Consumer assistance, page 4 of 8.
- k. Account No. 912 – Demonstration and selling, page 4 of 8.
- l. Account No. 921 – Office supplies, page 4 of 8.
- m. Account No. 923 – Outside services, page 4 of 8.
- n. Account No. 929 – Duplicate charges, page 5 of 8.
- o. Account No. 930.50 – Member relations, page 5 of 8.
- p. Account No. 431.10 – Interest – other, page 6 of 8.
- q. Account No. 426.11 – Industrial development authorities, page 7 of 8.
- r. Account No. 421 – (Gain)/loss on plant disposed, page 7 of 8.

17. Refer to the Application, Exhibit 1.

a. Refer to pages 3 and 5 of 7. Explain why the wages shown for the salaried employees are different on the schedules. Provide the correct wages for the

salaried employees as of December 31, 2006 and provide any adjustments to the salaried employees made after December 31, 2006.

b. Refer to page 7 of 7. Regarding Employee No. 412, did this employee replace another employee? If so, provide the employee no. that was replaced. If this is a new position, explain the duties of the position.

18. Refer to the Application, Exhibit 5. Provide an update of the current interest rates through June 30, 2007.

19. Refer to the Application, Exhibit 9, page 2 of 4. Pertaining to Fleming-Mason's legal expenses,

a. Provide a copy of the written agreement with Fleming-Mason's law firm. If no written agreement exists, explain why Fleming-Mason does not have one.

b. The monthly retainer shown on line 26 is different from the other months. Did the monthly retainer for Fleming-Mason's law firm increase at the end of the test year? If so, provide the basis for the amount of the increase. If not, explain why one monthly retainer amount is different from the other months.

c. Explain in detail why expenses for a legal seminar and a legal subscription should be included for rate-making purposes, given the attorney is compensated by a retainer and a normal hourly billed rate.

20. Refer to the Application, Exhibit 9, page 3 of 4. Explain in detail the services provided by Blue One Communication.

21. Refer to the Application, Exhibit 10. Pertaining to Fleming-Mason's directors' expenses,

a. Provide a copy of Fleming-Mason's board of directors' policy.

b. Provide the name of the director that serves as the National Rural Electric Cooperative Association representative.

c. Provide a schedule showing the monthly per diem per director for each year from 2000 through 2006.

d. Refer to page 4 of 11, line 12. Explain why this expense item was removed for rate-making purposes.

e. Explain the nature and purpose of the following meetings attended by many of the directors. Include a detailed explanation of why each should be included for rate-making purposes. Provide a copy of any meeting materials or agendas provided to the attendees.

- (1) CFC Financial Forum
- (2) Kentucky Association of Electric Cooperatives ("KAEC")
Director training
- (3) KAEC Strategic Plan meeting

22. Refer to the Application, Exhibit 11, pages 2 through 4 of 5. Explain why cellular phone expense is included in Account No. 930.20 – miscellaneous general expenses.

23. Refer to the Application, Exhibit 11, pages 2 through 4 of 5. For the following transactions, explain the nature and purpose of each transaction, indicate if it is recurring, and explain why it should be included for rate-making purposes.

- a. Line 57, 104, and 119 – Member service raining mtg.
- b. Line 81 – Site Selection workshop.
- c. Line 89 – Kentucky Wiring guides.

- d. Line 90 – Leadership class tuition.
- e. Line 130 – Computer training mtg.
- f. Line 133 – Water heater rebate.

24. Refer to the Application, Exhibit 11, page 4 of 5. Provide a list of the organizations and the dues paid for each organization of which Fleming-Mason is a member.

25. Refer to the Application, Exhibit 13. Provide the transactions that are included in the non-operating activities account for the test year.

26. Refer to the Staff's First Request, Item 24, page 2 of 3. Explain why the percentage increase for Employee Nos. 101 and 502 is higher than the annual increase awarded to the other employees.

27. Concerning the PSC Assessment:

a. Did Fleming-Mason include an adjustment to normalize the PSC Assessment?

b. Would Fleming-Mason agree that the normalization should be included and should reflect the current PSC Assessment rate? Explain the response.



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Dated: JULY 24, 2007.

cc: All Parties