

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC)
COOPERATIVE, INC. FOR AN) CASE NO.
ADJUSTMENT OF RATES) 2012-00448

APPLICATION OF OWEN ELECTRIC COOPERATIVE)
CORPORATION FOR REVISIONS TO ITS METER)
READING TARIFF TO ACCOMMODATE MANUAL METER) CASE NO.
READING CHARGES IN INSTANCES WHERE ITS) 2012-00468
ADVANCED METERING INFRASTRUCTURE IS)
PROHIBITED FROM BEING UTILIZED FOR ITS)
INTENDED PURPOSE)

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
TO OWEN ELECTRIC COOPERATIVE, INC.

Owen Electric Cooperative, Inc. ("Owen"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due by July 5, 2013. 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.

Owen shall make timely amendment to any prior response 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 request to which Owen fails or refuses to furnish all or part of the requested information, Owen 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.

1. Refer to the Owen's response to Commission Staff's Third Information Request ("Staff's Third Request"), Item 3, and Exhibit 5, page 2 of 3, of the application.

a. Refer to Exhibit 5, page 2 of 3, line 35, CFC Loan 9016 with a maturity date of November 2012 and an annualized cost of \$3,695. Confirm that this loan has matured.

b. Refer to Exhibit 5, page 2 of 3, line 45, CFC Loan 9031010 with a maturity date May 2013 and an annualized cost of \$63,408. Confirm that this loan has matured.

c. If a. and b. above can be confirmed, confirm that the revised annualized cost of CFC loans would be \$889,549 (\$956,652 - \$3,695 - \$63,408) and a total revised annualized cost for all loans would be \$4,447,050 (\$4,514,153 - \$3,695 - \$63,408).

d. Confirm that using the revised total annualized interest of \$4,447,050 and comparing that amount with the test-year interest expense of \$4,487,322 shown on line 29 of Exhibit 5, page 1 of 3, results in a reduction in interest expense of \$40,272 versus the \$26,832 increase shown on this page.

2. Refer to the response to Staff's Third Request, Item 4 and Exhibit 9 of the application.

a. Confirm that, although Director Kinman does not appear on page 1 of 13, the \$1,125 of per diems for Director Kinman was excluded from test year expenses because it is included in the \$22,295 total shown on page 2 of 13 of Exhibit 9.

b. Does the exclusion of Director Kinman from Exhibit 9, page 1 of 13, indicate that there were no additional costs associated with Director Kinman outside of per diem and health-insurance costs removed for rate-making purposes? If not, provide the additional costs.

3. Refer to Owen's response to Item 8 of Staff's Third Request.

a. State whether this response indicates that Owen is withdrawing its request to recover \$1.1 million related to its fuel adjustment clause ("FAC"). If not, explain why Owen should be entitled to recovery of the \$1.1 million, given the "unintended gain" of \$1.4 million related to the roll-in of 10.15 mils per kWh by East Kentucky Power Cooperative, Inc. ("EKPC") in Case No. 2008-00519¹.

¹ Case No. 2008-00519, An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2006 through October 31, 2008 (Ky. PSC July 15, 2009).

b. Refer to page 2 of 3 of the response. Owen proposes that in future two-year FAC review cases, the Commission consider modifications to its ordering language as follows: 1) allow base rates to go into effect two months after EKPC's rates go into effect, and 2) allow rates to go into effect on a "bills rendered on and after" basis versus a "service rendered on and after" basis.

(1) State whether the requested modifications would result in the following: In the next two-year FAC case, the Commission would approve new base rates for EKPC, for example, for service rendered on and after June 1, 2015, and approve a change in Owen's base rates for bills rendered on and after August 1, 2015.

i. If not, state how the recommendation would be implemented.

ii. If so, does Owen agree that if the Commission were to approve the proposed modifications, in every case of a roll-in to fuel costs by EKPC, Owen would be harmed in that it would forego recovery of the increase in wholesale costs for at least one month? If otherwise, explain how Owen would recover the entire increase in fuel costs if its increase in base rates is delayed.

(2) Is Owen proposing that the language modifications apply to all of EKPC's member cooperatives or only to Owen?

(3) Is Owen aware that in response to an information request in its two-year review cases, EKPC requests a "service rendered" basis over a "bills rendered" basis?

(4) Does Owen believe that a “bills rendered” basis must be used for EKPC’s ordering language for a “bills rendered” basis to be used for Owen? If not, explain.

4. Refer to the response to Staff’s Third Request, Item 24, and Exhibit 9 of the application, page 10 of 13 as filed.

a. Does the response indicate that there are two off-setting errors in the amount of \$2,708 on Exhibit 9, page 10 of 13 as filed at lines 243 and 246? If not, explain.

b. Confirm that the \$2,708 reduction in health insurance will also reduce the Health Insurance total amount of \$132,982 as shown on Exhibit 9, page 2 of 13, to \$130,274. If this cannot be confirmed, explain.

5. Refer to the response to Staff’s Third Request, Item 16. Confirm that total Payroll Taxes used on Exhibit S should have been \$5,494 instead of the \$8,749 shown on Exhibit S and thus results in a reduction to Payroll Taxes of \$3,255. If this cannot be confirmed, explain. If this can be confirmed, provide a revised Exhibit S showing the correct payroll taxes along with any other corrections clearly marked.

6. Refer to the response to Staff’s Third Request, Item 17.

a. Refer to Item 17a. Confirm that the 2012 Consumer Service amount of \$651,599 should be reduced by \$20,000 to an adjusted amount of \$631,599.

b. Refer to Item 17b. Confirm that the 2011 Consumer Service amount of \$555,894 should be reduced by \$26,000 to an adjusted amount of \$529,894.

c. Explain the reasons for the 19.19 percent increase $((\$631,599 - \$529,894)/\$529,894)$ in Consumer Service adjusted amounts between 2011 and 2012.

7. Refer to the response to Staff's Third Request, Item 21. Has Owen made an adjustment to its test year's expenses to remove the \$10,033 of expenditures in excess of reimbursements which Owen received subsequent to the test year? If not, explain.

8. Refer to the response to Staff's Third Request, Item 22, and Exhibit 12 of the application.

a. State whether the response to Item 22 indicates that Owen incurred \$76,193 of rate-case expense associated with Case No. 2011-00037 and of that amount, \$32,788 is an incremental cost to Owen.

b. Confirm that in the Exhibit 12, Owen made an adjustment to increase its test year expenses by \$30,000 to recover the cost of this rate case in the amount of \$90,000 over a three-year period.

c. Confirm that Owen is requesting the Commission to approve a level of rate case expense of \$62,788 $(\$32,788 + \$30,000)$ to be recovered from its members each year these rates are in effect. If this cannot be confirmed, explain.

d. Is Owen requesting recovery of a total amount of rate case expense over three year of \$188,364 ($\$62,788 \times 3$ years) or 109 percent ($(\$188,364 - \$90,000) / 90,000$) more than Owen's expected rate case cost associated with this rate case? If so, explain.

9. Refer to the responses to Staff's Third Request, Item 25, and Commission Staff's Second Information Request ("Staff's Second Request"), Item 35.

a. Is it Owen's testimony that it will incur \$2,087.99 of expense annually so that all employees wear the same color and design shirts at the annual meeting so its members can identify Owen's employees?

b. Since there is only one meeting a year, is it anticipated that the shirts and hats will be worn only annually?

c. State whether Owen's employees have name tags identifying them as employees that could be worn at the annual meeting.

d. Owen is also requesting \$16,171.46 in its cost of service associated with OEC Shirts and OEC Caps so consumers can readily identify persons as Owen employees. When or where do the employees wear these OEC Shirts and OEC Caps?

10. Refer to Owen's response to Staff's Third Request, Item 26.

a. Confirm that when the workers compensation premiums were paid to the Kentucky Association of Electric Cooperatives (“KAEC”) for the self-insured fund, those payments were reflected in Owen’s cost of service.

b. Confirm that the reason KAEC distributed to Owen \$197,168 during the test year was that the level of contributions by Owen was greater than the amount distributed from the worker compensation fund during the self-insured period.

11. Refer to Owen’ responses to Items 28 and 29 of Staff’s Third Request, Item 45 of Staff’s Second Request, and Item 40 of Commission Staff’s First Information Request.

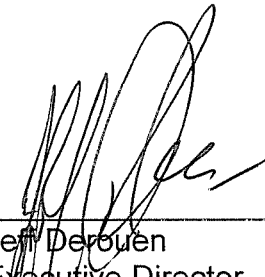
a. Confirm that KAEC membership dues during the test year were \$142,074.

b. Confirm that Owen agrees that KAEC does provide lobbying service for Owen.

c. Confirm that Owen has never requested from KAEC the amount of its dues that are associated with KAEC’s lobbying activity.

d. Confirm that Owen’s National Rural Electric Cooperative Association (“NRECA”) membership dues during the test year were \$49,900.

e. Confirm that NRECA estimates that 20 percent of dues are related to lobbying expenses and that a reduction of 20 percent results in a decrease to expenses of \$9,980 ($\$49,900 \times .20$).



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DATED **JUN 21 2013**

cc: All Parties

Case No. 2012-00448
Case No. 2012-00468

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