

Witness: David Estepp
Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

1. Refer to Big Sandy's January 25, 2012 letter to the Commission advising of its intent to file an application for an increase in its retail rates and Item 5.e. of the Application. Explain why the letter of intent was filed almost two months before the Board of Directors of Big Sandy adopted a motion to proceed with filing the application for a rate increase. **Response:** Big Sandy needed additional time to evaluate and analyze information for the Purchase Power Adjustment clause.

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Witness: David Estep

Big Sandy Rural Electric Cooperative
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2. Refer to paragraph 5.c. of the Application which indicates that Big Sandy had a Times Interest Earned Ratio ("TIER") of 1.96 for the test year ending August 31, 2011 and a TIER of 2.00 for calendar year 2010. The paragraph further states that Big Sandy is required under its mortgage agreement to maintain an operating TIER of 1.25, based on an average of two of the three most current years. Paragraph 5.d. asserts that Big Sandy needs the proposed rate adjustment in order to meet the terms of the mortgage agreement.

a. What was Big Sandy's TIER for calendar year 2011? **Response:** 1.49, excluding EKPC capital credits.

b. What was Big Sandy's TIER for the 12 months ending May 31, 2012? **Response:** 1.39, excluding EKPC capital credits.

c. What is Big Sandy's projected TIER for calendar year 2012? **Response:** 1.31, excluding EKPC capital credits.

d. Given that Big Sandy's TIER is above the mortgage covenant threshold of 1.25 for the years listed in paragraph 5.c. of the Application, explain the statement, "Big Sandy requires this rate adjustment to meet the terms of the mortgage agreement. . . ." **Response:** The TIER level has been very close to the required minimum by RUS, Big Sandy does not want to get into a position where it violates the terms of the mortgage agreement. Big Sandy would rather be proactive in meeting the mortgage requirements than receiving a letter from RUS that it is not meeting its requirements.

e. Refer to the Direct Testimony of David Estep ("Estep Testimony"), page 2. In response to Q 10, "What considerations were given to increase the rates and charges of Big Sandy Rural Electric?" Mr. Estep states, "According to those mortgage agreements, Big Sandy Electric is required to maintain a Net TIER of 1.25 and an Operating TIER of 1.1." Reconcile Mr. Estep's response with the statement in paragraph 5.c. which states that Big Sandy must maintain an operating TIER of 1.25. **Response:** The TIER ratio identified in paragraph 5.c. of the Applications should have stated 1.10 for operating TIER.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
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3. Refer to Exhibit C of the Application and the revised tariffs and notice filed on May 3, 2012. Confirm the following:

a. If approved as proposed by Big Sandy, rates for Schedules A-1, A-2, LP, LPR, and YL-1 will increase by the approximate percentages shown for each class in Exhibit C of Big Sandy's application. **Response:** Correct

b. If approved as proposed by Big Sandy, steps 2 and 3, which would be effective June 1, 2013 and June 1, 2014, would be revenue neutral, resulting no change in the bill of an average Farm and Home customer. **Response:** Correct

c. If approved as proposed by Big Sandy, steps 2 and 3 will affect only customers served under Big Sandy's Farm and Home rate class. **Response:** Correct

Witness: David Estep

Big Sandy Rural Electric Cooperative
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4. Refer to the Estep Testimony.

a. Refer to the second paragraph of the answer to Q10, where it states that the Application is necessary for Big Sandy to pay capital credits and maintain adequate equity and cash reserves. Explain whether Big Sandy intends to restart payment of general capital credits or if this applies only to payment of estate capital credits. **Response:** Big Sandy refunds capital credits in accordance with its Policy #300-100, which is included with Exhibit 20 of the Application. This policy also addresses the manner in which capital credits are paid to estates. Big Sandy would like to make a general refund of capital credits when the guidelines of its "Financial Management Plan" are met.

b. In response to Q13, on page 3, Mr. Estep states that Big Sandy is requesting a TIER of 2.0 due to the substantial deterioration of Big Sandy's financial condition since 2009 as well as to satisfy debt service obligations and operating costs. Given that the Commission approved Big Sandy's last base rate adjustment increase on June 3, 2009, explain in detail the circumstances which gave rise to the substantial deterioration of Big Sandy's financial condition since 2009. **Response:** As indicated in Exhibit K, page 6, line 17 of the Application, Big Sandy never realized margins from its last general rate increase dated June 3, 2009. There are several reasons that margins were not realized: (1) decrease kwh usage, (2) rise in operational costs, especially right-of-way, (3) decrease in gross margin from sales less the power bill.

c. Refer to Q15 on page 3. Explain whether Big Sandy has experienced opposition from any of its members to its proposal to recover more of its fixed costs through the customer charge, or to the stepped approach Big Sandy proposes. Include in the explanation whether Big Sandy has communicated its proposal to customers in any way other than its Official Notice; for example, civic or community group presentations. **Response:** No opposition has been experienced. The only communication at this time has been the Official Notice.

d. In response to Q16, on page 4, Mr. Estep states that Big Sandy will aggressively pursue energy efficiency and demand-side management ("DSM") programs if it is allowed to recover more of its fixed costs through the customer charge. In response to Q17, Big Sandy describes its energy

efficiency and conservation efforts, including Beat the Peak, How Smart KY, Direct Load Control, Energy Audits, and Rebates and Incentives.

(I) Explain in detail how Big Sandy will aggressively increase its DSM offerings and the strategy it will utilize in achieving that goal. Include in this explanation a discussion of Big Sandy's current DSM programs and whether those programs are initiated by East Kentucky Power Cooperative, Inc. ("EKPC") or by Big Sandy, and whether Big Sandy will offer DSM programs in the future independent of EKPC. **Response:**

- (1) Big Sandy would like to increase their DSM offerings by potentially increasing the customer incentives to participate in our DSM programs. Big Sandy would also like to market our DSM programs more aggressively via radio, newspaper, or any other marketing tool that would be effective.

The Big Sandy DSM programs that our offered we feel are effective and beneficial to our customers but we continually want to grow and enhance our DSM programs. Our current DSM programs are as follows:

HowSmartKY (Big Sandy RECC)

Beat the Peak (Big Sandy RECC)

Residential Energy Audits (Big Sandy RECC)

Commercial Energy Audits (EKPC/Big Sandy RECC)

Commercial Advanced Lighting Program (EKPC/Big Sandy RECC)

Tune-Ups (EKPC/Big Sandy RECC)

Button Up (EKPC/Big Sandy RECC)

Air to Air Heat Pump Rebates (EKPC/Big Sandy RECC)

Geothermal Rebates (EKPC/Big Sandy RECC)

Simple Saver (EKPC/Big Sandy RECC)

Water Heater Rebate (EKPC/Big Sandy RECC)

We at Big Sandy feel that these DSM programs are effective to the point that Big Sandy would attempt to continue to offer these programs in the future independent of EKPC.

(2) Explain whether there are additional DSM programs Big Sandy has identified, or will analyze that may be included in its energy efficiency portfolio if its

increased customer charge is approved. Include a brief description of each program. **Response:** If the increased customer charge is approved, Big Sandy would like to analyze further the possibilities of enhancing our Beat the Peak program with aggressive radio marketing and also different customer techniques of monitoring their own peak times.

(3) Explain whether Big Sandy plans to modify or enlarge any of its current energy efficiency programs if the request to increase its customer charge is approved. **Response:** Sandy does plan to continue to enhance and modify our DSM programs as discussed in answers (1) and (2) if the increase in our customer charge is approved.

(4) Briefly describe Big Sandy's Beat the Peak program and whether it differs from the Schedule A-I Farm & Home Marketing rate. **Response:** "Beat the Peak," is a program designed to help Big Sandy RECC members become more energy aware and lower their power bills by using energy more efficiently and by reducing the energy consumed during peak periods when prices are at their highest. There are two major factors that affect the price of electricity - the price of fuel needed to generate power, and the demand for power. The demand for electricity on our system is greatest in the winter months. During normal load periods we pay only pennies per kilowatt-hour for power. However, during "Peak" demand or energy periods when the temperatures rise, we can pay up to one dollar per kilowatt-hour and in turn, we must pass these higher costs on to our members which may have an impact on rates. When Big Sandy RECC determines that a peak situation exists, Big Sandy RECC members will be notified by radio, our Facebook page, and Big Sandy's website. Members will be asked to help conserve energy by turning off lights, adjust their thermostats up 3 degrees, delay the use of major appliances such as dishwashers, washing machines, and clothes dryers and to postpone hot water usage.

(5) Explain whether Big Sandy acknowledges that on a percentage increase basis, increasing the customer charge in relation to the energy charge will to some extent impact lower usage customers more than it will affect higher usage customers, as exemplified on page 1 of Exhibit I. **Response:** Big Sandy agrees that the percentage increase would be greater for low users than for higher usage customers. It has been Big Sandy's experience that higher usage customers are generally mobile homes, energy inefficient homes, lower income customers, and those that do not attempt to reduce their energy usage. The lower usage customers generally are those that are barns, garages, customers with second meters, and those that are presently using energy more efficiently. The DSM programs are designed to assist those customers that are higher usage.

(6) Provide examples of the effects on bills for the highest and lowest usage customers for the most recent billing period. **Response:**

	<u>Present</u>	<u>Year 3 Proposed</u>	<u>Difference</u>
Customer charge	\$10.38	\$18.00	\$7.62
Energy charge	\$0.08886	\$0.08662	(\$0.00224)

<u>kwh Usage</u>	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$10.38	\$18.00	\$7.62	73.4%
25	12.60	20.17	7.56	60.0%
50	14.82	22.33	7.51	50.7%
100	19.27	26.66	7.40	38.4%
150	23.71	30.99	7.28	30.7%
200	28.15	35.32	7.17	25.5%
250	32.60	39.65	7.06	21.7%
300	37.04	43.99	6.95	18.8%
350	41.48	48.32	6.84	16.5%
400	45.92	52.65	6.72	14.6%
450	50.37	56.98	6.61	13.1%
500	54.81	61.31	6.50	11.9%
600	63.70	69.97	6.27	9.9%
700	72.58	78.63	6.05	8.3%
800	81.47	87.29	5.83	7.2%
900	90.35	95.96	5.60	6.2%
1,000	99.24	104.62	5.38	5.4%
1,100	108.13	113.28	5.15	4.8%
1,200	117.01	121.94	4.93	4.2%
1,300	125.90	130.60	4.70	3.7%
1,400	134.78	139.26	4.48	3.3%
1,500	143.67	147.93	4.26	3.0%
1,600	152.56	156.59	4.03	2.6%
1,700	161.44	165.25	3.81	2.4%
1,800	170.33	173.91	3.58	2.1%
1,900	179.21	182.57	3.36	1.9%
2,000	188.10	191.23	3.13	1.7%
The average monthly usage				
1,260	122.31	127.11	4.80	3.9%

(7) Provide the current annual budget for each energy efficiency program, the participation level of each program, the energy and peak demand savings (in kWh) for each program, and how long each program has been offered by Big Sandy. **Response:**

HowSmartKY (20 customers annually) (offered 1.5 years)

Beat the Peak (broadcast to total service territory) (offered 1 year)

Residential Energy Audits (30 customers annually) (offered 15 years)

Commercial Energy Audits (10 customers annually) (offered 25 years)

Commercial Advanced Lighting Program (3 customers annually)
(offered 10 years)

Tune Up's (6 customers annually) (offered 5 years)

Button Up (5 customers annually) (offered 15 years)

Air to Air Heat Pump Rebates (20 customers annually) (offered 15
years)

Geothermal Rebates (2 customers annually) (offered 15 years)

Simple Saver (30 customers annually) (offered 4 years)

Water Heater Rebate (10 customers annually) (offered 15 years)

Resistant Heat to Heat Pump

Touchstone Energy Home – Geothermal

Button–up

Tune– up

Energy Audits (Residential and Commercial)

Commercial Advanced Lighting

Compact Fluorescent

DSM Expense by year:

2008 (\$8,819.56)

2009 (\$18,503.94)

2010 (\$17,856.47)

2011 (\$26,765.30)

Net Demand Reduction by year:

2008 - Energy KWH (253,315) Winter KW (86.31) Summer KW (29.86)

2009 – Energy KWH (693,769) Winter KW (245.13) Summer KW (112.58)

2010 – Energy KWH (764,424) Winter KW (313.25) Summer KW (118.26)

2011 – Energy KWH (731,511) Winter KW (286.82) Summer KW (102.91)

(8) Provide a schedule of all existing and planned energy efficiency and DSM programs for 2013 and 2014 including the information requested in part 4.d.(7) above. **Response:**

Planned Big Sandy DSM programs for 2013 and 2014:

HowSmartKY (Big Sandy RECC)

Beat the Peak (Big Sandy RECC)

Residential Energy Audits (Big Sandy RECC)

Commercial Energy Audits (EKPC/Big Sandy RECC)

Commercial Advanced Lighting Program (EKPC/Big Sandy RECC)

Tune-Ups (EKPC/Big Sandy RECC)

Button Up (EKPC/Big Sandy RECC)

Air to Air Heat Pump Rebates (EKPC/Big Sandy RECC)

Geothermal Rebates (EKPC/Big Sandy RECC)

Simple Saver (EKPC/Big Sandy RECC)

Water Heater Rebate (EKPC/Big Sandy RECC)

Big Sandy expects the same level of expenses as 2011, based on the number of customers participating in each program.

(9) Provide a schedule showing the amount spent on all energy programs and the percentage of those amounts to total retail sales revenue for 2010 and 2011. **Response:**

Year	Revenue	DSM Costs	Ratio
2011	26,431,734	26,765	0.10%
2010	26,163,695	17,856	0.07%

(IO) Provide a schedule showing the amount of energy savings for all energy efficiency programs and the percentage of those amounts to total retail sales (in kWh) for calendar years 2010 and 2011. **Response:**

Year	Revenue	DSM Costs	Ratio
2011	26,431,734	70,524	0.27%
2010	26,163,695	67,348	0.26%

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REPOSENSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Refer to Exhibit **H-3** of the Application, the Prepared Testimony of James R. Adkins ("Adkins Testimony").

a. Question:

Refer to page 5. In the paragraph at the top of the page, Mr. Adkins states that in addition to being used in the allocation of test-year adjustments, payroll expenses were utilized in the functionalization of test-year expenses. Provide the location in the cost-of-service study ("COSS") wherein payroll expenses were used in the functionalization of test-year expenses.

a. Response:

Payroll Expenses are use in the functionalization segment of the Cost of Service Study ("COSS") dealing with the functionalization of Administrative and General Expenses ("A&G expenses"). A&G expenses are assigned to the functional elements of lines, transformers, services, meters and consumer and accounting services on the basis of the general plant percentage from Exhibit R, Page 9 of 33. The general plant percent is based on payroll expenses as provided in the schedule provided below. The data on this schedule comes from page 4 of 33 on Exhibit R or the COSS.

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REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Payroll Expenses Used in the General Plant Allocation in Rate Base				
<u>Payroll Summary</u>	<u>Actual</u>	<u>Percent</u>	<u>w/o A&G</u>	<u>Percent</u>
Dist Operations	305,315	22.34%	305,315	35.94%
Dist. Maintenance	316,423	23.15%	316,423	37.25%
Consumer Accounts	227,828	16.67%	227,828	26.82%
Consumer Service	-	0.00%	-	0.00%
Admin. & General	517,095	37.84%		
	<u>1,366,661</u>	<u>100.00%</u>	<u>849,566</u>	<u>100.0%</u>

b. Question:

Refer to page 9. A reference to South Kentucky is made in the response to Q14. Confirm that the South Kentucky reference should have instead referred to Big Sandy.

b. Response:

The proper reference is Big Sandy and not South Kentucky.

c. Refer to page 10.

Question:

(1) Confirm that, according to Big Sandy's proposal, three customer charge increases will occur over a period of two years, as opposed to a gradual increase over three years as stated in the testimony.

Response:

(1) The customer charge increases are to occur over a two year period.

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REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Question:

(2) Explain whether it is Big Sandy's proposal to ultimately increase its A-I customer charge to \$18.00 or to \$17.50, as stated in the testimony.

Response:

The proper amount is \$18.00 and the \$17.50 amount was included in error.

d. Question:

Refer to page 11. In response to Q16, Mr. Adkins notes that "Big Sandy has a very comprehensive listing of DSM programs [.]". Explain in detail how the DSM programs indicated in the Estep Testimony, at pages 4-5, are considered to be comprehensive.

4. Response:

The listing of DSM programs listed in Estep Testimony on pages 4 and 5 is not a complete listing of all the programs offered by Big Sandy RECC. Please refer to the response to Item 4D of the information request which provides a more complete listing of Big Sandy's DSM programs. This listing is in the response to Item 4D is the more comprehensive one referenced in page 11 of the Adkins Testimony.

Witness: James R. Adkins

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6. Explain whether Big Sandy currently offers, or has considered offering, time-of-day rates for other than industrial classes and if so, briefly discuss the rate including potentially eligible customer classes and applicable on-peak and off-peak hours.

Response: Big Sandy RECC does not currently offer time-of-day rates, but would consider it in the future if the need arises.

Witness: James R. Adkins

Big Sandy Rural Electric Cooperative

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7. Explain whether Big Sandy has considered recovering the costs of its DSM programs through a DSM surcharge pursuant to KRS 278.285.

Response: Big Sandy RECC has considered it, but no decisions have been made.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative

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8. Refer to Exhibit I. The percentage increase per kWh usage levels appears to be calculated incorrectly; for example, the \$2.49 increase for a customer with 0 usage is divided by the proposed customer charge of \$12.87 to derive an increase of 19.3 percent instead of dividing by the existing customer charge of \$10.38 to derive an increase of 24 percent. Provide a corrected Exhibit I showing the increases calculated as a percentage of existing rates.

Response: Attached

		<u>Present</u>	<u>Proposed</u>	<u>Difference</u>	
9					
10	Customer charge	\$10.38	\$12.87	\$2.49	
11	Energy charge	\$0.08886	\$0.09069	\$0.00183	
12					
13		<u>Existing</u>	<u>Proposed</u>	<u>Increase</u>	
14		<u>Rate</u>	<u>Rate</u>	<u>Amount</u>	<u>Percent</u>
15					
16		0	\$10.38	\$2.49	24.0%
17		25	12.60	2.54	20.1%
18		50	14.82	2.58	17.4%
19		100	19.27	2.67	13.9%
20		150	23.71	2.76	11.7%
21		200	28.15	2.86	10.1%
22		250	32.60	2.95	9.0%
23		300	37.04	3.04	8.2%
24		350	41.48	3.13	7.5%
25		400	45.92	3.22	7.0%
26		450	50.37	3.31	6.6%
27		500	54.81	3.41	6.2%
28		600	63.70	3.59	5.6%
29		700	72.58	3.77	5.2%
30		800	81.47	3.95	4.9%
31		900	90.35	4.14	4.6%
32		1,000	99.24	4.32	4.4%
33		1,100	108.13	4.50	4.2%
34		1,200	117.01	4.69	4.0%
35		1,300	125.90	4.87	3.9%
36		1,400	134.78	5.05	3.7%
37		1,500	143.67	5.24	3.6%
38		1,600	152.56	5.42	3.6%
39		1,700	161.44	5.60	3.5%
40		1,800	170.33	5.78	3.4%
41		1,900	179.21	5.97	3.3%
42		2,000	188.10	6.15	3.3%
43					
44	The average monthly usage				
45		1,260	122.31	4.80	3.9%

Witness: Alan Zumstein

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9. Refer to Exhibit J, page 1. There are no billings for rate schedules Ind 1 and Ind 2 contained in Exhibit B. Confirm that there were no billings for Ind 1 and Ind 2 rate schedules. **Response:** Correct

Witness: Alan Zumstein

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10. Refer to Exhibit J, page 2. Confirm that there were no billings for Off Peak energy charges for the test year. **Response:** Correct

Witness: Alan Zumstein

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11. Provide billing analyses in identical format to page 2 of Exhibit J for the proposed steps 2 and 3 increases to the customer charge and decreases to the energy charge per kWh. **Response:**

Description	Test Year Billing Units	Proposed Rates	Proposed Revenues
Step 1 Effective June 1, 2012			
Customer charge	144,933	\$12.87	\$1,865,288
Energy charge	182,561,395	\$0.09069	16,556,493
			<u>\$18,421,781</u>
Step 2 Effective June 1, 2013			
Customer charge	144,933	\$15.50	\$2,246,462
Energy charge	182,561,395	\$0.08860	16,175,319
			<u>\$18,421,781</u>
Step 3 Effective June 1, 2014			
Customer charge	144,933	\$18.00	\$2,608,794
Energy charge	182,561,395	\$0.08662	15,812,987
			<u>\$18,421,781</u>

Witness: Alan Zumstein

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12. Provide in electronic format all schedules in Exhibit J of the Application, with all formulas unprotected and unlocked. **Response:** Attached

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REPOSENSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Refer to Exhibit R of the Application.

a. Question:

Provide a copy of Exhibit R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected. If it is necessary to update Exhibit R in response to questions contained in this request, provide the updated version instead of the original version in both hard copy and electronically.

a. Response

A copy of Exhibit R electronically on CD-Rom in Microsoft Excel Format is attached.

b. Question:

Describe any differences in methodology used in the COSS submitted in this case relative to recent COSS prepared by Mr. Adkins in rate cases of other utilities filed with this Commission.

b. Response:

No differences in methodology exist in the COSS submitted in this case relative to recent COSS prepared in the rate cases of other utilities by Mr. Adkins.

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REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Refer to Exhibit R, pages 6-8.

a. Question:

Several columns on these pages are not wide enough to accommodate the amounts and therefore the contents of certain cells appear as "#####." Provide a revised copy of these pages with columns wide enough to accommodate the amounts.

a. Response

Attached as pages 2 through 4 of this response are the requested pages 6-8 of Exhibit R with all numbers readable.

b. Question:

Refer to pages 6 and 7. Explain why the amounts in the "Adjusted Test Year" column do not equal the amounts in the "Total" column.

b. Response:

The Adjusted Test Year Column is in error as it was not properly copied from the Adjusted Test Year Column contained on pages 1 through 4. The Total Column on pages 6 and 7 does contain the proper amounts for each expense category.

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c. Question:

Refer to page 8. Footnote 1 states that "Line Expenses are Allocated between Lines and Services Based on Plant Investment."

(1) Provide the calculation of the allocation factors referred to in the footnote.

(2) Explain why the allocations between Lines and Services on page 6 for Accounts 583 and 593 appear to use different allocation percentages.

Response:

This footnote reference should have been removed since it was not utilized in this Application.

		FUNCTIONALIZATION																																								
1	2	3	4	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77			
Acct No.	Description	Adjusted Test Year	Purchased Power	Lines	Trans-formers	Services	Meters	Accounting	Lighting	Total	Alloc. Basis																															
		-																																								
920	Administrative Salaries	693,701																																								
921	Office Supplies	151,704																																								
923	Outside Services	69,772																																								
924	Property Ins	-																																								
925	Injuries & Damages	56,120																																								
926	Employ Pensions & Benef	39,690																																								
928	Regulatory Exp	-																																								
929	Duplicate Charges	(4)																																								
930	Misc General Exp	302,061																																								
931	Rents	16,120																																								
935	Misc. General Plant	28,816																																								
	Total Admin & General	1,357,980		609,081	147,808	107,163	79,985	364,169	49,774	1,357,980	4 Gen P																															
403	Deprec. Distribution Plant	1,894,465		1,161,069	281,760	204,281	152,472	-	94,882	1,894,465	DA																															
403	Deprec. General Plant	52,227		23,425	5,685	4,121	3,076	14,006	1,914	52,227	4 GenP																															
	Total Depreciation	1,946,692		1,184,494	287,445	208,403	155,548	14,006	96,796	1,946,692																																
408	Taxes Other Than Inc. Taxes	25,430																																								
16&42	Miscell. Income Deductions	621																																								
	Total Miscellaneous	26,051		15,636	3,794	2,751	2,053	539	1,278	26,051	Tot Pit																															
427	Interest - RUS Constuc	379,292																																								
427	Interest - FFB Notes	295,549																																								
427	Interest - Other LTD	349,910																																								
	Total Interest on LTD	1,024,751		663,948	134,665	98,364	73,445	10,318	44,011	1,024,751	Rt Bas																															
431	Other Interest Expense	39,805																																								
431	Interest on Customer Dep.	-																																								
431	Other Interest	46,751																																								
	Total ST Interest	86,555		56,080	11,374	8,308	6,204	872	3,717	86,555	Rate Bas																															
	Total Costs	25,252,362		17,433,589	642,387	592,654	1,062,865	1,316,311	230,039	25,252,362																																
	Margin Requirements	1,024,751		-	134,665	98,364	73,445	10,318	44,011	1,024,751																																
	Total Revenue Require.	26,277,113		17,433,589	777,052	691,018	1,136,311	1,326,629	274,050	26,277,113																																

FOOTNOTES

	Actual	%	Superv	Miscell. Exp.
1 Line Expenses are Allocated between Lines and Services Based on Plant Investment.				
2 Allocation of Dist. Oper. Supervision & Miscellaneous Expenses				
Overhead Line Exp.	106,395	15.89%	6,642	39,013
Overhead Line Exp.	18,719	2.80%	1,169	6,864
Meter Expense	520,336	77.71%	32,484	190,800
Consumer Installations	24,115	3.60%	1,505	8,843
	669,565	100.0%	41,800	245,520
3 Allocation of Dist. Maint. Supervision & Miscellaneous Expenses				
Maint of Station Equip	1,017	0.08%	99	80
Maint. Overhead Lines	1,099,098	86.51%	106,949	85,985
Maint. Overhead Lines	119,872	9.44%	11,664	9,378
Maint Line Transformers	48,744	3.84%	4,743	3,813
Maintenance of Meters	1,710	0.13%	166	134
	1,270,441	100.0%	123,621	99,389
4 General Plant Allocation Comes From the Rate Base Schedule Line General Plant Percent				
5 Rate Base Allocation Comes from the Rate Base Schedule Line Rate Base Percent.				

BIG SANDY RECC
CASE NO. 2012-00030

REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

15. Refer to page 9 of Exhibit R.

a. Question:

Explain how the General Plant allocations were calculated.

a. Response

Please see the response to Item 5a in this Request for Information.

b. Question:

The allocation of Distribution Plant on Line 29 does not appear to be based on the Distribution Plant percentages shown on Line 20. Explain the basis for the allocations on Line 29.

b. Response:

The basis for the Accumulated Depreciation amounts on Line 29 on page 9 of Exhibit R is the actual accumulated depreciation amounts for the accounts utilized in this schedule. Please see the Trial Balance contained in Exhibit Y of the Application.

BIG SANDY RECC
CASE NO. 2012-00030

REPOSENSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Question:

Refer to page 22 of Exhibit R, the table at the top of the page. Provide the basis for the allocation of Transformers Demand in the amount of \$531,538 to the various rate classes.

Response:

The basis for the allocation of Transformers Demand is the sum of the individual consumers monthly demands by rate class. Please see page 2 of this response as this page contains the data used as the basis for this allocation. The page should have been mistakenly not included as a part of Exhibit R in the original Application. This page would have come after page 25 in Exhibit R in the Application.

RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Sum of the Individual Consumers Peak Demand By Rate Class											
Month	A-1 Farm & Home		A-2 Comm & Sml Power		LP Large Power Rate		LPR Large Power Service		YL-1 Security Lights		Total
	September	95,687	8,344	8,344	11,251	2,939	1,579	119,800	118,441	1,572	
October	96,073	8,222	8,222	10,013	2,561	1,566	141,781	137,646	1,567	146,927	
November	101,416	8,882	8,882	12,152	3,159	1,564	141,137	133,257	1,573	139,475	
December	115,038	8,710	8,710	11,013	3,080	1,562	141,137	133,257	1,573	139,475	
January	113,279	8,999	8,999	11,023	3,152	1,562	141,137	133,257	1,573	139,475	
February	122,191	8,323	8,323	10,227	3,132	1,563	141,137	133,257	1,573	139,475	
March	117,893	8,386	8,386	10,613	3,345	1,563	141,137	133,257	1,573	139,475	
April	109,350	8,785	8,785	11,232	3,207	1,561	141,137	133,257	1,573	139,475	
May	114,678	8,662	8,662	10,824	3,432	1,569	141,137	133,257	1,571	130,740	
June	100,104	8,599	8,599	10,934	3,520	1,571	141,137	133,257	1,571	124,485	
July	106,118	9,079	9,079	11,426	3,513	1,571	141,137	133,257	1,571	124,485	
August	98,896	104,856	104,856	132,391	37,899	18,809	1,584,678	1,584,678	1,584,678	1,584,678	
Allocation % Transformers	81.45%	6.62%	6.62%	8.35%	2.39%	1.19%	100.00%	100.00%	100.00%	100.00%	

BIG SANDY RECC
CASE NO. 2012-00030

REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Question:

Refer to pages 26 and 27 of Exhibit R. Explain the differences in customer number between the four tables for classes LP, LPR, and YL-1.

Response:

Listed below is the rate class customer account used in the COSS for the allocation of the consumer related costs.

RATE CLASS CUSTOMER COUNT BY PLANT FUNCTION						
RATE CLASS		Lines	Trans- formers	Services	Meters	Cons. & Acc. Serv
Sched	Title					
A-1	Farm and Home	12,075	12,075	12,075	12,075	12,075
A-1	ETS	-	-	-	-	-
A-2	Comm. & Sml Pow	976	976	976	976	976
LP	Large Power Rate	148	145	145	148	148
LPR	Large Power Serv	10	6	6	10	10
YL-1	Security Lights	32	81	7,248	-	7,248

The basis for the rate class customer account in each function is as described below:

- Lines – Based on the number of billed accounts;
- Transformers – Based on the number of customers for which a Cooperative owned transformer is provided;
- Services – Based on the number of customers and/or lights for which Cooperative services are provided;

BIG SANDY RECC
CASE NO. 2012-00030

REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

- Meters – Based on the number of customers for which Cooperative owned meters are provided; and
- Consumer and accounting service – number of customers and/or lights for which data and records must be maintained.

BIG SANDY RECC
CASE NO. 2012-00030

REPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Question

Refer to page 28 of Exhibit R, the Consumer Records Table. Explain why the "Expense Allocated" total of \$628,605 differs from the \$629,448 total of Account 903 shown on page 1 of Exhibit R.

Response:

The amount of \$629,448 on page 1 of Exhibit R includes Account 903 and Account 903.10. The amount of \$628,605 on page 28 of Exhibit R is for only Account 903. Listed below are the amounts for Accounts 903 and 903.1.

<u>Account</u>	<u>Title</u>	<u>Amount</u>
903	Consumer Records Expense	\$628,605
903.1	Consumer Records Expense	
	Over/Short	843

BIG SANDY RECC
CASE NO. 2012-00030

REPOSENSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Refer to page 33 of Exhibit R.

a. Question:

Confirm that the COSS supports a customer charge for the Farm and Home class of \$23.25 (total customer costs of \$3,369,008 divided by 144,933). If this is not correct, provide the calculation.

a. Response:

The calculation is correct

b. Question:

Confirm that the Primary and Secondary Metered Rate labels at the bottom of the page are reversed.

b. Response:

That statement is confirmed that these two labels are reversed.

c. Question:

For classes LP and LPR, explain how the proposed Primary and Secondary metered rates were determined. Include in the response the reason for the proposed decreases in the Primary metered rates.

c. Response:

Listed below in comparative form is the present and proposed rates for both rate classes.

BIG SANDY RECC
CASE NO. 2012-00030

REPOSENSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Component	RATE LP LARGE POWER SERVICE		RATE LPR LARGE POWER SERVICE	
	Present	Proposed	Present	Proposed
Customer Charge	\$ 64.36	\$ 93.28	\$ 86.19	\$ 107.68
Demand Charge	\$ 6.23	\$ 6.25	\$ 6.23	\$ 6.25
Energy Rate				
Primary Meter	\$ 0.05896	\$ 0.05507	\$ 0.05552	\$ 0.05427
Secondary Meter	\$ 0.06105	\$ 0.06119	\$ 0.05742	\$ 0.06030

The demand rate and customer charge were developed first and then the energy charges were determined from the remaining revenue requirements from energy. It was determined to set the primary meter energy rate at an amount equal to approximately ninety (90) percent of the secondary meter energy rate. This would allow for a discount of ten (10) percent for a member who takes service at the primary meter.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative

Case No. 2012-00030

Commission Staff's Second Request for Information

20. Refer to page 3 of 4 of Exhibit S of the Application. For Adjustment 3, Depreciation, \$124 is listed as a Sales Operating Expense. Confirm the amount should have been listed as an Administrative and Management Expense as contained on page 3 of 6 of Exhibit 3 - Depreciation Adjustment.

Response: Correct

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

21. Refer to Exhibit X of the Application which provides a comparison of income statement account levels for the test period and the 12 months preceding the test period.

a. Refer to page 2. Provide a detailed breakdown of Accounts 450, Forfeit Discount; 451, Miscellaneous Service Revenue; 454, Rent from electric property; and 456, Other electric revenue. **Response:**

Account 450, Forfeit discounts:		
Forfeit discounts	352,231	<u><u>352,231</u></u>
Account 451, Miscellaneous service revenue		
Nonrecurring charges	65,350	
Sales tax compensation	2,416	
	<u>67,766</u>	<u><u>67,766</u></u>
Account 454, Rent from electric property		
Telephone attachments	265,703	
Cable television attachments	60,816	
	<u>326,519</u>	<u><u>326,519</u></u>
Account 456, Other electric revenue		
Meter test charges	900	<u><u>900</u></u>

b. For Accounts 450, 451, 454, and 456, provide the August 31 balances of these accounts for the most recent five-year period. **Response:**

	<u>450</u>	<u>451</u>	<u>454</u>	<u>456</u>
Aug-11	352,231	67,764	326,519	900
Aug-10	340,805	61,743	293,535	600
Aug-09	318,810	67,194	291,804	1,380
Aug-08	249,794	70,175	282,821	1,080
Aug-07	270,299	79,201	374,517	510
Aug-06	245,210	101,284	461,393	510

c. Account 586.00, Meter Expense, increased from \$431,488 in the 12 months preceding the test year to \$507,922 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response: Property taxes increase \$50,000 and credits for meter installations decreased by \$37,500.

d. Account 590.00, Engineering and Supervision Expense, decreased from \$165,107 in the 12 months preceding the test year to \$119,976 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

Response: Employee No. 1 that retired recorded a portion of labor to this account. The labor, benefits, transportation, and other related costs decreased as a result.

e. Account 593.00, Maintenance of Overhead Right-of-Ways, increased from (\$254,508) in the 12 months preceding the test year to \$483,070 in the test year.

(1) Provide a detailed explanation for why this expense increased by this magnitude. **Response:** The preceding year included \$1,000,849 of credits for FEMA reimbursements related to the January 2009 ice storm, the test year included \$43,583 of credits due to adjusting the receivable from FEMA.

(2) Explain the negative balance in the account for the year. **Response:** The preceding year includes a FEMA receivable related to the January 2009 ice storm in the amount of \$1,000,849.

f. Account 593.20, Contract Right-of-way Maintenance, increased from \$407,193 in the year preceding the test year to \$612,131 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** Big Sandy has continued to intensify its right of way program for the past several years. In addition, there were \$67,660 of credits for the FEMA reimbursement related to the January 2009 ice storm.

g. Account 598, Miscellaneous Distribution Expense, increased from \$72,666 in the year preceding the test year to \$95,675 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** The high pressure sodium light bulbs need to be replaced more often than the mercury vapor. The expense for bulbs was \$7,900 higher, which caused more labor, benefits, transportation, and related costs to be recorded in this account.

h. Account 902.00, Meter Reading Expense, decreased from \$73,548 in the year preceding the test year to \$57,703 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude. **Response:** More cooperative labor was spent in the preceding year relating to AMI.

i. Account 923, Outside Service Expense, increased from \$34,199 in the year preceding the test year to \$69,771 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** Big Sandy started using Cooperative Response Center for answering after hours and outage calls during the preceding year. The amount paid during the test year was \$35,000 more than the preceding year.

j. Account 926.00, Employee Benefits Expense, increased from \$966 in the year preceding the test year to \$36,691 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** The union changed its investment funding for its 401(k) plan during the test year. The amount of \$35,360 should have been spread through the benefits matrix and not remain in this account.

k. Account 930.1 1, Directors Per Diem, increased from \$39,200 in the year preceding the test year to \$48,550 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** Board meeting fees were increased from \$300 to \$400 per month starting January 2011.

l. Account 930.14, Directors Expenses, increased from \$38,818 in the year preceding the test year to \$44,337 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** As a direct result of East Kentucky Power Cooperatives' management audit, the board of Big Sandy determined they should enhance their education, therefore, directors are attending more meetings and seminars. Big Sandy expects this trend to continue.

m. Account 930.20, Miscellaneous General Expense, increased from \$175,402 in the year preceding the test year to \$202,601 in the test year. Provide a detailed explanation for why this expense increased by this magnitude. **Response:** The property tax accrual increased by \$33,170 from the year preceding the test year.

n. Account 935.00, Maintenance of General Plant, decreased from \$45,084 in the year preceding the test year to \$30,542 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude. **Response:** The front counter area was remodeled during the year preceding the test year. This cost was \$12,800.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

22. Refer to Exhibit 1 of the Application.

a. Explain why 2,088 hours was used in calculating actual test-year wages for salaried and most hourly employees. **Response:** This was the actual hours worked during the test year. Big Sandy pays on a bi-weekly basis, therefore, every 4 years will include 2,088 hours.

b. Explain why 2,080 hours was used in calculating normalized wages rather than the actual hours worked during the test period. **Response:** A "normal" year is calculated as 2,080 hours. Every 4th year will include 2,088 hours instead of 2,080.

c. For actual test-year wages for hourly employees with less than 2,080 hours worked, provide an explanation each employee who had less than 2,080 hours worked. **Response:**

No. 5: Short term disability.

No. 47: Short term disability

No. 51-54; 155; 164; 168: New hires

No. 161: Maternity leave

d. Explain why actual test-year wages, on page 3, for employee number 130 was \$81,808 when the normalized wages for this employee is \$100,006. **Response:** Promoted from CFO to CEO when employee number 157 retired.

e. Explain why employee number 15 had 2,090 regular hours worked. **Response:** An error was made in payroll where employee number 15 should have been paid 2 hours at the overtime rate.

f. Refer to page 8, the analysis of salaries and wages for calendar years 2007 through 2009 and the test year. Explain why test-year salaries and wages listed on this page differ from page 2 and provide corrections as necessary. **Response:** The information was not updated for Big Sandy. The amounts that apply to Big Sandy is attached with this response.

Big Sandy Rural Electric Cooperative
Case No. 2012-00030

Exhibit 1
page of
Witness: Alan Zumstein

Analysis of Salaries and Wages
For the calendar years 2008 through 2010
and the Test year

Line No	Item (a)	Twelve Months Ended						Test year	
		2008		2009		2010		2011	
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)	Amount (l)	% (m)
1	Wages charged to expense:								
2	Distribution expense	607	3%	819	35%	579	-29%	585	1%
3	Customer accounts expense	204	-3%	221	8%	222	0%	227	2%
4	Customer service and and infort	35	3%	36	3%	34	-6%	37	9%
5	Sales expense								
6	Administrative and general expenses:								
	(a) Administrative and general	322	-16%	326	1%	333	2%	308	-8%
	(b) Office supplies and expense	144	-16%	162	13%	239	48%	203	-15%
	(h) Miscellaneous general	4	0%	2	-50%	4	100%	6	50%
	(i) Maintenance of general plant								
7	Total administrative and general expenses L6(a) to L6(i)	470	-16%	490	-3%	576	18%	517	-3%
8	Charged to clearing and others	239	-5%	251	5%	268	7%	299	12%
9	Total salaries and wages charged to expense and other L2 to L6 + L7 + L8	1,555	-57%	1,817	17%	1,679	-8%	1,665	-1%
10	Wages capitalized	458	-4%	496	8%	465	-6%	477	3%
11	Total salaries and wages	2,013	-51%	2,313	15%	2,144	-7%	2,142	0%
12	Ratio of salaries and wages charged to expense to total wages L9 / L	77%		79%		78%		78%	
13	Ratio of salaries and wages capitalized to total wages L10 / L11	23%		21%		22%		22%	
14	Overtime wages	105	-83%	306	191%	102	-67%	150	47%
15	Overtime hours	2,916	-84%	8,582	194%	2,763	-68%	3,976	44%

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative

Case No. 2012-00030

Commission Staff's Second Request for Information

23. Refer to the second and third sentences of page 1 of Exhibit 2 in the Application where it states, "The wage limit increases from \$106,608 in 2011 to \$106,800 in 2010 for FICA; all wages are subject to medicare." Provide the necessary corrections to this sentence as well as any corrections in the ensuing calculations and affected exhibits. **Response:** The FICA wage limit did not change from 2010 to 2011. There are no corrections in the calculations.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative

Case No. 2012-00030

Commission Staff's Second Request for Information

24. Refer to page 2 of Exhibit 4. Explain why the real estate purchase in October 2010 was not included in the 2011 real estate assessment for Johnson County. **Response:** The real estate was included in the 2011 assessment, however, the 2011 assessment for Johnson County was not received by Big Sandy until late November 2011. This was received after the test year and too late to be included in the adjustment.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

25. Refer to Exhibit 5 of the Application and Case No. 2011-00408. Explain why the refinancing approved in this case was not reflected in the Application and provide a schedule that reflects the interest savings due to the refinancing. **Response:** Attached are the calculations to reflect the savings due to refinancing in the amount of \$27,442.

	Outstanding Amount	Interest Rate	Annualized Cost
CFC loans			
9015	(137,806)	6.30%	(8,682)
9016	(445,796)	6.35%	(28,308)
9018	(427,104)	6.46%	(27,591)
CoBank loans			
	872,900	3.26%	28,457
Total	0		(27,442)

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

26. Refer to Exhibit 6 of the Application. There appears to be a page missing from this Exhibit. Provide a schedule summarizing the proposed adjustment and how it is allocated to Big Sandy's accounts. **Response:** Big Sandy apologizes for this oversight. The response follows.

Big Sandy provides pension benefits for substantially all employees through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security (R&S) Program and the NRECA Saving Plan 401(k). It is the policy of Big Sandy to fund pension costs accrued. R&S contributions are based on base salary at a rate determined by NRECA. Union employees participate in the 401(k) plan and non-union employees participate in the R&S program.

The R&S rate for 2009 was 22.32% of base wages. For 2010 the rate increased to 30.66% and remained at that level for 2011. The adjustment is to normalize the R&S and 401(k) contributions using the rate for 2011 for normalized base wages for full-time salary and hourly employees.

Normalized on base wages:

R&S contributions	317,738
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Test year on base wages:

R&S contributions	229,368	
401(k) contributions	73,193	302,561
Proposed adjustment		<u>15,177</u>

The adjustment is allocated as follows:

		<u>Percent</u>	<u>Amount</u>
107-108	Capitalized	22.26%	3,378
163 - 416	Clearing and others	13.94%	2,116
580	Operations	14.25%	2,163
590	Maintenance	14.77%	2,242
901	Consumer accounts	10.64%	1,614
908	Customer service	0.00%	0
910	Sales	0.00%	0
920	Administrative and general	24.14%	3,664
		<u>100.00%</u>	<u>15,177</u>

Witness: David Estep

Big Sandy Rural Electric Cooperative

Case No. 2012-00030

Commission Staff's Second Request for Information

27. Refer to Exhibit 8 of the Application. Explain why the monthly retainer fee for the attorney increased from \$500 to \$1,000 per month. **Response:** The board reviewed the activities of the attorney and decided that he should be granted an increase in his monthly retainer. The attorney is required to attend all board meetings, responds to calls and inquiries on almost a weekly basis, and performs other legal services for Big Sandy. Based on all the time expended by legal counsel, it was determined that the monthly fee should be increased from \$500 to \$1,000 per month.

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

28. Refer to Exhibit 11 of the Application where Big Sandy estimates the expenses associated with this rate case. On a monthly basis, beginning with the first month in which it incurred any rate case expense, provide the amount of Big Sandy's actual rate case expenses, by category, as was done in the estimate. Consider this an ongoing request which is to be updated monthly.

Response:

Date	Ck No.	Payee	Legal	Consulting	Advertising	Supplies
5/3/2012	46163	Service Office Supply				877
5/3/2012	46168	Sec of State				10
5/3/2012	46170	Troublesome Creek Times			1,022	
5/3/2012	46171	Big Sandy News			540	
5/3/2012	46180	Intermountain Publishing			560	
6/6/2012	46405	US Post Office				42
6/6/2012	46410	Big Sandy News			1,530	
6/6/2012	46420	Intermountain Publishing			504	
			0	0	4,156	929
						5,085

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

29. Refer to Exhibit 14 of the Application.

a. Explain why the CATV Pole Attachments were treated as an exhibit in the Application instead of being included in Exhibit J, Revenue Analysis.

Response: Exhibit J only includes those customers that receive a monthly bill for kwh usage. CATV attachments are billed on an annual basis.

b. Refer to page 2. Explain whether the weighted average costs shown for poles and anchors are gross values or net of depreciation. **Response:** The amounts shown are gross values.

c. Refer to the Cost of Money section on page 3 of 4.

(1) Explain how the 6.67 percent rate was determined and provide a schedule showing the calculations. **Response:** Big Sandy used the margins, interest on long term debt, and rate base in Case No. 2008-00401. The calculations follow, it should be noted that 6.57% should have been used instead of 6.67%.

Margins allowed	920,810
Interest on long term debt	<u>1,082,329</u>
Total	2,003,139
Rate base	30,477,768
Rate of return	6.57%

(2) Provide the current Cost of Money as requested in this case. **Response:** This is shown in Exhibit K, page 1 of 7 of the Application in the amount of 6.40%.

(3) Explain why the Cost of Money used in the calculations was not the current Cost of Money as requested in this case. **Response:** The cost of money requested in this case is not known until all adjustment have been made. This would require a recalculation of the CATV adjustment, which would change the cost of money each time the calculations was updated.

(4) Provide revised calculations for page 1 through 3 using the Cost of Money as requested in this case. **Response:** The calculations are attached.

Big Sandy Rural Electric Cooperative
CATV Pole Attachments
December 31, 2010

Additional revenues generated

Description	Number	Charges		Revenue		Increase	
		Existing	Proposed	Existing	Proposed	Amount	Percent
2 party Pole Attachments	1,075	\$6.24	\$7.86	\$6,708	\$8,450	\$1,742	21%
2 party Anchor Attachments	184	3.00	3.50	552	645	\$93	14%
2 party Ground Attachments	199	0.28	0.31	56	62	\$6	10%
3 party Pole Attachments	11,014	4.84	6.04	53,308	66,539	\$13,231	20%
3 party Anchor Attachments	97	1.98	2.31	192	224	\$32	14%
3 party Ground Attachments	411	0.17	0.19	70	79	\$9	12%
Total				<u>\$60,816</u>	<u>\$75,920</u>	<u>\$15,104</u>	20%

Proposed combined attachment rates:

2 party pole attachments	1,075	\$7.86	8,450
3 party pole attachments	11,014	\$6.04	66,539
			<u>74,989</u>

Big Sandy Rural Electric Cooperative
CATV Pole Attachments
December 31, 2010

A. 1. Two-Party Pole Cost:

<u>Size</u>	<u>Quantity</u>	<u>Amount</u>	<u>Weighted Average Cost</u>
35' poles	5,047	\$1,358,326	
40' poles	6,224	\$2,842,340	
	<u>11,271</u>	<u>\$4,200,666</u>	<u>\$372.70</u>

2. Three-Party Pole Cost:

<u>Size</u>	<u>Quantity</u>	<u>Amount</u>	<u>Weighted Average Cost</u>
40' poles	6,224	\$2,842,340	
45' poles	3,410	\$1,608,059	
	<u>9,634</u>	<u>\$4,450,399</u>	<u>\$461.95</u>

3. Average cost of anchors \$34.58

B. 1. Pole Charge:

a. Two party =	\$372.70	85%	20.27%	0.1224	\$7.86
b. Three party =	\$461.95	85%	20.27%	0.0759	\$6.04

2. Pole Charge, with ground attachments:

a. Two party =	\$372.70	85%	\$12.50	20.27%	0.1224	\$0.31
b. Three party =	\$461.95	85%	\$12.50	20.27%	0.0759	\$0.19

3. Anchor Charge:

a. Two party =	\$34.58			20.27%	0.50	\$3.50
b. Three party =	\$34.58			20.27%	0.33	\$2.31

(1) Remove miscellaneous allocations to pole accounts when using Record Units in the continuing property record (CPR's) system, per PSC Administrative Case No. 251

Big Sandy Rural Electric Cooperative
CATV Pole Attachments
December 31, 2010

Fixed charges on investment from PSC Annual Report at December 31, 2010.

Total Distribution Expense	2,512,689	
Reference Page 14		
Customer Accounts Expense	761,261	
Reference Page 15		
Customer Service and Informational Expense	116,175	
Reference Page 15		
Administrative and General	1,331,506	
Reference Page 15		
Depreciation Expense	1,865,647	
Reference Page 13		
Taxes Other than Income Taxes	24,433	
Reference Page 13		
	<hr/>	
Sub total	6,611,711	
Divided by Total Utility Plant	42,622,213	15.51%
Line 2, Page 1		
Cost of Money		
Rate of Return on Investment included in this Applicat	6.40%	
Net plant ratio adjustment:		
Distribution plant	<u>39,488,447</u>	
Accumulated depreciation	10,126,409	25.6%
Rate of return (times 1 minus reserve ratio)		<u>4.76%</u>
Annual carrying charges		<u><u>20.27%</u></u>

Witness: Alan Zumstein

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

30. Refer to page 1 of Exhibit 20 which shows the payment of capital credits to members on an annual basis beginning with calendar year 2006. Provide a breakdown of capital credits by year for the years prior to 2006 in the same format as shown in Exhibit 20 of the Application. **Response:** Big Sandy has capital credit records that date to 2001. Attached are payments starting in 2001.

	<u>General</u>	<u>Estates</u>	<u>Total</u>
2011	\$0	\$48,025	\$48,025
2010	-	57,908	57,908
2009	-	32,762	32,762
2008	-	47,467	47,467
2007	-	50,807	50,807
2006	-	44,564	44,564
2005	-	44,564	44,564
2004	-	51,718	51,718
2003	-	59,914	59,914
2002	-	58,219	58,219
2001	-	48,802	48,802
Prior years	868,760	493,262	1,362,022
Total	<u>\$868,760</u>	<u>\$1,038,012</u>	<u>\$1,906,772</u>

Witness: David Estepp

Big Sandy Rural Electric Cooperative
Case No. 2012-00030
Commission Staff's Second Request for Information

31. Refer to Exhibit 22 of the Application. Big Sandy proposes a Purchase Power Adjustment.

a. Does Big Sandy believe this additional line item will be difficult for consumers to understand? Explain. **Response:** Big Sandy does not believe that an additional line item will not be more difficult to understand than the fuel adjustment and environmental surcharge that are currently on the bill.

b. Explain whether Big Sandy knows of other cooperatives experiencing this cash flow problem, and if so, whether the cooperatives are supportive of Big Sandy's proposal. Identify any known cooperatives supporting the proposal. **Response:** Big Sandy is not aware of any other electric cooperatives that are experiencing the exact same issues as Big Sandy. It is believed that others are experiencing the same issues, as this is a weather related issue that is caused by high demand and low energy usage.

c. Explain whether the cash flow problems to be addressed by Big Sandy's Purchase Power Adjustment are caused by timing problems between its power supplier, EKPC and the cooperative, and if so, why a solution between EKPC and the cooperatives is not possible and preferable to an additional line item on the member's bill. **Response:** The main problem occurs when Big Sandy gets its power bill and the demand is higher/lower than a normal month than the energy (kwh) sales. This results in either a higher than or lower than, gross markup on sales for the month. This causes large fluctuations in net margins on a month by month basis, as most other costs do not fluctuate on a monthly basis.