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May 6, 2013

Mr. Jeffrey Derouen, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

MAY 06 2013

**PUBLIC SERVICE
COMMISSION**

RE: Owen Electric Cooperative, Inc.
PSC Case No. 2012-00448

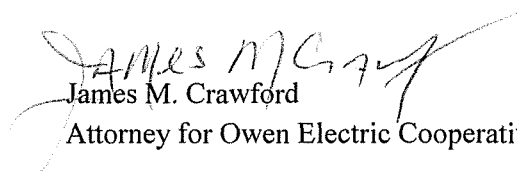
Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and eight copies of the responses of Owen Electric Cooperative, Inc. ("Owen") to the Commission Staff's Second Request for Information, dated April 22, 2013. Also enclosed are an original and eight copies of Owen's responses to the Attorney General's Initial Data Requests, dated April 22, 2013.

Please contact me with any questions.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford

Attorney for Owen Electric Cooperative, Inc.

cc: Assistant Attorney General's Office

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

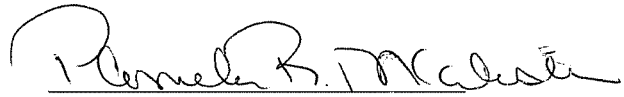
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF OWEN)

Michael Cobb, being duly sworn, states that he has supervised the preparation of the responses of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated April 22, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 2 day of May, 2013.


Notary Public

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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


CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF OWEN)

Mark Stallons, being duly sworn, states that he has supervised the preparation of the responses of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated April 22, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 3rd day of May, 2013.


Notary Public

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

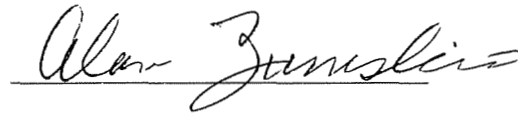
In the Matter of:

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

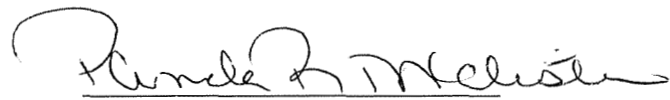
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF OWEN)

Alan Zumstein, being duly sworn, states that he has supervised the preparation of the responses of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated April 22, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 2 day of May, 2013.


Notary Public

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

1. Refer to the revised Exhibit C, Sheet Nos. 11 and 35A, and the fifth page of revised Exhibit D, all filed on March 25, 2013. Owen is proposing to delete Sheet No. 11 (Schedule III – Outdoor Lights) and consolidate it with Schedule I – Outdoor Lighting Service on proposed Sheet No. 35 A.
 - a. The fifth page of the revised Exhibit D lists 10 items under Schedule III – Outdoor Lights. Explain how each of these items is included in the two line items that appear under Rate 2 on proposed Sheet No. 35A.
 - b. Refer to proposed Sheet No. 35A. The asterisk on this page is located next to a sentence that is being deleted; however, the note at the bottom of the page which explains the meaning of the asterisk is not being deleted. State whether the note which explains the meaning of the asterisk should remain, and if so, state where the asterisk should appear on the page.
 - c. The proposed increases to the 10 items that appear under Schedule III – Outdoor Lights in revised Exhibit D range from 15 to 56 percent.
 - (1) Explain how the proposed rates were determined.
 - (2) Explain how increase of this magnitude are reasonable and how they are in accordance with the principal of gradualism.
 - (3) Provide the impact of the proposed increases upon the customer with the largest number of lights.

Response

- a. Owen presently has two categories of outdoor light tariffs, pre-2004 and post-2004. It is Owen's intent to combine and simplify its outdoor light tariffs with this case. Owen desires to offer two tariffs for its standard 100 Watt outdoor lights; one for lights on an existing pole and one for lights with one pole added. The pre-2004 outdoor (Schedule III) lights listed on tariff sheet 11 are being consolidated into the two 'Rate 2' light classifications listed on tariff sheet 35A.
- b. The asterisks on the tariff sheet 35A should be placed at the end of each phrase "one pole added" and "one additional pole", and the sentence "* If any additional poles or facilities are needed to provide electric service to the light, the consumer shall be required to pay, prior to construction, a non-refundable construction charge for those facilities" should remain as originally shown. Please see revised tariff sheets on pages 3-5 of this response.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

- c(1). Please see pages 51 and 55 of 56 in Exhibit R of the Application. Page 51 provides the percentage increase for the lighting classes of 23.73% while page 55 provides the old rates and new rates and that all were increased by the same percent at this time. It was the decision of Owen's management to consolidate its numerous light offerings into the classes being proposed by Owen. How this consolidation was accomplished is provided in Schedule JRA1 of the direct testimony of James R. Adkins. This testimony is included in Exhibit H-4 of the Application
- c(2). The justification for this large of an increase is the cost of service study that indicates that the Lighting rates should be increased by 38.8%. Owen chose to hold the increase to less than 25%. The primary reason as why the existence of this significant under-recovery by Owen is due to the fact that Owen did not have an increase in its distribution rates from 1983 until 2009. The rate for lights for most of that time were approximately \$5.50 and many new lights were put on that had a monthly revenue requirements much higher than the rate being charged for it.
- c(3). The impact of the proposed increases upon the customer with the largest number of outdoor lights is \$1,040.91 per month. This is a city with 365 outdoor light accounts. The impact of the proposed increases upon the residential customer with the largest number of outdoor lights (3) is \$7.71 per month.

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 6

9th Revised SHEET NO. 35A

Owen Electric Cooperative, Inc.

(Name of Utility)

CANCELLING P.S.C. KY. NO. 6

8th Revised SHEET NO. 35A

CLASSIFICATION OF SERVICE

SCHEDULE I OLS – OUTDOOR LIGHTING SERVICE

Page One of Two

- A. Applicable – to the entire territory served.
- B. Available – to all member/consumers requesting luminaries for dusk to dawn outdoor or street lighting service as provided below. The cooperative reserves the right to limit the types of lights and the type of installations in this tariff.
- C. Type of Service – the cooperative will install and maintain automatic outdoor or street lighting of the desired type by the customer, single phase, 60 cycles at available secondary voltage.
- D. Monthly Rates:

Rate 2

| | | |
|-------------------------------|---------------------|-----|
| 100 Watt S/L on existing pole | \$ 11.09 per Light | (N) |
| 100 Watt S/L – one pole added | \$ 16.09 per Light* | (N) |

Rate 3

| | | |
|---------------------------------|---------------------|-----|
| Cobrahead 100W on existing pole | \$ 16.46 per Light | (N) |
| Cobrahead 100W one pole added | \$ 22.50 per Light* | (N) |
| Cobrahead 250W on existing pole | \$ 22.35 per Light | (N) |
| Cobrahead 250W one pole added | \$ 28.39 per Light* | (N) |
| Cobrahead 400W on existing pole | \$ 27.83 per Light | (N) |
| Cobrahead 400W one pole added | \$ 33.87 per Light* | (N) |

Rate 4

| | | |
|--------------------------------------|---------------------|-----|
| Directional 100W on existing pole | \$ 15.41 per Light | (N) |
| Directional 100W one additional pole | \$ 21.45 per Light* | (N) |
| Directional 250W on existing pole | \$ 18.93 per Light | (N) |
| Directional 250W one additional pole | \$ 24.97 per Light* | (N) |
| Directional 400W on existing pole | \$ 24.11 per Light | (N) |
| Directional 400W one additional pole | \$ 30.15 per Light* | (N) |

* If any additional poles or facilities are needed to provide electric service to the light, the consumer shall be required to pay, prior to construction, a non-refundable construction charge for those facilities.

- E. Terms of Payment – the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.

DATE OF ISSUE March 26, 2013
Month / Date / Year

DATE EFFECTIVE Service rendered on and after April 29, 2013
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2012-00448 DATED _____

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 6

89th Revised SHEET NO. 35A

CANCELLING P.S.C. KY. NO. 6

78th Revised SHEET NO. 35A

Owen Electric Cooperative, Inc.

(Name of Utility)

CLASSIFICATION OF SERVICE

SCHEDULE I OLS – OUTDOOR LIGHTING SERVICE

Page One of Two

- A. Applicable – to the entire territory served.
- B. Available – to all member/consumers requesting luminaries for dusk to dawn outdoor or street lighting service as provided below. The cooperative reserves the right to limit the types of lights and the type of installations in this tariff.
- C. Type of Service – the cooperative will install and maintain automatic outdoor or street lighting of the desired type by the customer, single phase, 60 cycles at available secondary voltage.
- D. Monthly Rates:

~~100 Watt High Pressure Sodium Area Lighting (Monthly energy usage 40 kWh) \$10.25 per Light (R)~~

Cobrahead Lighting

~~100 Watt High Pressure Sodium (Monthly energy usage 40 kWh) \$13.30 per Light (R)~~

~~250 Watt High Pressure Sodium (Monthly energy usage 83 kWh) \$18.06 per Light (R)~~

~~400 Watt High Pressure Sodium (Monthly energy usage 154 kWh) \$22.49 per Light (R)~~

Directional Lighting

~~100 Watt High Pressure Sodium (Monthly energy usage 40 kWh) \$12.45 per Light (R)~~

~~250 Watt High Pressure Sodium (Monthly energy usage 83 kWh) \$15.30 per Light (R)~~

~~400 Watt High Pressure Sodium (Monthly energy usage 154 kWh) \$19.48 per Light (R)~~

~~Rate for one additional pole if light is not installed on a currently used pole * \$ 4.88 per Light~~

Rate 2

100 Watt S/L on existing pole \$ 11.09 per Light (N)

100 Watt S/L – one pole added \$ 16.09 per Light* (N)

Rate 3

Cobrahead 100W on existing pole \$ 16.46 per Light (N)

Cobrahead 100W one pole added \$ 22.50 per Light* (N)

Cobrahead 250W on existing pole \$ 22.35 per Light (N)

DATE OF ISSUE June 8, 2011 March 26, 2013
Month / Date / Year

DATE EFFECTIVE Service rendered on and after June 1, 2011 April 29, 2013
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2010-00507 2012-00448 DATED May 31, 2011

FOR Entire Territory Served
Community, Town or City

P.S.C. KY. NO. 6

89th Revised SHEET NO. 35A

CANCELLING P.S.C. KY. NO. 6

78th Revised SHEET NO. 35A

Owen Electric Cooperative, Inc.

(Name of Utility)

CLASSIFICATION OF SERVICE

| | | |
|--------------------------------------|---------------------|-----|
| Cobrahead 250W one pole added | \$ 28.39 per Light* | (N) |
| Cobrahead 400W on existing pole | \$ 27.83 per Light | (N) |
| Cobrahead 400W one pole added | \$ 33.87 per Light* | (N) |
| Rate 4 | | |
| Directional 100W on existing pole | \$ 15.41 per Light | (N) |
| Directional 100W one additional pole | \$ 21.45 per Light* | (N) |
| Directional 250W on existing pole | \$ 18.93 per Light | (N) |
| Directional 250W one additional pole | \$ 24.97 per Light* | (N) |
| Directional 400W on existing pole | \$ 24.11 per Light | (N) |
| Directional 400W one additional pole | \$ 30.15 per Light* | (N) |

* If any additional poles or facilities are needed to provide electric service to the light, the consumer shall be required to pay, prior to construction, a non-refundable construction charge for those facilities.

E. Terms of Payment – the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.

DATE OF ISSUE June 8, 2011 March 26, 2013
Month / Date / Year

DATE EFFECTIVE Service rendered on and after June 1, 2011 April 29, 2013
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2010-00507 2012-00448 DATED May 31, 2011

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

2. Refer to page 4 of the Prepared Testimony of Mark A. Stallons. At the top of the page, Mr. Stallons states that "Owen is satisfied with its rate design and is simply requesting an increase in the energy charge..."
 - a. Confirm that Owen is proposing revenue neutral rate design changes to Schedule XI – Large Industrial Rate LPB1, Schedule XIII – Large Industrial Rate LPB2, and Schedule XIV – Large Industrial Rate LPB that will increase demand charges and decrease energy charges.
 - b. Explain why these rate design changes are being proposed.

Response

- a. Owen confirms that it is proposing revenue neutral rate design changes to Schedule XI – Large Industrial LPB1, Schedule XIII – Large Industrial Rate LPB2, and Schedule XIV – Large Industrial Rate LPB that will increase demand charges and decrease energy charges.
- b. Owen is proposing these changes to match the retail demand rate with the wholesale demand rate for these rate schedules with the demand rate schedule of its wholesale power supplier's Schedule B demand rate.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

3. Refer to Exhibit H-1.
 - a. State whether the headings 2010 and 2011 refer to calendar years 2010 and 2011.
 - b. By month, provide the kWh and kW that was billed by East Kentucky Power Cooperative, Inc. ("EKPC") to Owen for the 2010 and 2011 periods referenced in the exhibit.

Response

- a. Yes, these headings refer to calendar years.
- b. Please see the chart below.

EAST KENTUCKY POWER COOPERATIVE KWH & KW BILLINGS

| | <u>2010</u> | | <u>2011</u> | |
|-----|-------------|---------|-------------|---------|
| | KWH | KW | KWH | KW |
| JAN | 129,950,052 | 387,238 | 130,704,361 | 388,651 |
| FEB | 115,162,635 | 394,544 | 105,765,401 | 395,632 |
| MAR | 97,658,338 | 363,526 | 100,719,207 | 342,203 |
| APR | 79,334,333 | 296,918 | 83,845,181 | 332,610 |
| MAY | 91,878,678 | 346,426 | 94,838,936 | 397,702 |
| JUN | 113,432,169 | 405,026 | 106,244,679 | 404,306 |
| JUL | 124,307,672 | 406,235 | 134,835,884 | 422,617 |
| AUG | 124,493,424 | 418,015 | 120,502,804 | 414,605 |
| SEP | 97,433,380 | 402,460 | 90,784,205 | 414,476 |
| OCT | 82,545,889 | 300,279 | 89,716,619 | 315,254 |
| NOV | 92,473,162 | 334,974 | 93,464,076 | 347,677 |
| DEC | 130,716,598 | 416,741 | 113,142,792 | 366,260 |

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

4. Refer to the Prepared Testimony of Michael Cobb ("Cobb Testimony"), page 2 of 6 at Answer 8. Mr. Cobb states that one of the reasons Owen is seeking an increase in rates is "to recover increase in general operating expenses since 2007 test year (Case No. 2008-00154), and to obtain a targeted time interest earned ratio ("TIER") of 2.0." Also, refer to Exhibit S, page 2 of 4, line 49, column Proposed Test Year. In this schedule, the TIER reflected is 1.93. Provide the following:
- a. Reasons for the two different TIER values.
 - b. Whether Owen is aware of any studies performed by Rural Utilities Service ("RUS") or the National Rural Utilities Cooperative Finance Corporation ("CFC") on the subject of the appropriate TIER level for an electric distributive cooperative. If yes, identify and provide the studies along with the date the studies were performed.

Response

- 4a. The TIER of 2.0x is a targeted TIER ratio. The Board actually decided to file for an increase that would provide for an increase in residential rates of less than 5%. To attain that, the resulting TIER requested was 1.93. As referenced in Schedule J of the Application, the requested revenue for residential customers was 4.9%.
- 4b. Owen is not aware of any studies, however, RUS, CFC, and CoBank have minimum requirements in their mortgage agreements.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

5. Refer to the Cobb Testimony, page 2 of 6, at Answer 9, wherein it states that “[t]he actual increase in power cost to Owen Electric since 2011 has not been 5% as was anticipated, but has exceeded 9%. This difference between actual and anticipated results of the EKPC rate increase has caused Owen Electric’s margins and key ratio to be reduced and has put a financial burden on the cooperative”.
- a. Provide the reasons why Owen Electric anticipated the power cost to increase by 5 percent, and the reasons why the actual cost increase exceeded 9 percent.
- b. Refer to Exhibit V, page 1 of 3, line 11, Cost of Power. It appears the increase between 2011 and 2012 is approximately 4.7 percent. Reconcile the difference between the statement that the increase in the cost of power has exceeded 9 percent and the amount shown in Exhibit V of approximately 4.7 percent.

Response

- 5a. Owen anticipated its power cost to increase by approx 5% since that is the increase granted to EKPC in its rate increase effective January 2011 (Case No. 2010-00167). The actual increase for the calendar year of 2011 compared to 2010 is as follows:

| | <u>December 31, 2011</u> | <u>December 31, 2010</u> | <u>Difference</u> | <u>Percent</u> |
|--------------------|--------------------------|--------------------------|-------------------|----------------|
| Operating revenues | 164,646,471 | 156,031,216 | 8,615,255 | 5.5% |
| Power cost | 131,922,578 | 120,929,457 | 10,993,121 | 9.1% |
| Gross margin | 32,723,893 | 35,101,759 | (2,377,866) | -6.8% |

- 5b. The 9% is for the calendar year of 2011 and 5% is for the test year.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

6. Refer to the Cobb Testimony, page 4 of 6, at Answer 10, wherein it states that "Owen proposes to collect this revenue by adding an additional \$.001 per kWh in the FAC calculation each month until such time as the full \$1.112 million has been fully recovered. Once this recovered occurs, Owen will cease collecting the additional amount." Provide the TIER and the Operating Times Interest Earned Ratio ("OTIER"), as shown on Exhibit S, page 2 of 4, as if both the proposed increase of \$4,074,169 and the \$1.112 million of lost revenues are both recovered.

Response

The uncollected fuel is presently recorded in Account 182.3 as a Deferred Debit. As the amount is collected, it will reduce the deferred debt and increase cash; this will have no effect on margins, TIER, or OTIER. The TIER and OTIER as reflected in Exhibit S, considers the \$4,074,169 proposed increase.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

7. Refer to the Prepared Testimony of James R. Adkins ("Adkins Testimony") at page 10 of 16. At the top of the page, Mr. Adkins states that the optional rate classes based on the two Schedule 1 classes of Farm and Home and Small Commercial will have their rates adjusted in a manner as originally designed. State whether Owen proposes to accomplish this by increasing the energy charges for the optional residential classes by the same amount per kWh as the Farm and Home energy charge increase and increasing the energy charge for the small commercial optional rate by the same amount per kWh as the Small Commercial energy charge increase. If no, explain.

Response

Owen did use this approach in determining the proposed rates for the above mentioned rate classes. Please see page 53 of 56, Exhibit R in the Application for the detailed information for the development of the rates for this question.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

8. Refer to page 11 of the Adkins Testimony. At the middle of the page, Mr. Adkins discusses Owen's proposal to add 1 mil to its fuel adjustment clause ("FAC") factor until it recovers \$1,112,399. Mr. Adkins states that the under-recovery occurred because of the two month lag in the recovery of the wholesale charge or credit to Owen. Mr. Adkins goes on to state that "[t]he amount was measured by comparing revenue collected using the old FAC rates with the actual revenue collect by using the actual FAC rates." Confirm that Owen believes the under-recovery occurred because, when EKPC rolled in a negative 6.39 mils per kWh to its base rates effective June 1, 2011 in Case No. 2010-00491 and Owen's rates decreased simultaneously, Owen was required to charge the lower base rates (as a result of the negative roll-in) for two months, but the FAC factor charged by Owen to its customers was based on the FAC factor from EKPC that was calculated using the higher rates that existed prior to the negative roll-in. If not, explain fully how the under-recovery occurred and would not be captured by the FAC under/over recovery mechanism. If so, confirm that when EKPC rolled in 10.15 mils per kWh to its base rates in Case No. 2008-00519, Owen was required to charge the higher base rates (as a result of the roll-in) for two months but the FAC factor charged by Owen to its customers was based on the FAC factor from EKPC that was calculated using the lower rates that existed prior to the roll-in.

Response

Owen confirms its belief that the under-recovery occurred when EKPC rolled in a negative 6.39 mils per kWh to its base rates on June 1, 2011 in Case No. 2010-00491 and Owen's rates decreased simultaneously, Owen was required to charge the lower base rates (as a result of the negative roll-in) for two months, but the FAC factor charged by Owen to its customers was based on the FAC factor from EKPC that was calculated using the rates that existed prior to the negative roll-in. Owen also confirms that when EKPC rolled in 10.15 mils per kWh to its base rates in Case No. 2008-00519, Owen was required to charge the higher base rates (as a result of the roll-in) for two months but the FAC factor charged by Owen to its customers was based on the FAC factor from EKPC that was calculated using the lower rates that existed prior to the roll-in.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

9. Refer to Exhibit H-4, page 15 of 16

- a. Explain why the "kWh Billed" amounts shown for June and July 2011 do not reconcile with the amounts shown on the FAC filing made with the Commission for each of those months.
- b. Provide the June and July "kWh Billed" amounts by rate class.
- c. Confirm that the revenue amounts on this schedule are total revenues and not solely FAC revenues.
- d. For the line item "Difference in kWh from April and June," provide the kWh amounts separately for April and June.
- e. For the line item "Difference in kWh from May and July," provide the kWh amounts separately for May and July.
- f. Provide the supporting calculations for each amount in the "Revenue" and "Revenue at old rate" columns.
- g. Given the change that occurred in base rates and the FAC calculation when EKPC rolled-in 10.15 mils per kWh in Case No. 2008-00519, prepare this same schedule for August and September 2009.

Response

9 a. kWh reported on Schedule JRA2 (Page 15 of 16)

June 2011 98,058,767

July 2011 110,155,314

kWh reported on FAC filings (Line 2)

June 2011 97,945,271

July 2011 110,041,404

Difference:

June 2011 113,496

July 2011 113,910

These were the amounts reported for our Rate Revenue Class 6. These kWh relate to outdoor light kWh usage. While these kWh were included in our Schedule JRA2, they were not used as a factor in determining revenue. Additionally, the reported amounts do not include Company Use. Therefore, the amounts reported on the FAC were correct.

9b.

| kWh Billed by Rate Class | | | | |
|---------------------------------|------------------------|-------------------|------------------------|--------------------|
| | Jun-11 | | Jul-11 | |
| | kWh | Light kWh | kWh | Light kWh |
| Rate 1 | 59,339,095 | 374,981 | 69,449,561 | 377,792 |
| Rate 3 | 4,366,487 | 35,730 | 4,652,602 | 35,825 |
| Rate 4 | 14,046,296 | 4,883 | 14,871,930 | 4,923 |
| Rate 5 | 1,315,200 | 200 | 1,417,800 | 200 |
| Rate 6 | - | 113,496 | - | 113,910 |
| Rate 9 | 7,632,368 | - | 8,734,797 | - |
| Rate 10 | 465 | - | 43 | - |
| Rate 12 | 314,954 | - | 318,941 | - |
| Rate 13 | 10,083,352 | - | 9,569,515 | - |
| Rate 20 | 317,764 | - | 493,560 | 5 |
| | 97,415,981 | 529,290 | 109,508,749 | 532,655 |
| | | | | |
| | Total June 2011 | 97,945,271 | Total July 2011 | 110,041,404 |
| | | | | |

9c. Confirm that the revenue amounts on this schedule are total revenues and not solely FAC revenues.

The revenue reported is solely the kWh energy charge based on kWh. They do not represent FAC revenue or other charges.

· 9d. (These come from line item 4 of the FAC reports)

kWh for April 90,913,303
kWh for June 98,078,017
Difference 7,164,714

9e. (These come from line item 4 of the FAC reports)

kWh for May 83,697,093
kWh for July 110,189,748
Difference 26,492,655

9d and 9e (Continued)

| | | | kWh Base Rate Decrease | Shortage due to kWh difference | |
|--|---------------------------------------|------------|------------------------------|--------------------------------------|--|
| | Difference in Kwh from April and June | 7,164,714 | (0.00668) | (47,860.29) | |
| | Difference in Kwh from May and July | 26,492,655 | (0.00668) | (176,970.94) | |
| | | | | (224,831.22) | |

9f.

| kWh Billed June 2011 by Rate | | | | | | | |
|------------------------------|---------------|--------------|-----------------|------------|------------------------|--|--|
| | kWh | Blended Rate | Blended Revenue | Old Rate | Revenue if at Old Rate | | |
| Rate 1 | 59,339,095.00 | 0.091899488 | \$ 5,453,232.45 | 0.09478 | \$ 5,624,159.42 | | |
| Rate 3 | 4,366,487.00 | 0.092036656 | \$ 401,876.86 | 0.09478 | \$ 413,855.64 | | |
| Rate 4 | 14,046,296.00 | 0.068916656 | \$ 968,023.75 | 0.07166 | \$ 1,006,557.57 | | |
| Rate 5 | 1,315,200.00 | 0.065472180 | \$ 86,109.01 | 0.06808 | \$ 89,538.82 | | |
| Rate 6 | - | | \$ 132.00 | | \$ 132.00 | | |
| Rate 9 | 7,632,368.00 | | \$ 566,478.05 | | \$ 566,478.05 | | |
| Rate 10 | 465.00 | 0.055169270 | \$ 25.65 | 0.05692 | \$ 26.47 | | |
| Rate 12 | 314,954.00 | | \$ 27,744.34 | | \$ 27,744.34 | | |
| Rate 13 | 10,083,352.00 | | \$ 602,035.70 | | \$ 602,035.70 | | |
| Rate 20 | 317,764.00 | 0.107386656 | \$ 34,123.61 | 0.11013 | \$ 34,995.35 | | |
| Lights | 529,290.00 | 0.05974 | \$ 31,619.78 | 0.06642 | \$ 35,155.44 | | |
| Totals | 97,945,271.00 | | \$ 8,171,401.21 | | \$ 8,400,678.80 | | |
| | | | | Difference | \$ (229,277.59) | | |

9f. (cont.)

| <u>kWh Billed July 2011 by Rate</u> | | Energy | | | |
|-------------------------------------|----------------|-------------|---------------------|------------|------------------------|
| | Kwh | New Rate | Revenue at new rate | Old Rate | Revenue if at Old Rate |
| Rate 1 | 69,449,561.00 | 0.088100000 | \$ 6,118,506.32 | 0.09478 | \$ 6,582,429.39 |
| Rate 3 | 4,652,602.00 | 0.088100000 | \$ 409,894.24 | 0.09478 | \$ 440,973.62 |
| Rate 4 | 14,871,930.00 | 0.064980000 | \$ 966,378.01 | 0.07166 | \$ 1,065,722.50 |
| Rate 5 | 1,417,800.00 | 0.061730000 | \$ 87,520.79 | 0.06808 | \$ 96,523.82 |
| Rate 6 | - | | \$ 110.91 | | \$ 110.91 |
| Rate 9 | 8,734,797.00 | | \$ 603,587.81 | | \$ 603,587.81 |
| Rate 10 | 43.00 | 0.052860000 | \$ 2.27 | 0.05692 | \$ 2.45 |
| Rate 12 | 318,941.00 | | \$ 26,288.70 | | \$ 26,288.70 |
| Rate 13 | 9,569,515.00 | | \$ 529,714.86 | | \$ 529,714.86 |
| Rate 20 | 493,560.00 | 0.103450000 | \$ 51,058.78 | 0.11013 | \$ 54,355.76 |
| Lights | 532,655.00 | 0.059740000 | \$ 31,820.81 | 0.06640 | \$ 35,368.29 |
| Totals | 110,041,404.00 | | \$ 8,824,883.51 | | \$ 9,435,078.12 |
| | | | | Difference | \$ (610,194.61) |

| kWh Billed Aug 2009 by Rate | | | | | | |
|-----------------------------|----------------|--------------|-----------------|------------|------------------------|--|
| | kWh | Blended Rate | Blended Revenue | Old Rate | Revenue if at Old Rate | |
| Rate 1 | 62,459,556.00 | 0.085171808 | \$ 5,319,793.31 | 0.08063 | \$ 5,036,114.00 | |
| Rate 3 | 4,202,306.00 | 0.085091808 | \$ 357,581.82 | 0.08055 | \$ 338,495.75 | |
| Rate 4 | 13,812,569.00 | 0.062851808 | \$ 868,144.93 | 0.05831 | \$ 805,410.90 | |
| Rate 5 | 2,280,000.00 | 0.059711086 | \$ 136,141.28 | 0.05540 | \$ 126,312.00 | |
| Rate 6 | 2,762.00 | | \$ 121.13 | | \$ 121.13 | |
| Rate 9 | 5,671,114.00 | | \$ 356,414.54 | | \$ 356,414.54 | |
| Rate 10 | 2.00 | 0.051105940 | \$ 0.10 | 0.05476 | \$ 0.11 | |
| Rate 12 | 1,049,556.00 | | \$ 77,218.01 | | \$ 77,218.01 | |
| Rate 13 | 9,579,768.00 | | \$ 444,830.10 | | \$ 444,830.10 | |
| Rate 20 | 496,656.00 | 0.099861808 | \$ 49,596.97 | 0.10595 | \$ 52,620.70 | |
| Lights | 693,053.00 | 0.063902 | \$ 44,287.47 | 0.053274 | \$ 36,921.71 | |
| Totals | 100,247,342.00 | | \$ 7,654,129.66 | | \$ 7,274,458.95 | |
| | | | | Difference | \$ 379,670.71 | |

9g. (Cont.)

| <u>kWh Billed Sept 2009 by Rate</u> | | <u>Energy</u> | | | |
|-------------------------------------|---------------|-----------------|----------------------------|-----------------|-------------------------------|
| | <u>kWh</u> | <u>New Rate</u> | <u>Revenue at new rate</u> | <u>Old Rate</u> | <u>Revenue if at Old Rate</u> |
| Rate 1 | 57,812,426.00 | 0.091260000 | \$ 5,275,962.00 | 0.08063 | \$ 4,661,415.91 |
| Rate 3 | 3,988,486.00 | 0.091180000 | \$ 363,670.15 | 0.08055 | \$ 321,272.55 |
| Rate 4 | 13,721,856.00 | 0.068940000 | \$ 945,984.75 | 0.05831 | \$ 800,121.42 |
| Rate 5 | 2,448,000.00 | 0.065490000 | \$ 160,319.52 | 0.0554 | \$ 135,619.20 |
| Rate 6 | 2,024.00 | | \$ 132.00 | | \$ 132.00 |
| Rate 9 | 6,040,725.00 | | \$ 440,626.40 | | \$ 440,626.40 |
| Rate 10 | 3.00 | 0.054760000 | \$ 0.16 | 0.04838 | \$ 0.15 |
| Rate 12 | 1,092,845.00 | | \$ 95,879.31 | | \$ 95,879.31 |
| Rate 13 | 10,097,125.00 | | \$ 572,516.81 | | \$ 572,516.81 |
| Rate 20 | 277,104.00 | 0.105950000 | \$ 29,359.17 | 0.09532 | \$ 26,413.55 |
| Lights | 688,770.00 | 0.064170000 | \$ 44,198.37 | 0.05354 | \$ 36,876.75 |
| Totals | 96,169,364.00 | | \$ 7,928,648.65 | | \$ 7,090,874.04 |
| | | | | Difference | \$ 837,774.60 |

9g. (Cont.)

| | | kWh Sold | | | | |
|--|--|----------------|-----------------|---------|------------------------|-------------------------------|
| | Jun-09 | 83,034,563.00 | | | | |
| | Jul-09 | 97,869,114.00 | | | | |
| Rate Change | Aug-09 | 100,364,998.00 | | | | |
| | Sep-09 | 96,286,877.00 | | | | |
| | | | | | kWh Base Rate Increase | Overage due to kWh difference |
| | Difference in K wh from June and August | | 17,330,435.00 | 0.01063 | 184,222.52 | |
| | Difference in K wh from July and September | | (1,582,237.00) | 0.01063 | (16,819.18) | |
| | | | | | | 167,403.34 |
| | | | | | | |
| | | | | | | |
| Overage related to increase in base rate | | | 1,217,445.32 | | | |
| | | | 167,403.34 | | | |
| | | | \$ 1,384,848.66 | | | |

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10. Refer to Exhibit I of the application. The percentage increase per kWh usage appears to be calculated by dividing the Increase Amount by the Proposed Rate rather than by the Existing Rate. Provide a corrected Exhibit I showing the increase calculated as a percentage of the Existing Rate.

Response

Please see as follows:

7 **Average Bill for Residential Rate Class**
 8 **Schedule I - Farm and Home**

| | <u>Present</u> | <u>Proposed</u> | | |
|------------------------------|-----------------|-----------------|-----------------|----------------|
| 10 Customer charge | \$14.20 | \$14.20 | | |
| 12 Energy charge | \$0.08545 | \$0.09031 | | |
| | | | | |
| | <u>Existing</u> | <u>Proposed</u> | <u>Increase</u> | <u>Percent</u> |
| 15 <u>kwh Usage</u> | <u>Rate</u> | <u>Rate</u> | <u>Amount</u> | |
| 17 0 | \$14.20 | \$14.20 | \$0.00 | 0.0% |
| 18 25 | 16.34 | 16.46 | 0.12 | 0.7% |
| 19 50 | 18.47 | 18.72 | 0.24 | 1.3% |
| 20 100 | 22.75 | 23.23 | 0.49 | 2.1% |
| 21 150 | 27.02 | 27.75 | 0.73 | 2.7% |
| 22 200 | 31.29 | 32.26 | 0.97 | 3.1% |
| 23 250 | 35.56 | 36.78 | 1.22 | 3.4% |
| 24 300 | 39.84 | 41.29 | 1.46 | 3.7% |
| 25 350 | 44.11 | 45.81 | 1.70 | 3.9% |
| 26 400 | 48.38 | 50.32 | 1.94 | 4.0% |
| 27 450 | 52.65 | 54.84 | 2.19 | 4.2% |
| 28 500 | 56.93 | 59.36 | 2.43 | 4.3% |
| 29 600 | 65.47 | 68.39 | 2.92 | 4.5% |
| 30 700 | 74.02 | 77.42 | 3.40 | 4.6% |
| 31 800 | 82.56 | 86.45 | 3.89 | 4.7% |
| 32 900 | 91.11 | 95.48 | 4.37 | 4.8% |
| 33 1,000 | 99.65 | 104.51 | 4.86 | 4.9% |
| 34 1,100 | 108.20 | 113.54 | 5.35 | 4.9% |
| 35 1,200 | 116.74 | 122.57 | 5.83 | 5.0% |
| 36 1,300 | 125.29 | 131.60 | 6.32 | 5.0% |
| 37 1,400 | 133.83 | 140.63 | 6.80 | 5.1% |
| 38 1,500 | 142.38 | 149.67 | 7.29 | 5.1% |
| 39 1,600 | 150.92 | 158.70 | 7.78 | 5.2% |
| 40 1,700 | 159.47 | 167.73 | 8.26 | 5.2% |
| 41 1,800 | 168.01 | 176.76 | 8.75 | 5.2% |
| 42 1,900 | 176.56 | 185.79 | 9.23 | 5.2% |
| 43 2,000 | 185.10 | 194.82 | 9.72 | 5.3% |
| 44 The average monthly usage | | | | |
| 45 1,092 | 107.55 | 112.86 | 5.31 | 4.9% |

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11. Refer to Exhibit J of the application.
 - a. Refer to page 1 of 19. Owen has a number of rate schedules included in its tariff that are not listed on this page. Confirm that there are no customers on the rate schedules not listed.
 - b. Refer to page 3 of 19. Explain why the Off-peak Marketing Rate under the normalized column is shown as \$.05127 rather than \$.05286 shown as the present rate in revised Exhibit D and in Owen's currently approved tariff on file with the Commission.

Response

- 11a. This is correct. There are no customers on the rate schedules not listed.
- 11b. This was an oversight. Refer to Question 12 of this response for the correct rate.

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12. Provide an electronic copy in spreadsheet format of Exhibits J, R, S, and 9 with all formulas intact and unprotected and with all columns and rows accessible. If it is necessary to update either exhibit in response to questions contained in this information request, provide the updated version instead of the original version in both paper copy and electronically.

Response

Electronic versions of Exhibit J, R, S, and 9, with all formulas intact and rows accessible, are provided on the attached CD.

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13. Refer to Exhibit R of the application, page 5 of 56. Provide the basis for the allocation of payroll expense to the expense accounts listed.

Response

The allocation of payroll expenses comes from page 2 of 11, Exhibit 1 of the Application.

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14. Refer to Exhibit R of the application, page 7 of 56.

- a. Renewable Resource Energy expense is shown as \$61,498. Provide the name of the supplier of these purchases and the kWh purchased during the test year.
- b. Explain why, for Account 580 – Operations Supervision and Engineering, the Adjusted Test Year total on the left side of the page is shown as \$460,401 and the Total shown on the right side is \$397,693.
- c. An amount of \$13,866 is shown as Maintenance Distribution Plant on the left side of the page but is shown on the same row as Maintenance of Security Lights on the right side of the page. State which is the correct account classification.

Response

- a. The supplier of the renewable resource energy is Owen's wholesale power supplier East Kentucky Power Cooperative ("EKPC") and the quantity purchased was 2,589,400 kWh.
- b. The formula in the spreadsheet for the final total did not include the column for Security Lights in the amount of \$62,708.
- c. The correct classification is Maintenance Miscellaneous Distribution Plant.

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15. Refer to Exhibit R of the application, page 8 of 56.

- a. Account 935, Maintenance of General Plant, is shown as having been allocated using the General Plant percentages from the Rate Base Schedule. However, the allocation appears to be based on Rate Base percentages from the Rate Base Schedule. Confirm whether the Rate Base percentages were incorrectly used to allocate this account.
- b. The basis for allocating Total Miscellaneous Expense of \$146,131 is shown as Total Plant. However, it appears that Total Miscellaneous Expense is allocated based on the Rate Base percentages. State which allocation basis Owen intended to use for this account.

Response

- a. The Rate Base percentages were used incorrectly.
- b. The proper allocation would have been one based on Total Plant and not Rate Base.

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16. Refer to Exhibit R of the application, page 9 of 56.
- a. Under Footnote 1, the Poles and Conductor total of \$159,272,590 includes Accounts 364, 365, 367, and 368 from page 11 of 56. Explain why Account 368, Transformers, should be included with Poles and Conductor when using Plant Investment to allocate expenses between Lines and Services.
 - b. Under Footnote 2, confirm that the fifth item listed on the left side of the page should be shown as "Services" rather than "Street Lights".

Response

- a. Transformers should have not been included and Services should have been included. A mistake was made in developing the formula.
- b. The proper label is "Services".

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17. Refer to Exhibit R of the application, page 10 of 56. Explain why the Total Customer Services of \$476,128 differs from the total of \$668,538 shown on page 7 of 56.

Response

It should be the same and the Key Accounts Expense of \$192,410 was left out.

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18. Refer to exhibit R of the application, page 30 of 56.
- a. Provide the basis for the allocation of the Purchased Power Demand total of \$23,227,684 to the customer rate classes.
 - b. Explain why Purchased Power Meter and Substations, Stations Demand, and Lines Demand are allocated to the rate classes based on the non-coincident peak amounts found on pages 35 and 39 of 56 rather than the coincident peak amounts found on pages 34 and 38 of 56.
 - c. State whether EKPC bills on a coincident or non-coincident peak basis.

Response

- a. The basis for the allocation of the purchased power demand to the retail rate classes is the based on the following:
 1. The purchased power demand for Gallatin Steel is directly assigned to the Gallatin Steel Retail rate Class;
 2. The purchased power demand for those retail rate classes based on EKPC's Schedule B are allocated proportionally based on each retail rate classes contribution to EKPC's coincident peak demand for Schedule B or billing peak; and,
 3. The purchased power demand for those retail rate classes based on EKPC's Schedule E are allocated proportionally based on each retail rate classes contribution to EKPC's coincident peak demand for Schedule e or billing peak.
- b. The non-coincident demands or class peak demands are considered to be a better basis for the allocation of these costs as they are driven more by the class peak demands than by Owen's contribution to EKPC's coincident demand. This basis is more consistent one with National Association of Regulatory Utility Commissioners ("NARUC") Electric Utility Cost Allocation Manual – 1992
- c. EKPC bills on the basis on its coincident peak demand.

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19. Refer to Exhibit R of the application, pages 34 and 38 of 56.
- a. Explain where in the Cost of Service Study ("COSS") the allocation percentages calculated on these pages were used.
 - b. Explain why the amounts for Gallatin Steel are not included in the percentage calculations.

Response

- a. The allocation percentages on these pages were utilized in the allocation of the purchased power demand costs to the retail rate classes.
- b. The demand related costs are directly assigned to the Gallatin Steel retail rate class because they are separately identified in the wholesale power invoice.

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20. Refer to Exhibit R of the application, pages 35 and 39 of 56. Explain why the amounts for Gallatin Steel are not included in the percentage calculations.

Response

All wholesale costs for Gallatin Steel are directly assigned to the Gallatin Steel retail rate class because they are separately identified on the wholesale power invoice.

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21. Refer to Exhibit R of the application, pages 41 and 42 of 56. Explain why the number of Residential ETS customers is shown as zero in the two tables on page 41 but as eight in the two tables on page 42.

Response

The ETS customers are not included in the tables used to determine the consumer related allocation for lines and transformers because the ETS rates were developed on the basis that ETS would have no impact upon the costs for lines or transformers. The ETS customers are included in the tables for services and meters and separates services and meters are used for the ETS customers and it is proper to allocate some of the services and meter costs to that retail rate class.

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22. Refer to Exhibit R of the application, page 43 of 56. State what the Lighting Total amount of 11,336 represents and why it differs from the Lighting customer number shown on pages 41 and 42 of 56.

Response

The number for Lighting on pages 41 and 42 of Exhibit R represents the number of customers whose bill is for lighting purposes only and for no other reason. The number for lighting on page 43 of Exhibit R represents the number of lights that Owen has in place for which a bill is rendered.

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23. Refer to Exhibit R of the application, page 44 of 56. This schedule does not include all of the rate classes.
- a. Provide the missing page(s) of this schedule.
 - b. Reconcile the "Revenue from Rates" line item for each class with the amounts shown in the "Normalized Case No. 2010-00507" column from Exhibit J, page 1 of 19.

Response

- a. Page 52 of 56 of Exhibit R of the Application contains the additional information and is the second page for that schedule.
- b. Page 2 of this response provides a comparison of revenue from rates for Owen's last two rate cases – Case No. 2011-00037 which is a revenue neutral case and the current case of 2012-00448.

NORMALIZED REVENUE FOR OWEN'S LAST TWO RATE CASES

| Rate Schedule | Test Year End <u>12/31/2009</u> Normalized Case No. <u>2012-00448</u> | Test Year End <u>6/30/2012</u> Normalized Revenue <u>2011-00037</u> |
|---------------------------------------|---|---|
| Sch I - Farm and Home | \$ 70,160,415 | \$ 74,669,022 |
| Sch IA - Off Peak Marketing | 875 | 1,573 |
| Sch I-D - Farm & Home, Inclng Block | 1,768 | - |
| Sch I - Small Commercial | 5,032,829 | 4,761,197 |
| Sch II - Large Power | 16,186,276 | 16,228,280 |
| Sch XI - Large Industrial Rate LPB1 | 6,761,414 | 5,295,412 |
| Sch XIII - Large Industrial Rate LPB2 | 6,212,312 | 6,896,704 |
| Sch XIV - Large Industrial Rate LPB | 256,209 | 973,843 |
| Sch 2A - Time of Day | 251,048 | - |
| Sch 1-C - Small Comm, T-O-D | 5,120 | - |
| Sch 2-A - Primary Meter, T-O-D | 158,381 | - |
| Sch 1-B3 - Farm/Home-TOD, w Shoulder | 297 | - |
| Sch III - Security Lights | 1,527,075 | 1,477,975 |
| Envirowatts | 61,304 | |
| Net Metering | 522 | |
| Gallatin | 41,459,712 | 40,788,540 |
| | <u>148,075,556</u> | <u>\$ 151,092,546</u> |

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24. Refer to Exhibit R of the application, pages 51 and 52 of 56.

- a. Provide the basis for the allocation of "Other Revenue" to the rate classes.
- b. Page 51 shows that the COSS justifies a \$135,017 increase in the Small Commercial class. Owen is proposing an increase of \$248,238. Explain why Owen is proposing an increase that is 84 percent above that justified by the COSS.
- c. Explain why Owen is proposing no increase to the Large Power Primary and the LPB2 classes when the COSS justifies an increase of \$31,208 and \$30,632, respectively.

Response

- a. The basis of the allocation of the "Other Revenue" is the revenue from rates with the exclusion of the revenue from rates for Gallatin Steel and Renewable Resource Energy. The allocation is the revenue from rates for each class proportional to the total revenue for the sum of these classes.
- b. It has been the rate philosophy of Owen to keep the residential rates and the small commercial rates fairly close to the same and the increase in the rates for these classes is approximately the same percent. Owen also did not wish to raise the residential rates to amounts that is justified in the COSS.
- c. Owen is not proposing an increase to these rate classes even though small increases are justified in the COSS. The rationale for not proposing an increase in the revenue requirements from these rate classes is the current economic conditions of many industries.

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25. Refer to Exhibit R of the application, page 52 of 56. Confirm that the Revised Increase Amount should be shown as \$6 for the LPB class and (\$69) for the LPB2 class.

Response

The amounts of increase is confirmed as \$6 for LPB class and (\$69) for LPB2.

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26. Refer to Exhibit R of the application, page 53. This page shows a proposed on-peak energy rate of \$.10466 for Schedule 1-B3. Owen's notice to customers shows the proposed energy rate to be \$.10488. Explain the reason for the difference and state whether the proposed rate should be \$.10466 rather than \$.10488.

Response

The proposed rate is \$.10488. The reason for the difference is the adjustment to certain rate designs to come up as close as possible to the original revenue requirements.

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27. Refer to Exhibit R of the application, page 54 of 56. The bottom half of the page shows possible rate design changes for Schedule 2 – Large Power. Confirm that Owen is not proposing any changes to the rates of this class and, if so, explain why no changes are being proposed.

Response

Owen is not proposing any changes to Schedule 2 – Large Power. Owen looked at a rate change for this rate class but decided not to change rates and that segment should have been included in the application.

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28. Refer to Exhibit R of the application, page 55 of 56.

- a. Explain why the proposed rates shown on this page for Schedule III – Security Lights differ from those proposed in Owen's notice to customers.
- b. Explain why the proposed rates shown for the first two lights listed under Schedule OLS – Outdoor Lighting Service differ from those proposed in Owen's notice to customers.

Response

- a. The rates shown on page 55 of 56 of Exhibit R are the proposed rates based on recommendation from the COSS. However, Owen decided to consolidate its two major lighting classes into one rate class. Those rates contained on page 55 of 56 of Exhibit R are for the current classes while those in the notice are the proposed rates.
- b. These rates differ for the same reason stated in the response to Item a. above. Those in the COSS are based on the COSS and those in the notice are the proposed rates after consolidation.

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29. Refer to Exhibit S. Under Operating Revenues, explain the "Accounting Change" totaling (\$296,099) that was removed from the test year.

Response

Effective December 31, 2011 Owen changed its accounting for revenue and power cost. Unbilled revenue was recognized for December 31, 2011 with December 31, 2010 restated to account for that unbilled revenue. This adjustment was to remove the entry to record the unbilled revenue. In addition, Owen had been expensing the power bill in the month it was paid, not the month in which power was consumed. Owen made the entry to record the power bill for December 2011 in December 2011, and also restated the power cost for 2010. That is the adjustment for the "Accounting change" in Purchase Power. This difference results in revenues recognized on the books and revenues recognized as a result of normalizing revenues and power costs for the same 12 months for the test year ended June 30, 2012.

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30. Refer to Exhibit S, page 3 of 4. Provide a reconciliation of the amounts shown in the Adjustment 2 Payroll Tax column and the amounts shown in the Application, Exhibit 2, page 1 of 4, lines 33 through 38.

Response

The amounts reflected in Exhibit 2 are correct. The original adjustment was made using an incorrect tax rate. The adjustment was not updated after this was discovered.

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CASE NO. 2012-00448

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

31. Refer to Exhibit V. Provide the following:

- a. On page 1 of 3, line 15, Consumer Service, the reasons for the \$95,705 or approximately 17 percent increase between 2011 and 2012.
- b. On page 2 of 3, line 16, Investments, the reasons for the \$7,804,330 or approximately 25 percent increase between 2011 and 2012.
- c. On page 2 of 3, line 20, Accounts Receivables, Net, the reasons for the \$5,987,320 or approximately 64 percent increase between 2011 and 2012.
- d. On page 2 of 3, line 25, Regulatory Asset, the reasons for the \$1,025,733 increase between 2011 and 2012, along with any Commission authority establishing this regulatory asset.
- e. On page 2 of 3, line 26, Deferred Debits, the reasons for the \$171,545 or approximately 52 percent increase between 2011 and 2012.

Response

- 31a. Credit risk insurance in the amount of approx \$20K was recorded in this account for 2012 and in Consumer Accounts in the previous years. Reimbursements from EKPC for retrofitting lighting in the amount of approx \$26K were received in the prior year.
- 31b. East Kentucky Power Cooperative allocated \$7,931,126 of patronage capital.
- 31c. Owen changed its policy of recording unbilled revenue effective December 31, 2011.
- 31d. As part of recognizing unbilled revenue, Owen recorded the difference between fuel from EKPC and fuel passed onto its consumers. This is the amount referred to in Question 6 of this data request. There is no Commission authority for establishing this regulatory asset.
- 31e. The accounting software provides that general plant items be recorded in Acct 186.6 as purchased, then when the asset is entered into the fixed asset system, it is taken out of Acct 186.6 and recorded in the proper general plant account. This balance will vary based on general plant activity.

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32. Refer to Exhibit X. Provide an explanation along with the reasons for the changes in the following:

- a. Page 2 of 6, Account 590, Maintenance Super. & Engineer, increase of approximately 91.8 percent (\$45,000/\$49,000) from \$49,000 for the 12 months ending June 30, 2010 to \$94,000 for the 12 months ending June 30, 2012.
- b. Page 3 of 6, Account 593.5, Maintenance O/H Line-pole Treat., increase of approximately 16.4 percent (\$10,000/\$61,000) from \$61,000 for the 12 months ending June 30, 2010 to \$71,000 for the 12 months ending June 30, 2012.
- c. Page 4 of 6, Account 912, Demonstration & Selling, increase of approximately 76 percent (\$81,000/\$106,000) from \$106,000 for the 12 months ending June 30, 2010 to \$187,000 for the 12 months ending June 30, 2012.
- d. Page 4 of 6, Account 920.10, Admin. Gen. Salaries IT., increase of approximately 19.7 percent (\$107,000/\$544,000) from \$544,000 for the 12 months ending June 30, 2010 to \$651,000 for the 12 months ending June 30, 2012.
- e. Page 4 of 6, Account 925, Injuries & Damages, increase of approximately 13.3 percent (\$21,000/\$158,000) from \$158,000 for the 12 months ending June 30, 2010 to \$179,000 for the 12 months ending June 30, 2012. Also, for the five years prior to the test year, provide the amount recorded in this account for each year.
- f. Page 4 of 6, Account 928, Regulatory, increase of approximately 185 percent (\$57,000/\$20,000) from \$20,000 for the 12 months ending June 30, 2010 to \$77,000 for the 12 months ending June 30, 2012. Also, for the five years prior to the test year, provide the amount recorded in this account for each year.
- g. Page 5 of 6, Account 403.60, Distribution Depreciation, increase of approximately 5 percent (\$481,000/\$9,120,000) from \$9,120,000 for the 12 months ending June 30, 2010 to \$9,601,000 for the 12 months ending June 30, 2012.
- h. Page 6 of 6, Owen's Net Margins, increase of approximately 15.6 percent (\$1,054,000/\$6,752,000) from \$6,752,000 for the 12 months ending June 30, 2011 to \$7,806,000 for the 12 months ending June 30, 2012.

Response

- a. Two employees work has shifted more specifically to maintenance from various other accounts, including Acct 580.
- b. Owen is inspecting and replacing more OCRs. This is expected to continue.
- c. Refer to Question 31.a of this response.

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- d. An employee spent more time in IT and allocated labor and benefits from Acct 920.
- e. Included in Acct 925 is \$18k of costs in Acct 926 for the month of December 2011 that were recorded to Acct 926 after the benefits had already been spread.

| | |
|------------|---------|
| 6/30/2012 | 163,564 |
| 6/30/2011 | 158,739 |
| 12/31/2010 | 160,451 |
| 12/31/2009 | 162,243 |
| 12/31/2008 | 129,470 |
| 12/31/2007 | 126,663 |

- f. Costs for Case No. 2011-00037 carried over from the prior year to the test year.

| | |
|------------|---------|
| 6/30/2012 | 76,193 |
| 6/30/2011 | 30,293 |
| 12/31/2010 | 0 |
| 12/31/2009 | 55,279 |
| 12/31/2008 | 101,110 |
| 12/31/2007 | 0 |

Please note that Owen records the PSC annual assessment in account 408.7. In 2013, Owen will begin recording the PSC annual assessment in account 928.

- g. Plant in service increased by approximately 4%.
- h. The primary differences relate to the gross margin on revenue minus power cost and the allocation of capital credits from EKPC.

| | <u>June 30, 2012</u> | <u>June 30, 2011</u> | <u>Difference</u> | <u>Percent</u> |
|---------------------|----------------------|----------------------|-------------------|----------------|
| Operating revenues | 162,034,936 | 159,691,438 | 2,343,498 | 1% |
| Power cost | 131,354,483 | 125,404,583 | 5,949,900 | 5% |
| Gross margin | 30,680,453 | 34,286,855 | (3,606,402) | -11% |
| G&T capital credits | 7,931,126 | 3,999,550 | 3,931,576 | |

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33. Refer to Exhibit 9, page 10 of 13, line 243, Smith House Restaurant Board Meeting in the amount of \$2,708 in the meals column. Explain why the \$2,708 is not shown in the total column. If the \$2,708 should be shown in column 10, provide updated schedules showing the corrected amounts.

Response

The amount should have been included in the total column, the difference should reduce the amount on line 246. A corrected Exhibit 9, page 10 of 13, is provided on page 2 of this response.

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34. Refer to Exhibit 10, page 2 of 2.

- a. For the 12 months ending June 30, 2010, 2011, and 2012, provide the total amounts paid for professional services from the vendor Crawford & Baxter PSC.
- b. State whether any of the amounts paid to Crawford & Baxter PSC during the 12 months ending June 30, 2012 were associated with Case No. 2012-00448. If yes, provide the amounts.
- c. For the vendor ICON, INC, explain the rationale for excluding the amount paid on May 25, 2012 and not excluding the amount paid on May 26, 2012 for rate-making purposes.

Response

- a. Please see the table below.

12 months ending:

| | |
|---------------|-------------|
| June 30, 2010 | \$62,603.41 |
| June 30, 2011 | \$52,300.16 |
| June 30, 2012 | \$55,843.11 |

- b. No amounts paid to Crawford & Baxter PSC during the 12 months ending June 30, 2012 were associated with Case No. 2012-00448.
- c. The \$15k was a one-time setup fee, Owen expects to continue the \$7K updates for future years training sessions.

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35. Refer to Exhibit 11, page 2 of 6, line 24, the payment to First Gear Inc. in the amount of \$2,087.99 for employee shirts. Provide the rational for including these Annual Meeting Expenses for rate-making purposes.

Response

All employees wear the same color and design shirts so members can identify which persons at the annual meeting are employees. This facilitates the annual meeting in that members know where they can get assistance when needed.

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36. Refer to Exhibit 11, page 3 of 6, line 69. Confirm that the employees' labor and benefits in the amount of \$5,876.09 is not reflected elsewhere in Owen's cost of service.

Response

This is correct. The employees' labor and benefits in the amount of \$5,876.09 is not reflected elsewhere in Owen's cost of service.

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Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

37. Refer to Exhibit 11, pages 4 through 6. There appears to be approximately \$16,000 associated with OEC shirts and hats included in the Miscellaneous General Advertising Account. Provide the rationale for including these Miscellaneous General Advertising expenses for rate-making purposes, considering that OEC shirt giveaways, on line 37, are excluded for rate-making purposes.

Response

The shirts and caps that are given away have been removed for rate-making purposes. The shirts and caps that have not been removed are those that are worn by Owen employees so members can identify that person as an Owen employee.

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38. Refer to Exhibit 13, page 1 of 1.

- a. Provide a detailed description of how the Self-Insured Worker's Compensation Fund was originally funded, along with the journal entries used to record the funding of the program.
- b. Provide the journal entries used to record the receipt of \$197,168.

Response

- a. The self-insured fund was funded with annual worker's compensation premiums. There is no difference between paying an insurance company for worker's compensation premiums and paying premiums to the self-insured fund. The reason the self-insured fund was established was the insurance companies were charging high premium rates and the self-insured fund was less expensive. About 5 years ago, it became cheaper to purchase premiums thru the insurance company than thru the self-insured fund. There was never an initial contribution to the fund, just annual premiums.

Workers' compensation premiums are paid on an annual basis and are amortized each month based on the labor distribution.

- b. Debit to cash and a credit to Account 421.10.

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39. Refer to Exhibit 15 of the application, page 1 of 3. For the "Normalized using rate effective" row, explain how the Metering Point total of \$46,656 and Substation total of \$671,568 were calculated.

Response

As displayed in the chart below, these calculations were derived by multiplying annual quantity by rate.

| | Metering | |
|---------------------|---------------|-------------------|
| | <u>Point</u> | <u>Substation</u> |
| Number at 6/30/2012 | 27 | 17 |
| Months | 12 | 12 |
| | <hr/> | <hr/> |
| | 324 | 204 |
| Rate | \$144 | \$3,292 |
| | <hr/> | <hr/> |
| Annual amount | <u>46,656</u> | <u>671,568</u> |

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40. Refer to Exhibit 17. Under the "Sch II Large Power" column, explain why the "Total billings" of 2,900 does not reconcile with the 3,005 shown on page 6 of 19 of Exhibit J. If a correction is necessary, provide a revised Exhibit 17.

Response

The original omitted the primary meter discount customers in Sch 11, Large Power. The revised Exhibit 17 is provided on page 2 of this response.

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Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

41. In Case No. 2010-00507, the Commission approved new rates for Owen for service on and after June 1, 2011.
- a. Provide the number of billing cycles employed by Owen in June 2011 and the start and end dates for each billing cycle.
 - b. Explain in detail how Owen prorated bills when the new rates went into effect for service on and after June 1, 2011.

Response

- 41a. Owen employed 20 billing cycles for June 2011. Please see attached Meter Reading and Billing Schedule for June 2011 (page 2 of this response).
- 41b. Owen calculated a composite rate for each of the cycles billed during June 2011 that utilized a proration based upon the number of days of service rendered prior to June 1st and the number of days of service rendered on or after June 1st. For example, for a member receiving a 30 day bill for service rendered 15 days prior to June 1st and 15 days on or after June 1st, the composite rate would equal: $15/30\text{ths (old rate)} + 15/30\text{ths (new rate)}$. Please see attached Composite Rate Schedule for June 2011 (page 3 of this response).

| Meter Reading and Billing Schedule June 2011 | | | | | |
|---|-----------------------|----------------|-----------------------------|-------------------------|----------------------|
| Cycle | Service Period | | No. Days Service | Reading Date | Bill Date |
| | From Date | To Date | | | |
| 1 | 5/2/2011 | 6/1/2011 | 30 | 6/1/2011 | 6/3/2011 |
| 2 | 5/3/2011 | 6/2/2011 | 30 | 6/2/2011 | 6/6/2011 |
| 3 | 5/3/2011 | 6/3/2011 | 31 | 6/3/2011 | 6/7/2011 |
| 4 | 5/5/2011 | 6/6/2011 | 32 | 6/6/2011 | 6/8/2011 |
| 5 | 5/6/2011 | 6/7/2011 | 32 | 6/7/2011 | 6/9/2011 |
| 6 | 5/9/2011 | 6/8/2011 | 30 | 6/8/2011 | 6/10/2011 |
| 7 | 5/10/2011 | 6/9/2011 | 30 | 6/9/2011 | 6/13/2011 |
| 8 | 5/11/2011 | 6/10/2011 | 30 | 6/10/2011 | 6/14/2011 |
| 9 | 5/12/2011 | 6/13/2011 | 32 | 6/13/2011 | 6/15/2011 |
| 10 | 5/13/2011 | 6/14/2011 | 32 | 6/14/2011 | 6/16/2011 |
| 11 | 5/16/2011 | 6/15/2011 | 30 | 6/15/2011 | 6/17/2011 |
| 12 | 5/17/2011 | 6/16/2011 | 30 | 6/16/2011 | 6/20/2011 |
| 13 | 5/18/2011 | 6/17/2011 | 30 | 6/17/2011 | 6/21/2011 |
| 14 | 5/19/2011 | 6/20/2011 | 32 | 6/20/2011 | 6/22/2011 |
| 15 | 5/20/2011 | 6/21/2011 | 32 | 6/21/2011 | 6/23/2011 |
| 16 | 5/23/2011 | 6/22/2011 | 30 | 6/22/2011 | 6/24/2011 |
| 17 | 5/24/2011 | 6/23/2011 | 30 | 6/23/2011 | 6/27/2011 |
| 18 | 5/26/2011 | 6/24/2011 | 29 | 6/24/2011 | 6/28/2011 |
| 19 | 5/26/2011 | 6/27/2011 | 32 | 6/27/2011 | 6/29/2011 |
| 20 | 5/27/2011 | 6/28/2011 | 32 | 6/28/2011 | 6/30/2011 |
| | | | | | |
| 900 | 5/2/2011 | 6/1/2011 | 30 | 6/1/2011 | 6/3/2011 |
| 902 | 4/30/2011 | 5/31/2011 | 31 | 5/31/2011 | 6/9/2011 |

OWEN ELECTRIC COOPERATIVE, INC.
REVISED RATE SCHEDULES AS OF 06/1/2011
COMPOSITE RATES FOR JUNE 2011
FAC ROLL-INTO BASE RATES EFFECTIVE WITH CYCLE 1 BILLING IN JUNE 2011
(RATE ADJUSTMENT EFFECTIVE FOR SERVICE RENDERED ON OR AFTER JUNE 1, 2011)

| CYCLE | PREV READ DATE | NEXT READ DATE | DAYS SERVICE | NO. DAYS ON | NO. DAYS ON | TOTAL NO. DAYS SERV | RESIDENTIAL | | Sm. Commercial | | Large Power Schedule II | | ETS Off Peak Residential | | Large Power Schedule II | | Lgr Power T.O.D. On - Peak | | Lgr Power T.O.D. Off - Peak | |
|-------|----------------|----------------|--------------|-------------|-------------|---------------------|-------------|---------|----------------|---------|-------------------------|---------|--------------------------|---------|-------------------------|---------|----------------------------|---------|-----------------------------|---------|
| | | | | | | | RATE 1 | RATE 2 | RATE 3 | RATE 4 | RATE 5 | RATE 6 | RATE 7 | RATE 8 | RATE 9 | RATE 10 | RATE 11 | RATE 12 | RATE 13 | RATE 14 |
| 1 | 05/02/11 | 06/01/11 | 30 | 30 | 0 | 30 | 0.09478 | 0.09478 | 0.09478 | 0.07166 | 0.05692 | 0.06808 | 0.11013 | 0.10991 | 0.06648 | | | | | |
| 2 | 05/03/11 | 06/02/11 | 30 | 29 | 1 | 30 | 0.09456 | 0.09456 | 0.09456 | 0.07144 | 0.05678 | 0.06787 | 0.10970 | 0.06627 | | | | | | |
| 3 | 05/03/11 | 06/03/11 | 31 | 29 | 2 | 31 | 0.09435 | 0.09435 | 0.09435 | 0.07123 | 0.05666 | 0.06709 | 0.10909 | 0.06566 | | | | | | |
| 4 | 05/05/11 | 06/06/11 | 32 | 27 | 5 | 32 | 0.09374 | 0.09374 | 0.09374 | 0.07062 | 0.05629 | 0.06689 | 0.10888 | 0.06545 | | | | | | |
| 5 | 05/05/11 | 06/07/11 | 32 | 26 | 6 | 32 | 0.09353 | 0.09353 | 0.09353 | 0.07041 | 0.05616 | 0.06660 | 0.10867 | 0.06514 | | | | | | |
| 6 | 05/09/11 | 06/08/11 | 30 | 23 | 7 | 30 | 0.09300 | 0.09300 | 0.09300 | 0.06988 | 0.05584 | 0.06639 | 0.10835 | 0.06492 | | | | | | |
| 7 | 05/10/11 | 06/09/11 | 30 | 22 | 8 | 30 | 0.09278 | 0.09278 | 0.09278 | 0.06966 | 0.05570 | 0.06618 | 0.10813 | 0.06470 | | | | | | |
| 8 | 05/11/11 | 06/10/11 | 30 | 21 | 9 | 30 | 0.09228 | 0.09228 | 0.09228 | 0.06916 | 0.05540 | 0.06570 | 0.10763 | 0.06420 | | | | | | |
| 9 | 05/12/11 | 06/13/11 | 32 | 20 | 12 | 32 | 0.09207 | 0.09207 | 0.09207 | 0.06895 | 0.05527 | 0.06550 | 0.10742 | 0.06399 | | | | | | |
| 10 | 05/13/11 | 06/14/11 | 32 | 19 | 13 | 32 | 0.09166 | 0.09166 | 0.09166 | 0.06854 | 0.05503 | 0.06512 | 0.10701 | 0.06358 | | | | | | |
| 11 | 05/16/11 | 06/15/11 | 30 | 16 | 14 | 30 | 0.09144 | 0.09144 | 0.09144 | 0.06832 | 0.05489 | 0.06491 | 0.10679 | 0.06336 | | | | | | |
| 12 | 05/17/11 | 06/16/11 | 30 | 15 | 15 | 30 | 0.09122 | 0.09122 | 0.09122 | 0.06810 | 0.05475 | 0.06469 | 0.10657 | 0.06314 | | | | | | |
| 13 | 05/18/11 | 06/17/11 | 30 | 14 | 16 | 30 | 0.09081 | 0.09081 | 0.09081 | 0.06769 | 0.05451 | 0.06431 | 0.10616 | 0.06273 | | | | | | |
| 14 | 05/19/11 | 06/20/11 | 32 | 13 | 19 | 32 | 0.09061 | 0.09061 | 0.09061 | 0.06749 | 0.05438 | 0.06411 | 0.10596 | 0.06253 | | | | | | |
| 15 | 05/20/11 | 06/21/11 | 30 | 12 | 20 | 30 | 0.09010 | 0.09010 | 0.09010 | 0.06698 | 0.05408 | 0.06364 | 0.10545 | 0.06202 | | | | | | |
| 16 | 05/23/11 | 06/22/11 | 30 | 9 | 21 | 30 | 0.08988 | 0.08988 | 0.08988 | 0.06676 | 0.05394 | 0.06342 | 0.10523 | 0.06180 | | | | | | |
| 17 | 05/24/11 | 06/23/11 | 30 | 8 | 22 | 30 | 0.08948 | 0.08948 | 0.08948 | 0.06636 | 0.05370 | 0.06304 | 0.10483 | 0.06140 | | | | | | |
| 18 | 05/26/11 | 06/24/11 | 29 | 6 | 23 | 29 | 0.08935 | 0.08935 | 0.08935 | 0.06623 | 0.05362 | 0.06292 | 0.10470 | 0.06127 | | | | | | |
| 19 | 05/26/11 | 06/27/11 | 32 | 6 | 26 | 32 | 0.08914 | 0.08914 | 0.08914 | 0.06602 | 0.05349 | 0.06272 | 0.10449 | 0.06106 | | | | | | |
| 20 | 05/27/11 | 06/28/11 | 32 | 5 | 27 | 32 | 0.08880 | 0.08880 | 0.08880 | 0.06498 | 0.05286 | 0.06173 | 0.10345 | 0.06002 | | | | | | |
| 20 | 05/27/11 | 06/28/11 | 30 | 0 | 30 | 30 | 0.08810 | 0.08810 | 0.08810 | 0.06478 | 0.05286 | 0.06173 | 0.10345 | 0.06002 | | | | | | |
| 900 | 05/02/11 | 06/01/11 | 30 | 30 | 0 | 30 | 0.09478 | 0.09478 | 0.09478 | 0.07166 | 0.05692 | 0.06808 | 0.11013 | 0.06648 | | | | | | |
| 902 | 04/30/11 | 05/31/11 | 31 | 31 | 0 | 31 | 0.09456 | 0.09456 | 0.09456 | 0.07144 | 0.05678 | 0.06787 | 0.10970 | 0.06627 | | | | | | |

| RATE SCHEDULE | (Rate Table) RATE NO. | ORIGINAL RATE | NEW RATE | EFFECTIVE DATE OF CHANGE |
|---------------------|-----------------------|---------------|----------|--------------------------|
| RESIDENTIAL | 1 | 0.09478 | 0.08810 | 06/01/11 |
| SMALL COMM. | 3 | 0.09478 | 0.08810 | (Schedule II) |
| LARGE POWER | 4 | 0.07166 | 0.06498 | (5% Primary) |
| LARGE POWER | 5 | 0.06808 | 0.06173 | (5% Primary) |
| LPB1 | 9 | | | |
| ETS - Off Peak | 10 | 0.05692 | 0.05286 | |
| LPB1A | 11 | | | |
| LPB | 12 | | | |
| LPB2 | 13 | | | |
| Lrg. Power - T.O.D. | 20 | 0.11013 | 0.10345 | (On Peak Rate) |
| Lrg. Power - T.O.D. | 21 | 0.0667 | 0.06002 | (Off Peak Rate) |

(----- All B (cycle 902) rates are billed at "end of month"-----)
No Proration Needed

APPLICATION OF OWEN ELECTRIC COOPERATIVE, INC.
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 CASE NO. 2012-00448

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

42. Refer to Exhibit 21 of the application, page 27, and the cost justification filed in Case No. 2012-00468 for the \$30 manual meter reading charge for customers who refuse an automated metering infrastructure meter.
- a. A labor rate of \$24.03 was included in the cost justification for the manual meter reading charge. According to Exhibit 21, page 27, this salary rate is for Meter Technician 2nd Class. Explain why this rate was used instead of one of the Meter Reader classes.
 - b. Recalculate the manual meter reading charge using the lowest Meter Reading class labor rate.
 - c. Recalculate the manual meter reading charge using the highest Meter Reading class labor rate.
 - d. Recalculate the manual meter reading charge using an average of the Meter Reading class labor rates.

Response

- 42a. The labor rate of a \$24.03 is the rate of a Field Service Representative (FSR) – 1st Class and was the labor rate used. The labor rate of a Meter Technician 2nd Class as mentioned above is the same rate, but the meter reading is done by the FSR not the technician. The reason why this rate was used instead of a Meter Reader is the meter reading positions at Owen were eliminated with the installation of AMI; therefore, all meter reading is done by a FSR. The list of Meter Readers on the wage scale on page 27 of Exhibit 21 is a carryover of the union wage scale. If the quantity of the positions was listed, it would be zero for all Meter Reader positions. In addition, all FSR's at Owen are 1st class, so the labor rate of \$24.03 was used.
- 42b. Since there are no Meter Reading employees employed at Owen since the installation of AMI, the meter reading charge was recalculated using the lowest FSR class labor rate.

COSTS ASSOCIATED WITH THE MANUAL READING OF METERS

Field Service Representative -- 3rd Class

| | Rate | Amount |
|---|--------|----------|
| a. Labor rate for one employee for manual reading of meters | 1 hour | \$ 20.98 |
| b. Labor overhead rate | 73.1% | 15.33 |
| c. Service truck hourly rate | 1 hour | 19.00 |
| d. Total hourly rate | | \$ 55.31 |
| e. Estimate of time associate for an average manual meter read - Time Multiplier -30 minutes | | 0.5 |
| f. Estimate of an average cost for the manual meter read | | \$ 27.66 |

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42c. Since there are no Meter Reading employees employed at Owen since the installation of AMI, the meter reading charge was recalculated using the highest FSR class labor rate.

COSTS ASSOCIATED WITH THE MANUAL READING OF METERS

Field Service Representative -- 1st Class

| | Rate | Amount |
|---|--------|----------|
| a. Labor rate for one employee for manual reading of meters | 1 hour | \$ 24.03 |
| b. Labor overhead rate | 73.1% | 17.56 |
| c. Service truck hourly rate | 1 hour | 19.00 |
| d. Total hourly rate | | \$ 60.59 |
| e. Estimate of time associate for an average manual meter read - Time Multiplier -30 minutes | | 0.5 |
| f. Estimate of an average cost for the manual meter read | | \$ 30.30 |

d. Since there are no Meter Reading employees employed at Owen since the installation of AMI, the meter reading charge was recalculated using the average FSR class labor rate.

COSTS ASSOCIATED WITH THE MANUAL READING OF METERS

Field Service Representative – Average Wage

| | Rate | Amount |
|---|--------|----------|
| a. Labor rate for one employee for manual reading of meters | 1 hour | \$ 22.35 |
| b. Labor overhead rate | 73.1% | 16.34 |
| c. Service truck hourly rate | 1 hour | 19.00 |
| d. Total hourly rate | | \$ 57.69 |
| e. Estimate of time associate for an average manual meter read - Time Multiplier -30 minutes | | 0.5 |
| f. Estimate of an average cost for the manual meter read | | \$ 28.85 |

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Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

43. State whether Owen has considered giving customers who refuse an AMI meter the option of having their meters estimated every other month in order to reduce the cost to Owen and the customer.

Response

Owen has considered giving customers who refuse an AMI meter the option of having their meters estimated; however, it is our experience that rendering accurate billing based on actual readings is preferable because actual readings eliminate the need for continuous billing adjustments due to estimation errors and seasonal fluctuations.

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

Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc.

44. State the number of customers on Owen's system who are refusing an AMI meter.

Response

To date, two (2) customers have refused the use of Owen's AMI meters and eight (8) customers have complained and expressed their desire to have Owen's AMI meter removed.

APPLICATION OF OWEN ELECTRIC COOPERATIVE, INC.
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45. Refer to the Company's response to Commission Staff's First Request for Information, Exhibit 40, which states that "Owen does not engage in lobbying activities."
- a. Does Owen have any employees registered as a lobbyist with the Commonwealth? If so, provide their names.
 - b. Is Owen a member of the Kentucky Association of Electric Cooperatives ("KAEC")?
 - c. If the answer to part "b" above is yes, provide the account number in which the cost of membership is recorded along with the total amount reflected in Owen's cost of service.
 - d. What portion of KAEC's activities is associated with lobbying activities?
 - e. Is Owen a member of the National Rural Electric Cooperative Association ("NRECA")?
 - f. If the answer to part "e" above is yes, provide the account number in which the cost of membership is recorded along with the total amount reflected in Owen's cost of service.
 - g. What portion of NRECA's activities is associated with lobbying activities?

Response

- 45a. Owen does not have any employees registered as a lobbyist with the Commonwealth.
- 45b. Yes, Owen is a member of KAEC.
- 45c. The cost of membership is recorded in account 930.3. The total amount of KAEC dues included in the test year is \$142,074.
- 45d. Owen is not provided a breakdown of the dues and is unaware of what portion of the dues, if any, is associated with lobbying activities.
- 45e. Yes, Owen is a member of NRECA.
- 45f. The cost of membership is recorded in account 930.3. The total amount of NRECA dues included in the test year is \$49,900.
- 45g. Owen is not provided a breakdown of the dues and is unaware of what portion of the dues, if any, is associated with lobbying activities.