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PUBLIC SERVICE
COMMISSION

OWEN *Electric*

A Touchstone Energy Cooperative 

Case No.

2012-00448

2012-00468

**FOURTH DATA REQUEST OF THE PUBLIC
SERVICE COMMISSION**

OWEN ELECTRIC COOPERATIVE, INC.

8205 Hwy 127 N

PO Box 400

Owenton, KY 40359

502-484-3471

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW
523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

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PUBLIC SERVICE
COMMISSION

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James M. Crawford
Ruth H. Baxter

July 5, 2013

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

RE: PSC Case Nos. 2012-00448 and 2012-00468

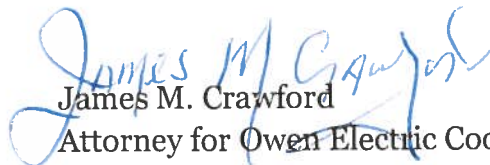
Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced cases, an original and eight copies of the responses of Owen Electric Cooperative, Inc. ("Owen") to the Commission Staff's Fourth Request for Information, dated June 21, 2013.

Please contact me with any questions.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford
Attorney for Owen Electric Cooperative, Inc.

JMC/mns

Enclosures

cc: Assistant Attorney General's Office

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PUBLIC SERVICE
COMMISSION

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)

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

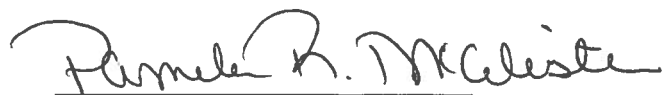
CERTIFICATE

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 Fourth Request for Information in the above-referenced cases dated June 21, 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 25 day of June, 2013.


Notary Public

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PUBLIC SERVICE COMMISSION

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)

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

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 Fourth Request for Information in the above-referenced cases dated June 21, 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 1 day of July, 2013.



Notary Public

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:


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

APPLICATION OF OWEN ELECTRIC)
COOPERATIVE CORPORATION FOR)
REVISIONS TO ITS METER READING TARIFF)
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ITS ADVANCED METERING)
INFRASTRUCTURE IS PROHIBITED FROM)
BEING UTILIZED FOR ITS INTENDED)
PURPOSE)


CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF OWEN)

Ann Wood, being duly sworn, states that she has supervised the preparation of the responses of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's Fourth Request for Information in the above-referenced cases dated June 21, 2013, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 1 day of July, 2013.



Notary Public

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JUL 05 2013

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC) CASE NO.
COOPERATIVE, INC. FOR AN) 2012-00448
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COOPERATIVE CORPORATION FOR)
REVISIONS TO ITS METER READING TARIFF)
TO ACCOMMODATE MANUAL METER) CASE NO.
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ITS ADVANCED METERING)
INFRASTRUCTURE IS PROHIBITED FROM)
BEING UTILIZED FOR ITS INTENDED)
PURPOSE)

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF OWEN)

James R. Adkins, 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 Fourth Request for Information in the above-referenced cases dated June 21, 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.

James R. Adkins

Subscribed and sworn before me on this 1 day of July, 2013.

[Signature]
Notary Public
489485

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

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

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

1. Refer to the Owen's response to Commission Staff's Third Information Request ("Staff's Third Request"), Item 3, and Exhibit 5, page 2 of 3, of the application.
 - a. Refer to Exhibit 5, page 2 of 3, line 35, CFC Loan 9016 with a maturity date of November 2012 and an annualized cost of \$3,695. Confirm that this loan has matured.
 - b. Refer to Exhibit 5, page 2 of 3, line 45, CFC Loan 9031010 with a maturity date May 2013 and an annualized cost of \$63,408. Confirm that this loan has matured.
 - c. If a. and b. above can be confirmed, confirm that the revised annualized cost of CFC loans would be \$889,549 (\$956,652 - \$3,695 - \$63,408) and a total revised annualized cost for all loans would be \$4,447,050 (\$4,514,153 - \$3,695 - \$63,408).
 - d. Confirm that using the revised total annualized interest of \$4,447,050 and comparing that amount with the test-year interest expense of \$4,487,322 shown on line 29 of Exhibit 5, page 1 of 3, results in a reduction in interest expense of \$40,272 versus the \$26,832 increase shown on this page.

Response

- a. This loan has matured.
- b. This loan has matured.
- c. Since these loans matured, and Owen advanced additional loan funds during the same time period as the CFC loans have matured, the revised annualized cost for interest would be \$4,922,699 as detailed in 1.d. of this response.

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

APPLICATION OF OWEN ELECTRIC COOPERATIVE CORPORATION
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Commission Staff's Fourth Request for Information to Owen Electric Cooperative, Inc.

d. The revised adjustment for interest expense should be as follows:

Annualized interest in Application				\$4,514,153
CFC Loan 9016 matured				(3,695)
CFC Loan 9031010 matured				(63,408)
Advances:				
FFB	12/19/2012	6,000,000	2.6460%	158,760
CoBank	12/19/2012	2,000,000	1.8600%	37,200
FFB	6/10/2013	6,833,000	2.8090%	191,939
CoBank	6/12/2013	2,250,000	3.9000%	<u>87,750</u>
Adjusted annualized interest expense				4,922,699
Test year interest expense				<u>4,487,322</u>
Revised Adjustment				<u><u>\$435,377</u></u>

APPLICATION OF OWEN ELECTRIC COOPERATIVE, INC.
FOR AN ADJUSTMENT OF RATES
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APPLICATION OF OWEN ELECTRIC COOPERATIVE CORPORATION
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CASE NO. 2012-00468

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

2. Refer to the response to Staff's Third Request, Item 4 and Exhibit 9 of the application.
 - a. Confirm that, although Director Kinman does not appear on page 1 of 13, the \$1,125 of per diems for Director Kinman was excluded from test year expenses because it is included in the \$22,295 total shown on page 2 of 13 of Exhibit 9.
 - b. Does the exclusion of Director Kinman from Exhibit 9, page 1 of 13, indicate that there were no additional costs associated with Director Kinman outside of per diem and health-insurance costs removed for rate-making purposes? If not, provide the additional costs.

Response

- a. Correct, the per diems for Director Kinman are included in the total per diems.
- b. Owen does not propose any other expenses for Director Kinman other than the per diems and health insurance that have been removed.

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

APPLICATION OF OWEN ELECTRIC COOPERATIVE CORPORATION
FOR REVISIONS TO ITS METER READING TARIFF TO ACCOMMODATE
MANUAL METER READING CHARGES IN INSTANCES WHERE ITS
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CASE NO. 2012-00468

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

3. Refer to Owen's response to Item 8 of Staff's Third Request.
 - a. State whether this response indicates that Owen is withdrawing its request to recover \$1.1 million related to its fuel adjustment clause ("FAC"). If not, explain why Owen should be entitled to recovery of the \$1.1 million, given the "unintended gain" of \$1.4 million related to the roll-in of 10.15 mils per kWh by East Kentucky Power Cooperative, Inc. ("EKPC") in Case No. 2008-00519.
 - b. Refer to page 2 of 3 of the response. Owen proposes that in future two-year FAC review cases, the Commission consider modifications to its ordering language as follows: 1) allow base rates to go into effect two months after EKPC's rates go into effect, and 2) allow rates to go into effect on a "bills rendered on and after" basis versus a "service rendered on and after" basis.
 - (1) State whether the requested modifications would result in the following: In the next two-year FAC case, the Commission would approve new base rates for EKPC, for example, for service rendered on and after June 1, 2015, and approve a change in Owen's base rates for bills rendered on and after August 1, 2015.
 - i. If not, state how the recommendation would be implemented.
 - ii. If so, does Owen agree that if the Commission were to approve the proposed modifications, in every case of a roll-in to fuel costs by EKPC, Owen would be harmed in that it would forego recovery of the increase in wholesale costs for at least one month? If otherwise, explain how Owen would recover the entire increase in fuel costs if its increase in base rates is delayed.
 - (2) Is Owen proposing that the language modifications apply to all of EKPC's member cooperatives or only to Owen?

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

APPLICATION OF OWEN ELECTRIC COOPERATIVE CORPORATION
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Commission Staff's Fourth Request for Information to Owen Electric Cooperative, Inc.

- (3) Is Owen aware that in response to an information request in its two-year review cases, EKPC requests a "service rendered" basis over a "bills rendered" basis?
- (4) Does Owen believe that a "bills rendered" basis must be used for EKPC's ordering language for a "bills rendered" basis to be used for Owen? If not, explain.

Response

- a. Owen is now withdrawing its request to recover \$1.1 million related to its fuel adjustment clause ("FAC")
- b.
 - (1) i. The Commission Staff's statement is correct. In the next two-year FAC case, the Commission would approve new base rates for EKPC, for example, for service rendered on and after June 1, 2015, and approve a change in Owen's base rates for bills rendered on and after August 1, 2015.
 - (1)ii. No, Owen disagrees that the proposed modifications described in b(1)i. above would result in foregoing recovery of an increase or a refund of a decrease in wholesale costs for one month . Please refer to Owen's monthly fuel adjustment clause reports, specifically to the notation above the "issued on" and "issued by" information. Owen has historically applied its FAC on a bills rendered basis. Using the example above, EKPC would adjust its base rates and its FAC effective for service rendered on or after June 1, 2015. EKPC's June 1, 2015 FAC would not be included in Owen's billings to its members until its bills rendered on or after August 1, 2015. Owen is proposing to change its base rates at this same time so that the net impact to revenue is zero—the components of the bill are repositioned between base rates and FAC.

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

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CASE NO. 2012-00468

- (2) Owen is proposing that the language modifications apply only to Owen. However, other EKPC member cooperatives may wish to suggest language modifications.
- (3) Yes, Owen is aware that EKPC requests a “service rendered” basis over a “bills rendered” basis.
- (4) No. Owen believes that EKPC can still use a “service rendered” approach, while Owen can use a “bills rendered” approach. EKPC has one billing cycle, which is based on meter readings at the end of the calendar month; a “service rendered” basis is appropriate in this situation. Owen has twenty billing cycles and the “bills rendered” basis for FAC purposes allows Owen to avoid pro-rating its FAC. Allowing Owen to implement the base rate change on a “bills rendered” basis would allow Owen to avoid pro-rating its base rates and would match the base rate change to the FAC change.

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CASE NO. 2012-00468

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

4. Refer to the response to Staff's Third Request, Item 24, and Exhibit 9 of the application, page 10 of 13 as filed.
 - a. Does the response indicate that there are two off-setting errors in the amount of \$2,708 on Exhibit 9, page 10 of 13 as filed at lines 243 and 246? If not, explain.
 - b. Confirm that the \$2,708 reduction in health insurance will also reduce the Health Insurance total amount of \$132,982 as shown on Exhibit 9, page 2 of 13, to \$130,274. If this cannot be confirmed, explain.

Response

- a. That is correct.
- b. That is correct.

APPLICATION OF OWEN ELECTRIC COOPERATIVE, INC.
FOR AN ADJUSTMENT OF RATES
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CASE NO. 2012-00468

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

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

Response

The adjustment for \$5,494 is correct. A Revised Exhibit S is attached to reflect the following revised adjustments.

Interest on long term debt	PSC-4-1	435,377
Payroll taxes	PSC-4-5	(5,494)
EKPC retrofit	PSC-4-6	(26,000)
Expenditures to be reimbursed	PSC-4-7	(10,033)
Rate case costs	PSC-4-8	(21,858)
KAEC self-insured refund	PSC-4-10	(131,445)
NRECA lobbying costs	PSC-4-11	(9,980)

Owen Electric Cooperative
Case No. 2012-00448
Balance Sheet, Adjusted
June 30, 2012

Exhibit S
Page 2 of 5
Witness: Alan Zumstein

	<u>Actual Test Year</u>	<u>Adjustments to Test Year</u>	<u>Adjusted Test Year</u>
<u>ASSETS</u>			
Electric Plant:			
In service	226,958,704		226,958,704
Under construction	2,764,326		2,764,326
	<u>229,723,030</u>		<u>229,723,030</u>
Less accumulated depreciation	95,869,325	328,546	96,197,871
	<u>133,853,705</u>	<u>(328,546)</u>	<u>133,525,159</u>
Investments	<u>39,067,981</u>		<u>39,067,981</u>
Current Assets:			
Cash and temporary investments	3,622,918		3,622,918
Accounts receivable, net	15,279,768		15,279,768
Material and supplies	835,560		835,560
Prepayments and current assets	1,294,122		1,294,122
	<u>21,032,368</u>		<u>21,032,368</u>
Deferred debits and net change in assets	<u>1,524,884</u>	<u>(2,680,972)</u>	<u>(1,156,088)</u>
Total	<u>195,478,938</u>	<u>(3,009,518)</u>	<u>192,469,420</u>
<u>MEMBERS' EQUITIES AND LIABILITIES</u>			
Margins:			
Memberships	1,121,035		1,121,035
Patronage capital	70,193,627	(3,009,518)	67,184,109
	<u>71,314,662</u>	<u>(3,009,518)</u>	<u>68,305,144</u>
Long Term Debt	<u>87,790,154</u>		<u>87,790,154</u>
Accumulated Operating Provisions	<u>9,262,896</u>		<u>9,262,896</u>
Current Liabilities:			
Short term borrowings	6,857,324		6,857,324
Accounts payable	12,359,066		12,359,066
Consumer deposits	2,877,176		2,877,176
Accrued expenses	4,292,935		4,292,935
	<u>26,386,501</u>		<u>26,386,501</u>
Deferred credits	<u>724,725</u>		<u>724,725</u>
Total	<u>195,478,938</u>	<u>(3,009,518)</u>	<u>192,469,420</u>

Owen Electric Cooperative
Case No. 2012-00448
Statement of Operations, Adjusted

Exhibit S
Page 3 of 5
Witness: Alan Zumstein

	<u>Actual Test Year</u>	<u>Normalized Adjustments</u>	<u>Normalized Test Year</u>	<u>Proposed Increase</u>	<u>Proposed Test Year</u>
Operating Revenues:					
Base rates	148,075,542	15	148,075,557	5,076,324	153,151,881
Fuel adjustment	(2,377,589)	2,377,589	-	-	-
Environmental surcharge	14,616,984	(14,616,984)	-	-	-
Accounting change	(296,099)	296,099	-	-	-
Other electric revenue	<u>2,016,098</u>	<u>59,914</u>	<u>2,076,012</u>		<u>2,076,012</u>
	<u>162,034,936</u>	<u>(11,883,367)</u>	<u>150,151,569</u>	<u>5,076,324</u>	<u>155,227,893</u>
Operating Expenses:					
Cost of power:					
Base rates	118,377,226	59,149	118,436,375		118,436,375
Fuel adjustment	(1,892,064)	1,892,064	-	-	-
Environmental surcharge	15,774,383	(15,774,383)	-	-	-
Accounting change	(905,062)	905,062	-	-	-
Distribution - operations	5,084,951	188,966	5,273,917		5,273,917
Distribution - maintenance	3,133,881	85,518	3,219,399		3,219,399
Consumer accounts	3,664,322	69,672	3,733,994		3,733,994
Customer service	651,599	16,810	668,409		668,409
Sales	-	-	-		-
Administrative and general	<u>3,596,356</u>	<u>(115,240)</u>	<u>3,481,116</u>		<u>3,481,116</u>
Total operating expenses	<u>147,485,592</u>	<u>(12,672,382)</u>	<u>134,813,210</u>	<u>-</u>	<u>134,813,210</u>
Depreciation	10,319,471	328,546	10,648,017		10,648,017
Taxes - other	146,131	-	146,131		146,131
Interest on long-term debt	4,487,322	435,377	4,922,699		4,922,699
Interest expense - other	273,574	-	273,574		273,574
Other deductions	<u>83,082</u>	<u>(83,082)</u>	<u>-</u>		<u>-</u>
Total cost of electric service	<u>162,795,172</u>	<u>(11,991,541)</u>	<u>150,803,631</u>	<u>-</u>	<u>150,803,631</u>
Utility operating margins	<u>(760,236)</u>	<u>108,174</u>	<u>(652,062)</u>	<u>5,076,324</u>	<u>4,424,262</u>
Nonoperating margins, interest	424,767	-	424,767		424,767
Nonoperating margins, other	176,317	(131,445)	44,872		44,872
G & T capital credits	7,931,126	(7,931,126)	-		-
Patronage capital credits	<u>28,798</u>	<u>-</u>	<u>28,798</u>		<u>28,798</u>
Net Margins	<u>7,800,772</u>	<u>(7,954,397)</u>	<u>(153,625)</u>	<u>5,076,324</u>	<u>4,922,699</u>
TIER	2.74		0.97		2.00
OP TIER	0.83		0.87		1.90

Owen Electric Cooperative
Case No. 2012-00448
Summary of Adjustments to Test Year

	Adj 1	Adj 2	Adj 3	Adj 4	Adj 5	Adj 6	Adj 7	Adj 8	Adj 9	Adj 10	Adj 11	Adj 12	Adj 13	Adj 14	Adj 16	Adj 17	Adj 18	
	<u>Salaries</u>	<u>Payroll Taxes</u>	<u>Deprec</u>	<u>Property Tax</u>	<u>Interest</u>	<u>FAS 106</u>	<u>Retirement</u>	<u>Other Deductions</u>	<u>Directors</u>	<u>Professional Fees</u>	<u>Misc Expenses</u>	<u>Rate Case</u>	<u>Non-OP Income</u>	<u>G & T Capital Cr</u>	<u>Purchase Power</u>	<u>Revenue</u>	<u>Additional Revenue</u>	<u>Total</u>
Operating Revenues:																		
Base rates																15		15
Fuel adjustment																2,377,589		2,377,589
Environmental surcharge																(14,616,984)		(14,616,984)
Accounting change/fuel adjustment																296,099		296,099
Other electric revenue																	59,914	59,914
																(11,943,281)	59,914	(11,883,367)
Operating Expenses:																		
Cost of power:																		
Base rates															59,149			59,149
Fuel adjustment															1,892,064			1,892,064
Environmental surcharge															(15,774,383)			(15,774,383)
Accounting change															905,062			905,062
Distribution - operations	67,362	1,691	9,476	48,501		(3,346)	65,281											188,966
Distribution - maintenanc	36,848	925	13,866			(1,830)	35,710											85,518
Consumer accounts	54,360	1,364				(2,700)	52,681	(36,033)										69,672
Customer service	8,645	217				(429)	8,378											16,810
Sales																		-
Administrative and gener:	51,674	1,297	1,074	2,757		(2,566)	50,078	(9,980)	(158,900)	(26,999)	(31,817)	8,142						(115,240)
Total operating expense:	218,889	5,494	24,416	51,258	-	(10,871)	212,127	(46,013)	(158,900)	(26,999)	(31,817)	8,142	-	-	(12,918,108)	-	-	(12,672,382)
Depreciation			328,546															328,546
Taxes - other																		-
Interest on long-term debt					435,377													435,377
Interest expense - other																		-
Other deductions								(83,082)										(83,082)
Total cost of electric ser	218,889	5,494	352,962	51,258	435,377	(10,871)	212,127	(129,095)	(158,900)	(26,999)	(31,817)	8,142	-	-	(12,918,108)	-	-	(11,991,541)
Utility operating margin:	(218,889)	(5,494)	(352,962)	(51,258)	(435,377)	10,871	(212,127)	129,095	158,900	26,999	31,817	(8,142)	-	-	12,918,108	(11,943,281)	59,914	108,174
Nonoperating margins, interest																		-
Nonoperating margins, other													(131,445)					(131,445)
G & T capital credits														(7,931,126)				(7,931,126)
Patronage capital credits																		-
													(131,445)	(7,931,126)				(8,062,571)
Net Margins	(218,889)	(5,494)	(352,962)	(51,258)	(435,377)	10,871	(212,127)	129,095	158,900	26,999	31,817	(8,142)	(262,890)	(7,931,126)	12,918,108	(11,943,281)	59,914	(8,085,842)

Adj 2 - Revised payroll taxes from \$8,749 to \$5,494

Adj 5 - Revised interest on long term debt from \$26,832 to \$435,377.

Adj 8 - Other deductions to include EKPC retrofit of \$26,000 plus expenditures to be reimbursed of \$10,033

Adj 8 - Remove NRECA lobbying expenses of \$9,980

Adj 12 - Revise rate case costs by reduction of \$21,858

Adj 13 - Revised self-insured refund from KAEC

Owen Electric Cooperative
Case No. 2012-00448
Proposed Revenues
June 30, 2012

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Interest on long term debt	4,922,699
Normalized margins	<u>(153,625)</u>
Proposed increase in revenues over normalized revenues to attain a TIER of 2.0x	<u><u>\$5,076,324</u></u>

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

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

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

6. Refer to the response to Staff's Third Request, Item 17.
 - a. Refer to Item 17a. Confirm that the 2012 Consumer Service amount of \$651,599 should be reduced by \$20,000 to an adjusted amount of \$631,599.
 - b. Refer to Item 17b. Confirm that the 2011 Consumer Service amount of \$555,894 should be reduced by \$26,000 to an adjusted amount of \$529,894.
 - c. Explain the reasons for the 19.19 percent increase $((\$631,599 - \$529,894)/\$529,894)$ in Consumer Service adjusted amounts between 2011 and 2012.

Response

- a. Consumer Service should be reduced by \$20,000 and Consumer Accounts should be increased by the \$20,000 to net each other out.
- b. The \$26k from EKPC for retrofitting received in the prior year would have given the effect of increasing the prior year from \$555,894 to \$581,894 since the refund received in the prior year related to expenditures from 2 years prior.
- c. The increase would have then been 9% $((\$631,599 - \$581,894)/\$581,894)$ since the refund during the prior year applied to expenditures from 2 previous years ago. The 9% increase related primarily to the allocation of labor between Customer Service and Consumer Accounts since these accounts are closely related in activities of employees who perform these tasks.

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FOR AN ADJUSTMENT OF RATES
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Commission Staff's Fourth Request for Information to Owen Electric Cooperative, Inc.

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

Response

Owen did not remove the \$10,033 as this was discovered subsequent to filing the Application.

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

8. Refer to the response to Staff's Third Request, Item 22, and Exhibit 12 of the application.
 - a. State whether the response to Item 22 indicates that Owen incurred \$76,193 of rate-case expense associated with Case No. 2011-00037 and of that amount, \$32,788 is an incremental cost to Owen.
 - b. Confirm that in the Exhibit 12, Owen made an adjustment to increase its test year expenses by \$30,000 to recover the cost of this rate case in the amount of \$90,000 over a three-year period.
 - c. Confirm that Owen is requesting the Commission to approve a level of rate case expense of \$62,788 ($\$32,788 + \$30,000$) to be recovered from its members each year these rates are in effect. If this cannot be confirmed, explain.
 - d. Is Owen requesting recovery of a total amount of rate case expense over three year of \$188,364 ($\$62,788 \times 3$ years) or 109 percent ($(\$188,364 - \$90,000)/90,000$) more than Owen's expected rate case cost associated with this rate case? If so, explain.

Response

- a. That is correct.
- b. That is correct.
- c. That is correct.
- d. Owen should have reduced the rate case costs by the incremental cost in the amount of \$21,858 ($\$32,788 / 3 = \$10,929 \times 2$).

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

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

9. Refer to the responses to Staff's Third Request, Item 25, and Commission Staff's Second Information Request ("Staff's Second Request"), Item 35.
 - a. Is it Owen's testimony that it will incur \$2,087.99 of expense annually so that all employees wear the same color and design shirts at the annual meeting so its members can identify Owen's employees?
 - b. Since there is only one meeting a year, is it anticipated that the shirts and hats will be worn only annually?
 - c. State whether Owen's employees have name tags identifying them as employees that could be worn at the annual meeting.
 - d. Owen is also requesting \$16,171.46 in its cost of service associated with OEC Shirts and OEC Caps so consumers can readily identify persons as Owen employees. When or where do the employees wear these OEC Shirts and OEC Caps?

Response

- a. Yes, Owen anticipates that employees who work at the annual meeting will continue to wear like colored shirts each year so members can easily identify them for assistance and information. The annual expense will vary slightly based on current prices available at time of purchase.
- b. Owen does not require that the clothing purchased for annual meeting be turned in after the meeting. Employees are not prohibited from wearing their Owen clothing after the annual meeting.
- c. Based on the number of attendees at the annual meeting, name badges would only be visible to someone standing directly in front of the employee. Owen has not purchased name badges for its employees.
- d. Owen employees are permitted to wear OEC clothing at any time they choose.

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

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

- a. Confirm that when the workers compensation premiums were paid to the Kentucky Association of Electric Cooperatives ("KAEC") for the self-insured fund, those payments were reflected in Owen's cost of service.
- b. Confirm that the reason KAEC distributed to Owen \$197,168 during the test year was that the level of contributions by Owen was greater than the amount distributed from the worker compensation fund during the self-insured period.

Response

- a. That is correct.
- b. That is correct.

APPLICATION OF OWEN ELECTRIC COOPERATIVE, INC.
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Commission Staff's Fourth Request for Information to Owen Electric Cooperative, Inc.

11. Refer to Owen's responses to Items 28 and 29 of Staff's Third Request, Item 45 of Staff's Second Request, and Item 40 of Commission Staff's First Information Request.
 - a. Confirm that KAEC membership dues during the test year were \$142,074.
 - b. Confirm that Owen agrees that KAEC does provide lobbying service for Owen.
 - c. Confirm that Owen has never requested from KAEC the amount of its dues that are associated with KAEC's lobbying activity.
 - d. Confirm that Owen's National Rural Electric Cooperative Association ("NRECA") membership dues during the test year were \$49,900.
 - e. Confirm that NRECA estimates that 20 percent of dues are related to lobbying expenses and that a reduction of 20 percent results in a decrease to expenses of \$9,980 ($\$49,900 \times .20$).

Response

- a. Owen confirms that KAEC membership dues during the test year were \$142,074.
- b. Owen confirms that KAEC provides several services for the 24 distribution cooperatives and two generation and transmission cooperatives in Kentucky, including representation before the Legislature, Congress, and regulatory bodies. Please see the response to Request 28a in Commission Staff's Third Request for Information.
- c. Owen confirms that it has never requested from KAEC the amount of its dues that are associated with KAEC's lobbying activities.
- d. Owen confirms that its NRECA membership dues during the test year were \$49,900.
- e. Owen confirms that NRECA estimates that 20 percent of dues are related to lobbying expenses and that a reduction of 20 percent results in a decrease to expenses of \$9,980.