

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC) CASE NO.
COOPERATIVE CORPORATION FOR AN) 2018-00272
ADJUSTMENT OF RATES)

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO
GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

Grayson Rural Electric Cooperative Corporation (Grayson RECC), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies in paper medium of the following information, with a copy to all parties of record. The information requested herein is due no later than November 30, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed.

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

Grayson RECC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Grayson RECC fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Grayson RECC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, Exhibit F.
 - a. Refer to the statement regarding Operating Times Interest Earned Ratio (OTIER). Confirm the January 2018 OTIER of 7.37 is correct.
 - b. Refer to the fifth paragraph in which it states that a TIER of 2.25 must be achieved for two out of three years. Confirm that it should state a TIER of 1.25 must be achieved based on the average of two of the best years out of three years.
 - c. Provide Grayson RECC's monthly TIER and OTIER for 2018 year-to-date.

d. Provide any correspondence Grayson RECC has received from Rural Utilities Service regarding Grayson RECC's compliance or noncompliance with its mortgage requirements.

2. Refer to the Fraley Testimony, page 2, the response to question 10. Also refer to the September 27, 2018 Order in Case No. 2018-00050,¹ which terminated the alternate source power election provision in Amendment 3 to East Kentucky Power Cooperatives, Inc.'s Wholesale Power Contract with its Owner-Members, including Grayson RECC, and with the Memorandum of Understanding. Explain the basis for Ms. Fraley's statement that Grayson RECC continues to pursue contracts with alternate source power suppliers other than EKPC.

3. Refer to Fraley Testimony, page 3, the response to question 12.
- a. Explain how having a tablet in service vehicles allows for efficient routing of work.
 - b. Provide the cost savings to Grayson RECC of having tablets in service vehicles.
 - c. Provide the cost-benefit analysis on the use of tablets in service vehicles. If no cost-benefit analysis was completed, explain why one was not completed.
 - d. Explain how the pole top covers will increase the lifespan of the poles.
 - e. Provide the cost-benefit analysis on the pole top covers. If no cost-benefit analysis was completed, explain why one was not completed.

¹ Case No. 2018-00050, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for Approval of Master Power Purchase and Sale Agreement and Transactions Thereunder* (Ky. PSC Sept. 27, 2018).

f. Explain how the pole testing program will help prevent service interruptions and lengthy outages.

g. Provide the cost-benefit analysis on the pole testing program. If no cost-benefit analysis was completed, explain why one was not completed.

4. Refer to the application, Exhibit H-2, the Direct Testimony of James Bradley Cherry, page 3, response to question 10. Provide an explanation for the discontinuation of the following rate schedules:

a. Schedule 3, Off-peak Marketing Rate.

b. Schedule 16, Small Commercial Demand and Energy Rate.⁵

5. Refer to the application, Exhibit H-3, the Direct Testimony of James R. Adkins (Adkins Testimony), page 3, response to question 7. Define what a “reasonable amount” means as referenced in the response regarding the proposed rate increase to the residential class.

6. Refer to the Adkins Testimony, page 3, response to question 8. Define what Grayson RECC’s stated goal is as it relates to the proposed rate increase to the residential class.

7. Refer to the Adkins Testimony, page 4, response to question 9. Confirm that all of the increase is being placed on the customer charge not a large portion as inferred by the response.

8. Refer to the application, Exhibit J, page 1, which provides normalized test revenues of \$26,819,694. Also refer to Exhibit S, page 1, which provides Normalized Test Year Revenues of \$26,813,914. Reconcile this difference.

9. Refer to the application, Exhibit K, Net Margins, page 1. Net margins are listed as \$143,504. Provide the source and supporting calculation for this net margin amount.

10. Refer to the application, Exhibit K, page 2, line 20. Provide the source and supporting calculation for the \$1,001,485 amount referenced in this exhibit.

11. Refer to the application, Exhibit L, page 1, line 12. Provide the source and supporting calculation for the \$67,396,291 amount referenced in this exhibit.

12. Refer to the application, Exhibit N, page 13, Note 7, in which it lists an annual rate of increase of 5 percent in 2018 for post-retirement medical insurance.

a. Provide the amount of medical insurance premiums paid on behalf of retirees in 2017.

b. Explain why Grayson RECC did not propose an adjustment for medical insurance premiums for retirees.

13. Refer to the application, Exhibit R.

a. Refer to the Test Year Tab, Miscellaneous General Exp. Verify the \$30,000 entry should be in adjustment column Adjustment 12 & 13 and not in the column as listed on the schedule.

b. Refer to the Test Year Tab, Footnotes, Total Operating Expenses for wages & salaries and payroll taxes. Also refer to Exhibit S, page 3, Total Operating Expenses. Reconcile the Wages and Salaries Adjustments and the Payroll Taxes Adjustments in these two schedules.

c. Refer to the Rate Base Tab, Poles, Towers and Fixtures, and Total General Plant, \$27,372,044. Also, refer to Grayson RECC's 2017 Annual Report (2017

Annual Report) filed with the Commission. The 2017 Annual Report states the total to be \$26,372,044. Reconcile this difference.

d. Refer to the Classification 1 Tab, Overhead Line Expense entries for the allocation in Lines between Demand and Consumer. Explain why the allocation factor used is total lines and not overhead lines.

e. Refer the Classification 1 Tab, Maint Supv & Eng, Maint of Overhead Lines, Maint of Underground Lines, Maint Misc Distrib Plant entries for the allocation in Lines between Demand and Consumer. Explain why the allocation factor used is total overhead expense and not total lines.

f. Refer to the Classification 2 Tab, Account 364 – Poles, Use Minimum Size Pole entry for the calculation of the Consumer Related Investment. Explain why the minimum size pole is 35-feet and not 25 and 30-feet.

g. Refer to the Classification 2 Tab, Account 367 – Underground Conductor, Use Minimum Size entry for the calculation of the Minimum Size Investment Consumer Related. Explain why the minimum sized underground conductor is 1/0 15KV URD information and not the #2 Primary AL URD information.

h. Refer to the Classification 2 Tab, Percentage Allocations for Overhead Lines. Explain why Underground Conductors are included in the calculation for overhead lines.

i. Refer to the Class Rate Base Tab, Lines Column for Demand and Consumer. Explain why the allocation factor used references only overhead lines and not total lines.

j. Refer to Sheet 2 Tab, NM – General Service Rate. Verify the formula for cell reference F24.

14. Refer to Schedule S, page 1. Interest expense – other is \$7,941 and on the 2017 annual report filed with the Commission lists Interest expense – other of \$14,805. Reconcile the difference.

15. Refer to Schedule S, page 1. Other Deductions is \$35,148 and on the 2017 Annual Report filed with the Commission Other Deductions is \$28,284. Reconcile the difference.

16. Refer to the application, Exhibit S, page 3, and Exhibit 2. The amount of the adjustment on Schedule S for Payroll taxes is listed as \$(8,461) and the amount for the same item on Exhibit 2 is \$(7,557). Reconcile this difference.

17. Refer to the application, Exhibit S, page 3, and Exhibit 9. The amount of the adjustment on Schedule S for Directors Fees and expenses is listed as \$(82,126) and the amount for the same item on Exhibit 9 is \$(58,999). Reconcile this difference.

18. Refer to the application, Exhibit S, page 3 and Exhibit 14. The amount of the adjustment on Schedule S for cycle billing revenue is listed as \$(1,687,063) and the amount for the same item on Exhibit 14 is \$0. Reconcile this difference.

19. Refer to the application, Exhibit S, page 3, and Exhibit 16. The amount of the adjustment on Schedule S for Normalization of base rates listed as \$(437,345) and the amount for the same item on Exhibit 16 is \$(431,565). Reconcile this difference.

20. Refer to the application, Exhibit S, page 3, and Exhibit 17. The amount of the adjustment on Schedule S for additional revenue is listed as \$(22,894) and the amount for the same item on Exhibit 17 is \$(20,308). Reconcile this difference.

21. Refer to the application, Exhibit 8, line 15. Explain if Grayson RECC believes this item should be included in items removed for professional fees. If so update the adjustment, if not, provide an explanation of the item and why it should not be excluded.

22. Refer to the application, Exhibit V. The 2017 Net Margin provided in this exhibit does not match the 2017 Net Margin provided in the 2017 Annual Report or in Exhibit S, page 1. Provide a reconciliation of the difference and provide corrections to Exhibit S and V as necessary.

23. Refer to the application, Exhibit X, page 3 of 7 of the application, Account 904.00 Uncollectibles. Explain the credit balance in the account for December 2016 and December 2017.

24. Refer to the application, Exhibits 1 and 2, regarding the proposed payroll and payroll tax adjustment. Provide the payroll and payroll tax adjustment for the test year assuming the 2017 pay increase was limited to 3 percent for the bargaining and non-bargaining employees.

a. Provide the Board minutes in which any wage and salary increases were discussed for any bargaining and non-bargaining employees for the years 2013 through 2018.

b. Provide any data or information that supports the wage and salary increases that were made for any bargaining and non-bargaining employees during 2013 through 2018.

25. Refer to the application, Exhibit 4, regarding property taxes.

a. Provide copies of the 2017 and 2018 Public Service Company Assessment from the Kentucky Department of Revenue.

b. Provide an estimate of the 2018 property tax liability. Consider this an on-going request throughout this proceeding.

26. Refer to the application, Exhibit 5, Interest on Long Term Debt, page 2 of 3. Identify any long-term debt with a variable interest rate.

27. Refer to the application, Exhibit 14, page 1 of 2.

a. Explain the large line loss percent in 2017.

b. Explain why the projected and actually billed kWh are the same.

28. Refer to the application, Exhibit 16.

a. The Revenue from Normalized Base Rates is \$26,819,694. In Exhibit S, the revenue from Base Rates in Column Normalized Test Year is \$26,471,422. Reconcile these two revenue amounts.

b. The Revenue from Test Year Base Rates is \$27,251,259. In Exhibit S, Actual Test Year Revenue is \$27,461,142. Reconcile these two revenue amounts.

29. Refer to Grayson RECC's response to Commission Staff's First Request for Information (Staff's First Request), Item 26. Also refer to the application, Exhibit 21, Capitalization and Employee Benefits. The response fails to fully address the question. Provide the information requested for Item 26.

30. Refer to Grayson RECC's response to Staff's First Request, Item 52. Identify any cost savings Grayson RECC expects to achieve with the deployment of its advanced metering infrastructure.

31. Refer to Grayson RECC's response to Staff's First Request, Item 56.

a. Provide the employee medical insurance adjustment assuming the following: $\text{Total Healthcare/Medical Cost for Each Level of Coverage} = \text{Company Paid Portion of Premium} + \text{Employee Contribution to Premium}$. Continue to assume that the employee would pay 21 percent of the total cost for single coverage and 33 percent of the total cost for all other types of coverage, compared to the amount of healthcare/medical insurance expense incurred the test year.

b. Provide the dental insurance adjustment in the test year assuming employees would pay 60 percent of the total cost of coverage. Calculate the amount as follows: $\text{Total Dental Cost for Each Level of Coverage} = \text{Company Paid Portion of Premium} + \text{Employee Contribution to Premium}$.

c. Provide a schedule that identifies the cost for providing long-term disability insurance.

d. Provide a schedule that identifies the costs for providing group life insurance coverage over for coverage over \$50,000.

e. For employees that participate in a defined benefit plan, provide the total and amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account.

32. Provide all updates to any schedules in Excel spreadsheet format with all rows and columns accessible and formulas unprotected.



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DATED NOV 14 2018

cc: Parties of Record

Case No. 2018-00272

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