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PUBLIC SERVICE
COMMISSION

Big Sandy Rural Electric Cooperative
Second Data Request of the Commission Staff
Case No. 2005-00125

Witness: David Estep

Item 1. Effect of new rates in Case No. 2004-00468

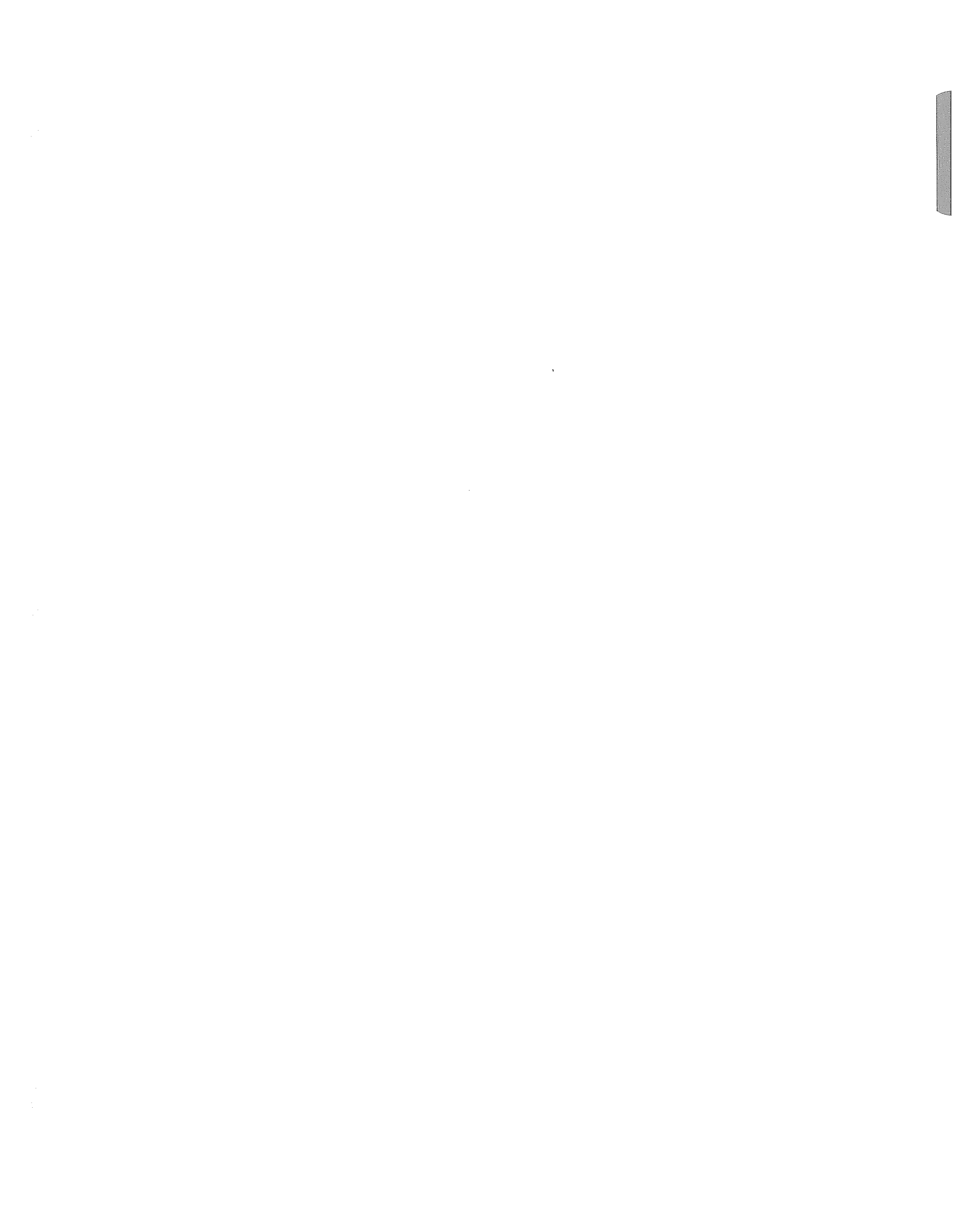
Rate Class	Rates in Application			Rates Effective in Case No. 2004-00468		
	Present	Proposed	Difference	Present	Proposed	Difference
A-1, Farm and Home						
Customer charge	\$7.00	\$7.00	\$0.00	\$7.00	\$7.00	\$0.00
Energy charge per kwh	\$0.05253	\$0.05666	\$0.00413	\$0.05745	\$0.06158	\$0.00413
Off peak energy charge	\$0.03274	\$0.03427	\$0.00153	\$0.03766	\$0.03919	\$0.00153
A-2, Commercial and SmallPower						
Customer charge	\$10.00	\$15.00	\$5.00	\$10.00	\$15.00	\$5.00
Demand charge per kw	\$4.00	\$4.00	\$0.00	\$4.00	\$4.00	\$0.00
Energy charge per kwh	\$0.04694	\$0.04808	\$0.00114	\$0.05186	\$0.05300	\$0.00114
YL-1, Outdoor Lighting Service						
175 Watt	\$5.66	\$6.23	\$0.57	\$6.00	\$6.57	\$0.57
400 Watt	\$7.85	\$8.64	\$0.79	\$8.61	\$9.40	\$0.79
500 Watt	\$8.86	\$9.75	\$0.89	\$9.89	\$10.78	\$0.89
1,500 Watt	\$18.70	\$20.57	\$1.87	\$21.80	\$23.67	\$1.87



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Witness: Alan Zumstein

Item 2. Electronic format for Exhibit G and J updated for rates in effect in Case No. 2004.00468 is included. One copy for the PSC and one copy for the Attorney General Office.



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

CASE NO. 2005-00125
BIG SANDY RECC

RESPONSE TO PSC STAFF SECOND DATA REQUEST

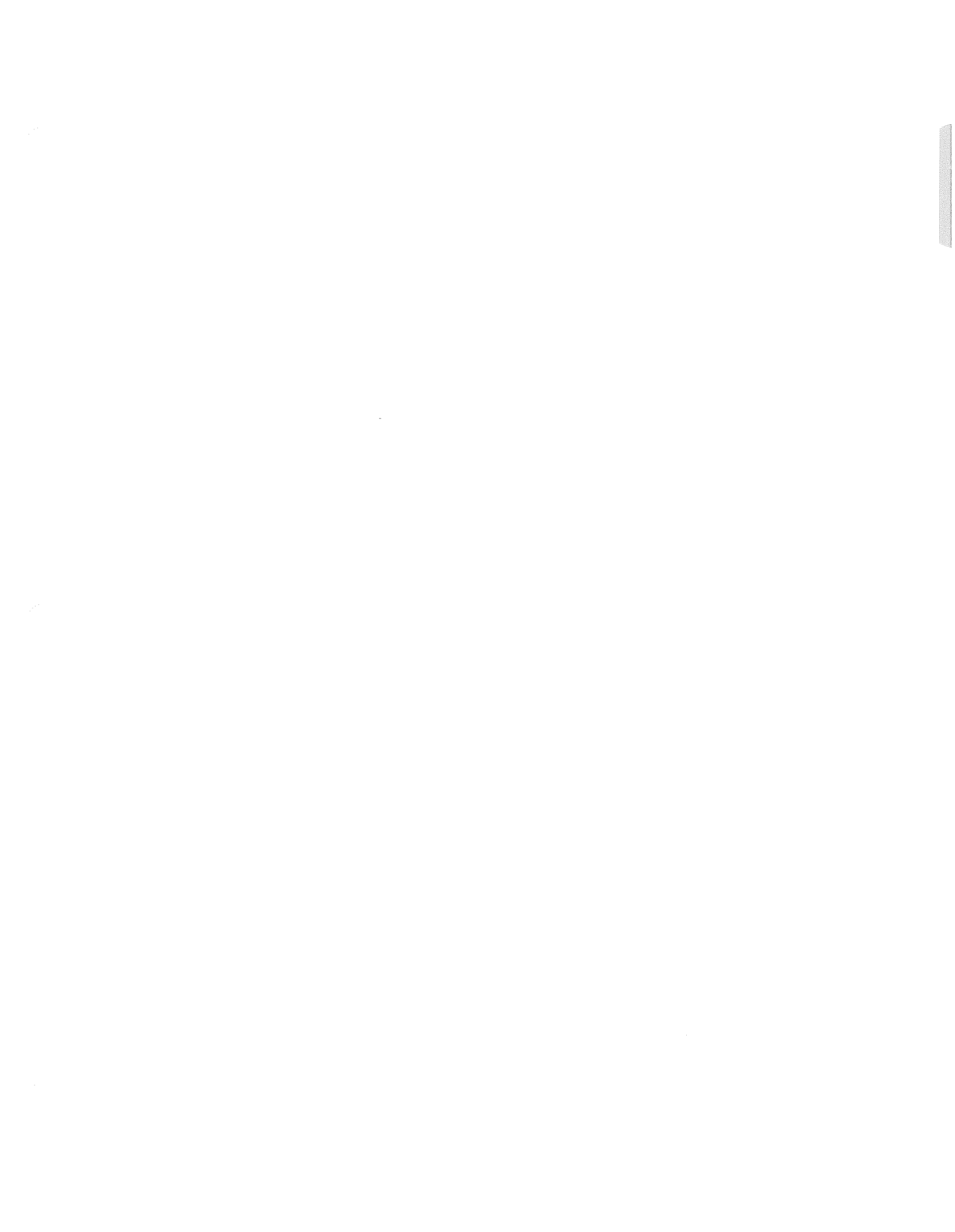
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Revenue Increase for Schedule YL-1

Net Margins (Losses) for Test Period for Rate Schedule	(24,510)
Margins Required for a TIER of 2.0x	<u>48,849</u>
Increase Amount for Rate Class to Achieve a TIER of 2.0x	73,360
Increase Amount Requested in Rate Case for Rate Schedule YL-1	<u>\$ 53,916</u>

If Rate Schedule YL-1 had moved to a full cost recovery rate based on a
TIER of 2.0x, The amount of increase requested would be \$ 73,359.73
or 36.1% more than what is being requested.

This data is based on information from the Cost of Service Study contained
in the schedule identified as 'Statement of Operations - Based on Expense Category for
each Rate Class'>



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Item 4. Exhibit K of Application for change in margins

- a. The markup on power costs, i.e., revenues less power cost, decreased from \$5,011,591 in 2003 to \$4,723,952 in 2004. This is a decrease in net income of \$287,639.

In previous years this has been an increase in markup. The increase in the markup for 2003 was \$217,636.

There was a normal increase in other operating expenses.

The combination of the decrease in the markup on power costs and the increase in other operating costs resulted in the decrease in margins.

- b. The G & T capital credits were omitted for the year of 2001. The amount of G & T capital credits for 2001 was \$817,914. The net margins for 2001 excluding G & T capital credits was \$297,561.

Pages 2 and 4 of Exhibit K have been corrected and are included with this response.

Big Sandy Rural Electric Cooperative
Computation of Rate of Return

December 31, 2004

Witness: Alan Zumstein

Exhibit K
Page 2
of 4

Test Year 2004	Calendar Year				
	1st 2003	2nd 2002	3rd 2001	4th 2000	5th 1999

Net margins	(\$347,303)	\$1,239,983	\$1,351,036	\$1,115,475	\$407,335	\$376,743
Interest on long-term debt	528,275	544,637	600,948	762,097	741,382	661,574
Total	180,972	1,784,620	1,951,984	1,877,572	1,148,717	1,038,317
Net rate base	24,484,666	23,560,169	22,798,698	22,360,817	21,645,301	20,488,422

Rate of return 0.74% 7.57% 8.56% 8.40% 5.31% 5.07%

Return excluding G & T
patronage dividends:

Test Year 2004	Calendar Year				
	1st 2003	2nd 2002	3rd 2001	4th 2000	5th 1999

Net margins	(\$347,303)	\$1,239,983	\$1,351,036	\$1,115,475	\$407,335	\$376,743
G & T patronage dividends	0	(785,219)	(1,006,439)	(817,914)	0	0
Interest on long-term debt	528,275	544,637	600,948	762,097	741,382	661,574
Total	180,972	999,401	945,545	1,059,658	1,148,717	1,038,317
Net rate base	24,484,666	23,560,169	22,798,698	22,360,817	21,645,301	20,488,422

Rate of return, excluding G & T 0.74% 4.24% 4.15% 4.74% 5.31% 5.07%

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1 Big Sandy Rural Electric Cooperative
2 **TIER and DSC**
3 December 31, 2004
4 Witness: Alan Zumstein

Exhibit K
Page 4
of 4

Test Year	Calendar Year				
	1st 2003	2nd 2002	3rd 2001	4th 2000	5th 1999

7 **TIER calculations:**

9 Margins, excluding G&T capital credits	(\$347,303)	\$454,764	\$344,597	\$297,561	\$407,335	\$376,743
11 Interest on long term debt	528,275	544,637	600,948	762,097	741,382	661,574

13 **Modified TIER** 0.34 1.83 1.57 1.39 1.55 1.57

15 Margins, including G&T capital credits	(\$347,303)	\$1,239,983	\$1,351,036	\$1,115,475	\$407,335	\$376,743
17 Interest on long term debt	528,275	544,637	600,948	762,097	741,382	661,574

19 **TIER** 0.34 3.28 3.25 2.46 1.55 1.57

21 **DSC calculations:**

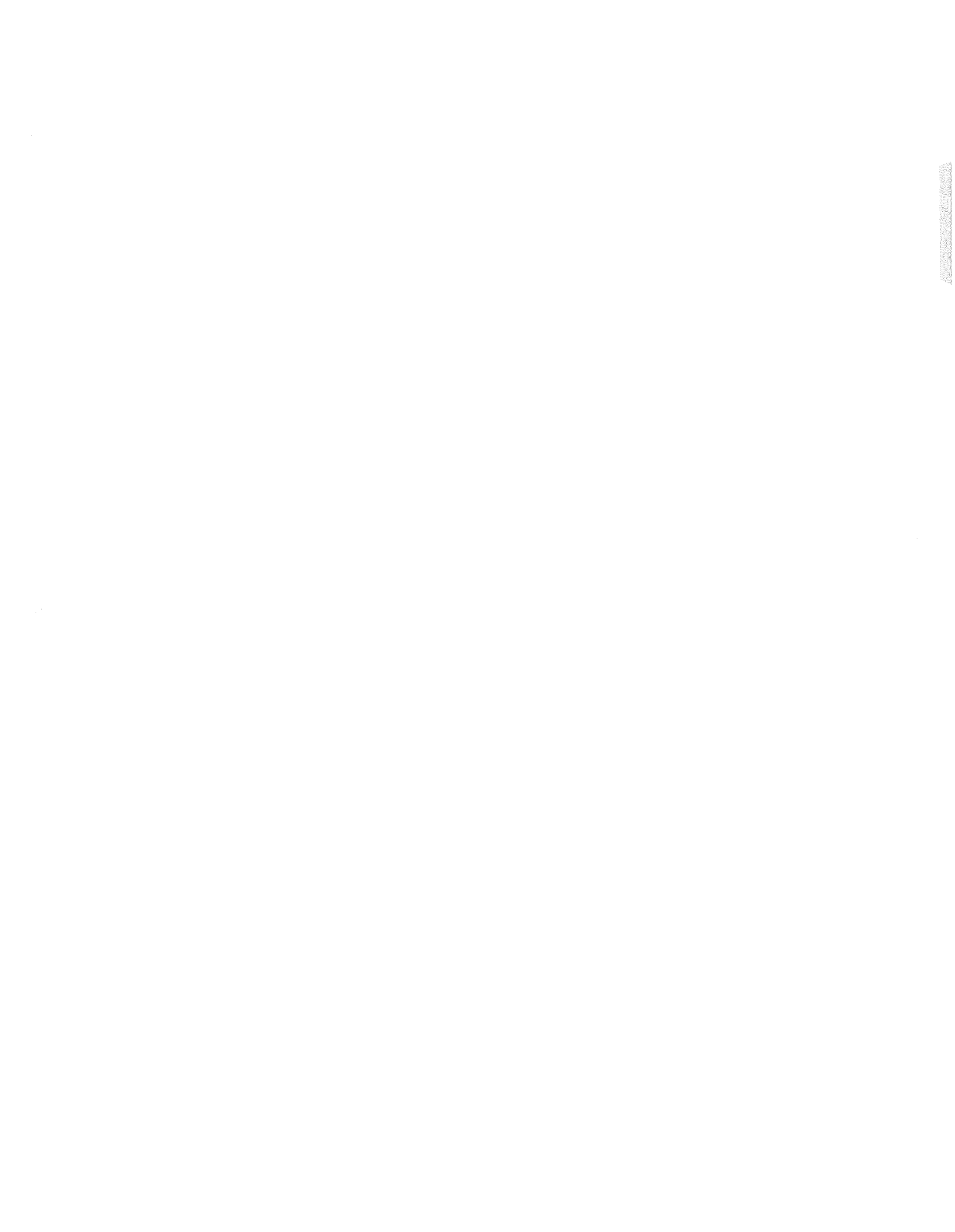
23
$$\text{DSC} = \frac{((\text{Margins} + \text{depreciation} + \text{interest}))}{(\text{interest} + \text{principal payments})}$$

27 Margins, excluding G&T capital credits	(\$347,303)	\$454,764	\$344,597	\$297,561	\$407,335	\$376,743
29 Depreciation expense	1,037,868	999,399	966,208	927,606	884,249	839,039
30 Interest on long term debt	528,275	544,637	600,948	762,097	741,382	661,574
31 Principal payment on long term debt	749,603	423,131	502,139	399,182	378,725	384,108

34 **Modified DSC** 0.95 2.07 1.73 1.71 1.81 1.80

36 Margins, including G&T capital credits	(\$347,303)	\$1,239,983	\$1,351,036	\$1,115,475	\$407,335	\$376,743
38 Depreciation expense	1,037,868	999,399	966,208	927,606	884,249	839,039
39 Interest on long term debt	528,275	544,637	600,948	762,097	741,382	661,574
40 Principal payment on long term debt	749,603	423,131	502,139	399,182	378,725	384,108

43 **DSC** 0.95 2.88 2.65 2.42 1.81 1.80



Big Sandy Rural Electric Cooperative
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Witness: Alan Zumstein

Item 5. Construction projects not financed with long term debt

Big Sandy does not maintain a list of projects not financed with long term debt financing. Big Sandy does not request 100% financing of its work plan from RUS and CFC.

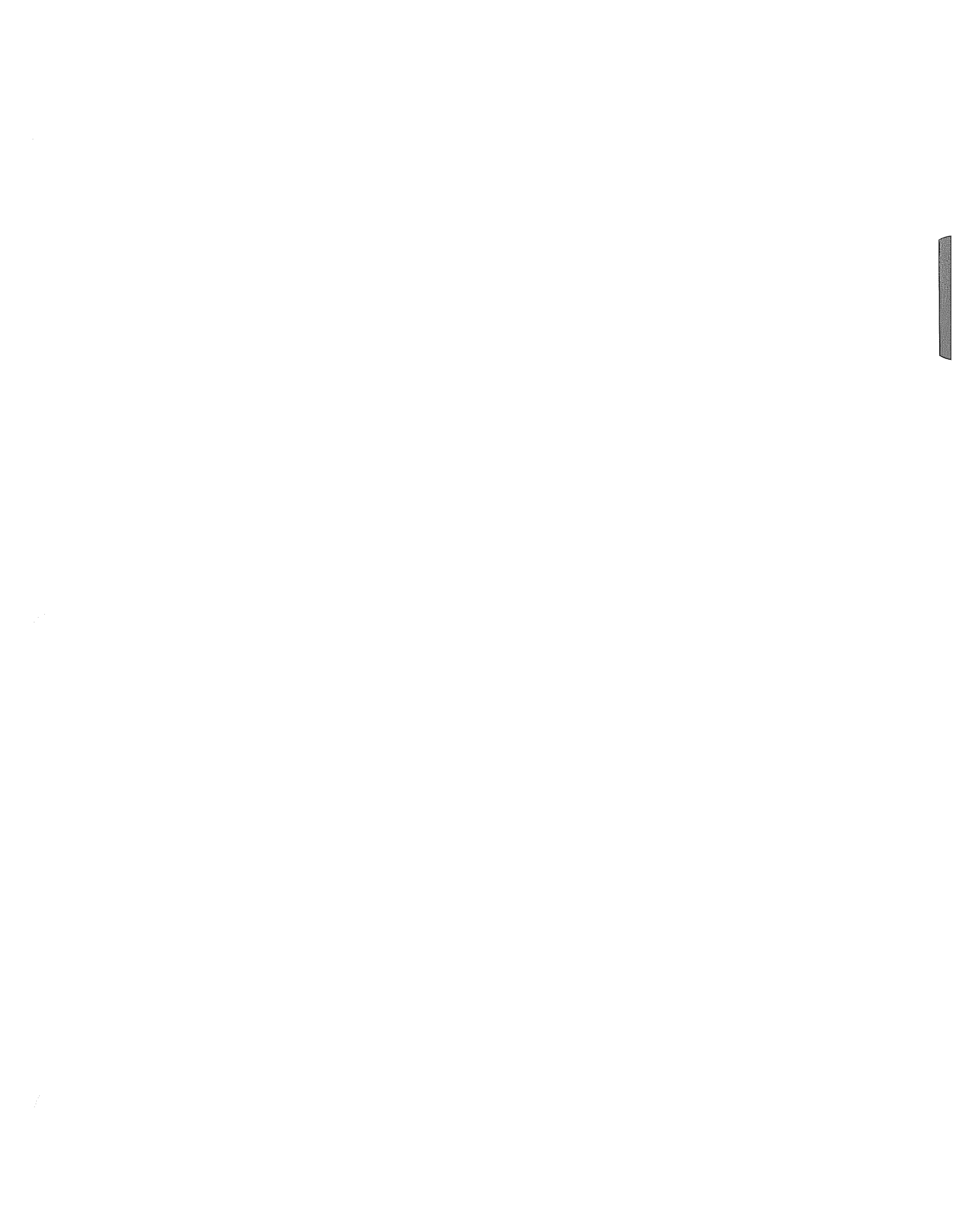
This also includes general plant items that RUS and CFC do not finance.

Big Sandy Rural Electric Cooperative
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Witness: David Estepp

Item 6. Annual Audits

- a. The article was written by a third-party person contracted by EKPC. The article was circulated to the coops for their use. The author misconstrued the information about annual audits. Big Sandy RECC complies with RUS by have an independent audit performed annually. The only action the PSC performs on an annual basis for Big Sandy RECC is the system inspection.
- b. See item 6(a) above.



COMMONWEALTH OF KENTUCKY
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RESPONSE TO PSC STAFF SECOND DATA REQUEST

Response to Parts a and b

The level of Consumer Charge supported by the Cost of Service Study is determined by the determination of what costs should be included in this charge. For this response it is believe that the consumer related costs required to connect a consumer to the distribution lines should be included.

Costs To Be Included	<u>Sched A-1</u>	<u>Sched A-2</u>
Consumer Related Costs		
Transformers	41,770	5,641
Services	370,672	37,088
Metering	341,995	78,685
Consumer Service & Accounting	<u>1,016,585</u>	<u>106,818</u>
Total	1,771,023	228,232
Number of Billing Units for Test Period	<u>139,511</u>	<u>10,689</u>
Cost Based Consumer Charge	<u>\$ 12.69</u>	<u>\$ 21.35</u>

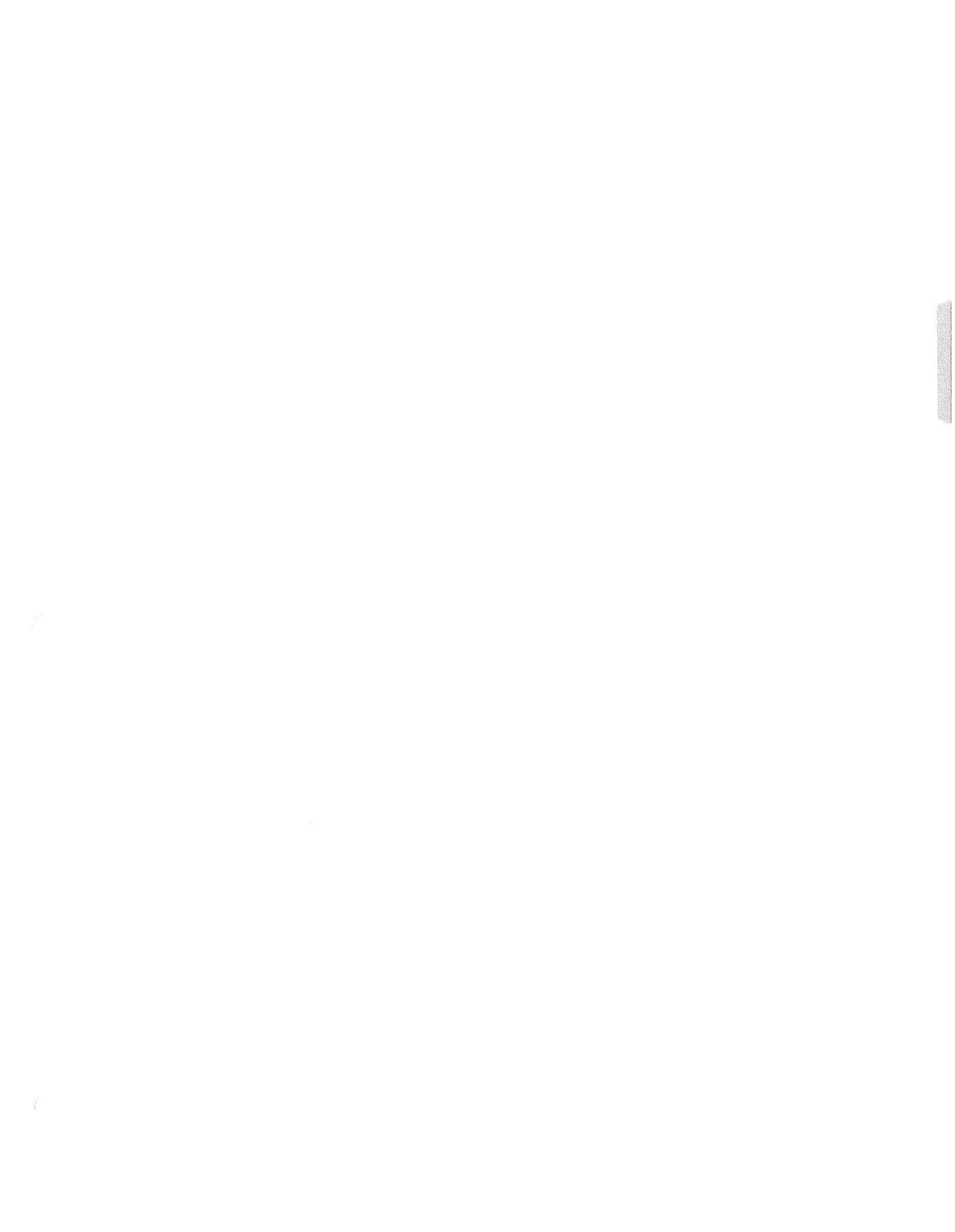


Big Sandy Rural Electric Cooperative
Second Data Request of the Commission Staff
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Witness: Alan Zumstein

Item 8. Reconcile net margins

The correct net margins are a negative \$347,303. The difference is the amount of PSC tax in the amount of \$17,172. This amount was inadvertently omitted from the Statement of Operations. This should have been listed on Line 30 of page 4 of 4 of Exhibit S of the Application.

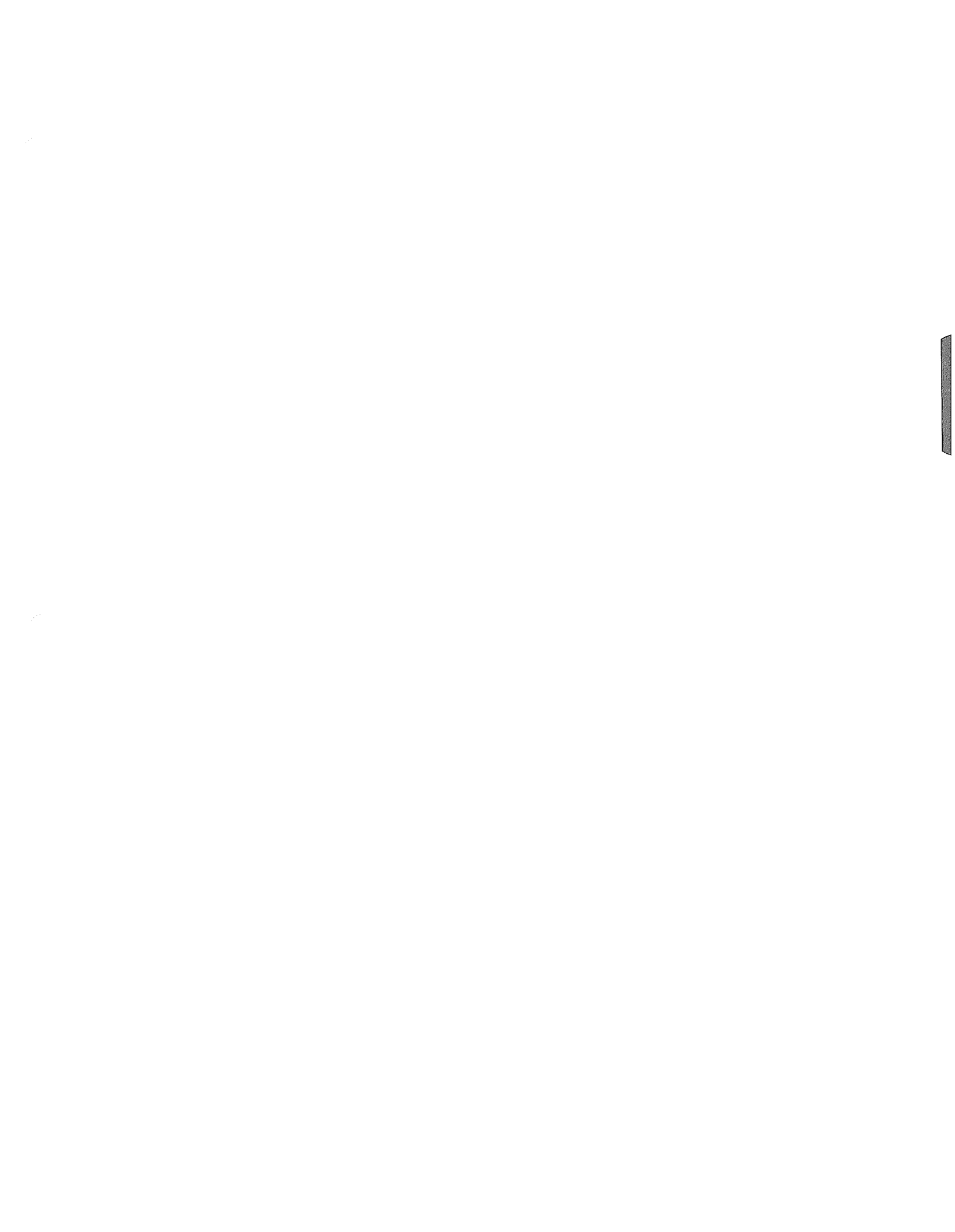


Witness: David Estep

Item 9. Level of O&M expenses.

Big Sandy continually monitors its O&M activities. Based on 2004 there are no anticipated increases or decreases in the level of right of way clearing, spraying and cutting. The weather plays an integral part in this process. An unusually wet spring will necessitate additional contractors, conversely, a dry spring and summer will allow for greater clearing from the same crews.

Big Sandy has not planned major differences from 2004 to 2005, although the plan calls for cutting more right of way than budgeted. See also Item 24 of this response for additional information.



Witness: Alan Zumstein

Item 10. Changes in Balance Sheet accounts

- a. Account No. 362, Station Equipment
Equipment installed at substations to transmitt information from automate meter reading (AMR) devices to office.
- b. Account No. 366, Underground conduit
Installation of underground services. Prior year installation of approximat \$30,000. Not significatly different for current year.
- c. Account 370, Meters
Purchase of AMR meters.
- d. Account 392, Transportation
Purchase of two (2) line trucks.
- e. Account 395, Laboratory
Purchase of meter testing devices.
- f. Account 108.71, Reserve-Structures and improvements
Difference of \$1 for several months due to rounding.
- g. Account 108.72, Reserve Office equipment
Purchase of additional office equipment at the end of 2004.
- h. Account 131.12, Citizens National
Timing of deposits and checks written at the end of the month.
- i. Account 136.1, Temporary investments
Timing of advances of loan funds. There were no advances during 2004.
- j. Account 186.10, Miscellaneous
Represents meters purchased that have not been installed. When put into plant will be transferred to proper plant account.

Prepaid contract labor to install AMR devices. Will tranfer to plant accour when meter is actually installed.
- k. Account 217.10, Retired Gains, Discounts
Record settlement of estates, Monthly entries about equal during the yea

Item 10. Changes in Balance Sheet accounts

- l. Account 219.30, Prior year's deficits
For years when Big Sandy has net margins that are losses, amount is recorded in this account. Future years nonoperating margins are used to offset this amount.
- m. Account 224.60, Advance payments
Amount used to pay monthly debt service payments.
- n. Account 228.30, Postretirement benefits
The monthly payments to retirees has been more than the monthly accrual for SFAS No. 106.
- o. Account 232.10, Accounts payable
Balance for 2004 includes school tax of \$35,000 and increase in material purchased in amount of \$102,000.
- p. Account 232.40, Purchased power
Increase in power bill over previous December power bill.
- q. Account 232.60, CFC CTC payable
To refinance RUS notes with CFC funds, Big Sandy was required to purchase additional CTC's. Purchased \$40,000 during 2004.
- r. Account 236.10, Property taxes
Johnson County property tax bill not received until 2004 for 2003. The 2004 assessment was also paid during 2004.
- s. Account 242.20, Accrued payroll
Payroll every two (2) weeks, accrual difference indays from 2003 to 2004.
- t. Account 242.30, Vacation
Retirees taking vacation that had previously been accrued and expensed.



Witness: Alan Zumstein

Item 11. Changes in expense accounts from previous year

- a. Account 427.30, FFB interest
Advanced loan funds from FFB during 2003, paid interest for only part of 2003 on those advances, and full year for 2004.
- b. Account 421.10, Gain on disposition
During 2003, the general plant items were entered into the general plant asset system, along with the related accumulated depreciation. This resulted in an adjustment for 2003 of \$208,000 to reconcile from the listin to the general ledger.
- c. Account 419.00, Interest income
RUS paid interest on the amount in Account 224.60, Advance payment referred to above in Item 10, m. of this response. Did not have this advance payment during 2003.
- d. Account 935.00, Maintenance of general plant
Now have full time employee performing janitor and maintenance of the headquarters and branch office.
- e. Account 427.10, RUS interest
Refinanced portion of RUS debt with CFC funds during 2003.
- f. Account 427.20, CFC interest
Refinanced portion of RUS debt with CFC funds during 2003.
- g. Account 598.00, Miscellaneous distribution plant
Supervisor retired during 2004 that was employed for all of 2003.
- h. Account 902.00, Meter reading
More labor to read meters.
- i. Account 903.00, Consumer records
Employee hired during 2003 was full time for 2004.
- j. Account 908.00, Consumer assistance
Employee retired during 2003 and not replaced.

Item 11. Changes in expense accounts from previous year

- k. Account 588, Misc distribution exp
Payroll clerk recorded labor in this account in error that normally would be recorded in Account 593.10.
- l. Account 590.00, Engineering and supervision
The Plant Supervisor retired during 2004. For portion of 2004 there were two (2) employees time being allocated to this account while the new Plant Supervisor was being trained.
- m. Account 593.00, Maint of overhead lines
Employees recorded more time from 593.10 during 2004.
- n. Account 593.10, Right of Way maintenance
Employees recorded less time in this account and more to 593.00.
- o. Account 593.20, Contract right of way
Higher per mile cost and more miles cleared.
- p. Account 440.10, Residential
Additional fuel cost.
- q. Account 442.10, Small Commercial
Additional fuel cost.
- r. Account 555.00, Purchase power
Additional fuel cost.
- s. Account 424.40, Patronage capital - EKPC
No allocation during 2004.
- t. Account 424.10, Patronage capital
CFC allocation approximately twice as much as 2003. UUS no allocation for 2003 and \$3,323 for 2004.



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Witness: David Estepp

Item 12. Board Representatives

- a. Big Sandy RECC's designated representative to NRECA is Joe W. Harris.
- b. The alternate representative to both NRECA and KAEC is Bobby Sexton, President & General Manager.



Witness: David Estep
 Witness: Alan Zumstein

Item 13. Wage rate \$0.50 higher

- a. These employees received a \$0.50 cost of living increase on January, 1, 2005. The foot note explanation for this increase was inadvertently omitted.
- b. This was a typographical error. The correct rate is \$45.67.
- c. The union employees are as follows:
 3, 5, 8, 10, 11, 13, 14, 15, 17, 18, 21, 22, 23, 24, 25, 31, 33, 38, 40, 41, 43
- d. Union employees were based on the union contract. The non-union hourly employees were based on the General Manager's valuation. Big Sandy did not have a formal wage and salary study performed. The wage rates were determined based on the General Manager's inquiries of other cooperatives. There were no written notes, or memorandum that were maintained of these inquiries for the wage adjustments.
- e. Employee No. 8 became the warehouseman during 2004. The current wage rate is for that position in the union contract.
- f. Concerning employees 27, 33, 38, 40, 43, and 142

- (1) Normalized wages other than 2,080 hours
 Employee 27 - Right of way employee that never works 2,080 hours in a year time. Only works when weather allows.

Employees 33, 38, 40, 42, 43 and 142 - The formula for Employee 27 was copied to these employees. They should all be normalized for 2,080 hour

- (2) The normalized wages are as follows for those employees:

Emp	Rate	Hours		Normalized Wages		Total
		Regular	Overtime	Regular	Overtime	
33	\$18.00	2,090	60.0	37,440	1,620	39,060
38	\$22.20	2,096	74.0	46,176	2,464	48,640
40	\$22.20	2,096	66.0	46,176	2,198	48,374
42	\$21.47	1,528	20.5	44,658	660	45,318
43	\$13.91	920	21.0	28,933	438	29,371
142	\$11.50	2,056	14.5	23,920	250	24,170

g. The overtime hours for those employees listed were listed with the format to be in whole numbers. The actual overtime hours were 0.50 less than the hours reported. The normalized overtime is correct based on the actual overtime hours. Each of those is 0.50 less than reported due to the rounding used in the formulas.

h. Dispatch wages
Big Sandy pays two (2) employees \$100 per month to answer after-hours trouble and outage calls, and to call on-call employees to report the calls. These employees are familiar with the system and can call the on-call employee that is nearest to the reported call.

These wages should be included for rate-making purposes since it is necessary to have trouble calls answered 24 hours.

Employee 20 started being as a dispatcher during July 2004. The wages for dispatching should have been normalized for an entire year.

i. Employees that are on-call drive company vehicles home. These are the service trucks that have equipment, tools and material so that they can be driven directly to an outage that is reported after working hours. The vehicle allowance is the \$3.00 per day round trip the IRS charges for driving company vehicles to and from work to home. The \$3.00 per day is added to the employees W-2 for income tax purposes, since Big Sandy requires these employees to drive the vehicles home, Big Sandy pays the employees this same amount.

Employees 130 and 157 drive other than service trucks home, therefore, these employees should not have the vehicle allowance included for rate-making purposes.

j. Employee 157 is the current President and General Manager. The Board of Directors gave this increase effective April 11, 2004.

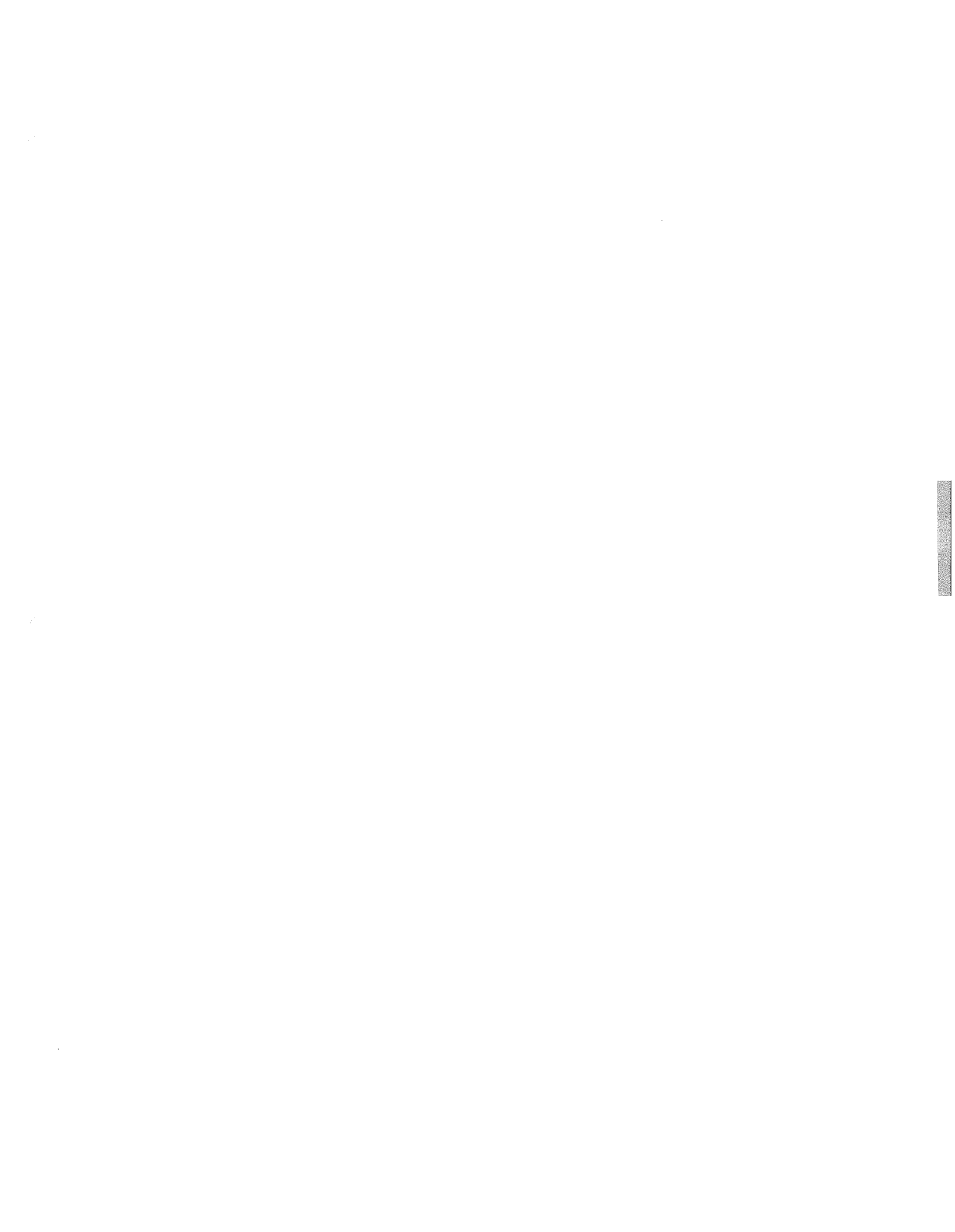
k. Big Sandy does not have a formal compensation package. Union employees are paid in accordance with the union contract. All full-time employees participate in the same benefits, except the union has its own retirement plan and non-union employees participating in the NRECA retirement and security program.

A list of benefits available is included in Exhibit 22, pages 1 and 2.

l. Big Sandy has never had a wage and salary plan nor an employee's benefit package study performed. There are no plans at this time to commence with a study.

m. Employee 7 was the warehouseman that was replaced by Employee 8. Employee 126 was replaced by Employee 16. Employee 128 was replaced by Employee 157. Employee 36 was replaced during 2003 and Employee 39 was not replaced.

Employees 8 and 16 were advanced internally and two (2) employees were hired during 2004 to replace those employees. Employee 157 was not an employee, therefore, there were no additional hirings for that employee.



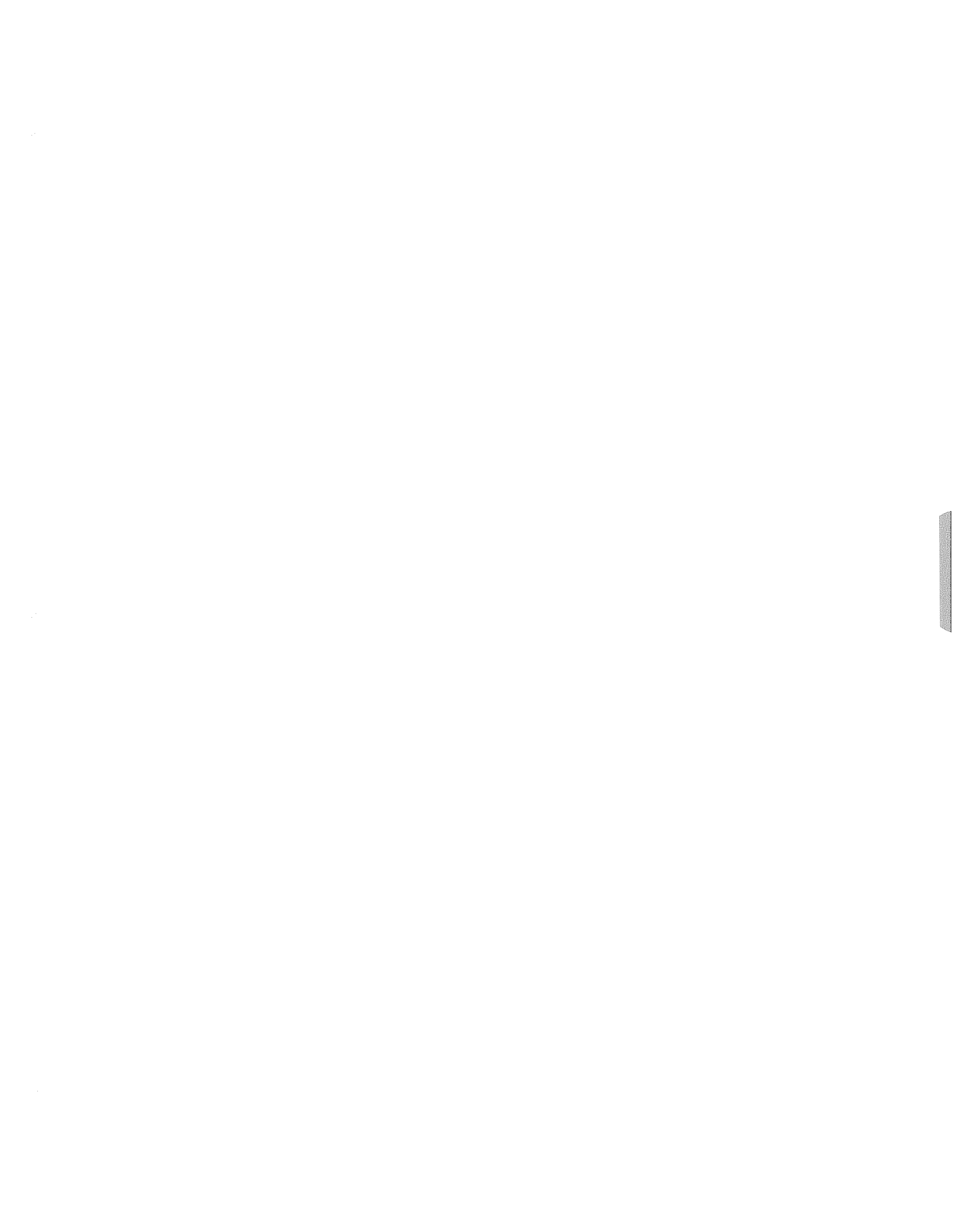
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Witness: Alan Zumstein

Item 14. Federal unemployment rates.

The federal unemployment (FUTA) rates are as follows for the first \$7,000 of wages:

2005	0.80%
2004	0.80%
2003	0.80%
2002	0.80%
2001	0.80%
2000	0.80%



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Witness: Alan Zumstein

Item 15. Depreciation rates and RUS Bulletin 183-1.

- a. The last update was in 1974.
- b. Big Sandy monitors its reserve ratio of accumulated depreciation to distribution plant on an annual basis. The reserve ratio has been above 20%, and with the current rate of 3.35%, it is not believed that a study is necessary at this time.