



# Meade County RECC

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May 4, 2007

**RECEIVED**

MAY 08 2007

PUBLIC SERVICE  
COMMISSION

Attorney General Gregory D. Stumbo  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601

Dear Mr. Stumbo:

Attached is an original and five (5) copies of Meade County's response to the Attorney General's Initial Request for Information in Case No 2006-00500.

If you need further information, please contact me at 270-422-2162 ext. 3127.

Sincerely,

Burns E. Mercer  
President and CEO

Enclosures

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MAY 08 2007

PUBLIC SERVICE  
COMMISSION

**MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION**

**CASE NO. 2006-00500**

**RESPONSE TO**

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION**



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 1 Please state whether any MCRECC employees or members of MCRECC's Board of Directors are employees, board members, partners, or members of any other business entity or organization. Identify each such individual, the name of the business entity or organization, and the title of their position.

A. **Employees:**

Burns E. Mercer; The Farmers Bank, board member

Burns E. Mercer; NCSC, board member

Karen Brown; Rural Cooperatives Credit Union, board member

**Board Members:**

David T. Wilson; Kentucky Association of Electric Cooperatives, board member

Stephen Barr; Barr Realty, partner

Ann Marie Williams; Daviess County Board of Education, Asst. Principal

Robert Rhodes; Trent-Dowell Funeral Home, partner

James G. Sills; Big Rivers Electric Corp., board member

Paul E. Butler; Big Rivers Electric Corp., board member

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 2 Please identify MCRECC's designated delegates for KAEC annual meetings, and NRECA annual meetings.

A. KAEC delegate: David T. Wilson  
NRECA delegate: Burns E. Mercer

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 3 Please reference proposed adjustment No. 9. Is MCRECC aware of the long-standing PSC policy to disallow expenses associated with travel to, registration for, and attendance at legal seminars attended by utility company attorneys?

A. MCRECC is aware of the PSC policy to disallow expenses associated with travel to, registration for, and attendance at legal seminars attended by the attorney. However, it is our opinion that it is necessary for the attorney to attend NRECA and KAEC legal seminars on behalf of the Cooperative. These seminars provide cooperative attorneys the opportunity to become better educated on legal matters pertaining to cooperatives. Such opportunities do not exist except in and through the cooperative program. This is a win win situation for the cooperative and the attorney. It is Meade County's feelings that such expenditures provide a significantly positive benefit to cost ratio.

WITNESS: Burns E. Mercer





Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q. 4      With regard to proposed adjustment 9, why has the company included \$1896.13 for attorney expenses to attend the NRECA annual meeting? Explain the rationale for deviating from the PSC policy.

A.          It is our opinion that it is necessary for the attorney to attend NRECA and KAEC legal seminars on behalf of the Cooperative. Therefore, we feel this expense should be allowed.

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q. 5: Please reference account no. 921, Office Supplies and Expenses.  
Explain in detail the increase from the prior year's expenses of \$107,171  
to the test year total of \$133,798. Please provide a schedule depicting  
these expense for each of the past five years.

A. As reflected in the historical recap, our purchasing pattern reflects irregular purchases. It is anticipated with increases in paper costs, postage and an increase in customers and information delivered to them, that office supplies and expenses will continue to increase.

Five year recap:

|      |    |            |
|------|----|------------|
| 2006 | \$ | 133,798.00 |
| 2005 |    | 107,171.00 |
| 2004 |    | 116,734.00 |
| 2003 |    | 101,594.00 |
| 2002 |    | 106,162.00 |

WITNESS: Karen Brown



Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q 6. Please reference account no. 926, Employee Pensions and Benefits.

Explain the purpose for the test year costs of \$134.

A. The disbursement to NRECA is for 24 hour accident insurance coverage for salaried employees.

WITNESS: Karen Brown



Meade County Rural Electric  
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Q 7. Please reference account no. 593, Maintenance of Overhead Lines.  
Explain in detail the 67.5% increase in expenses for the test year  
(prior year: \$282,749; test year \$473,645). Please provide a schedule  
depicting these expenses for each of the past five years.

A. Below is a recap of total operations and maintenance expenses for the past five years. As shown in the recap, total O&M expense for 2006 increased 2% over 2005 expenses. As work is performed, it is expensed to the appropriate general ledger account resulting in some accounts showing a significant increase / decrease to the prior year. A large part of the increase is due to additional employees time recorded in this account, along with benefits and transportation costs. It is expected that this will be continued in future years.

Five year recap of operations and maintenance expenses:

|      | <u>Expense</u> | <u>% Increase</u> |
|------|----------------|-------------------|
| 2006 | \$ 4,137,906   | 2.0%              |
| 2005 | 4,054,924      | 3.9%              |
| 2004 | 3,901,269      | 17.4%             |
| 2003 | 3,321,738      | 12.9%             |
| 2002 | 2,942,775      |                   |

Five year recap of account no. 593:

|      |               |
|------|---------------|
| 2006 | \$ 473,645.00 |
| 2005 | 282,749.00    |
| 2004 | 296,358.00    |
| 2003 | 368,294.00    |
| 2002 | 306,077.00    |



Q 7a. With regard to account no. 593.200 ("Maintenance - Chemicals")  
please provide a description of the items of expense, and provide a  
schedule depicting these expenses for each of the past five years.

A. 7a. Payment to various contractors for labor, materials and equipment to spray  
right-of-way are the only expenses included in this account.

Five year recap of account no. 593.200:

|      |    |         |
|------|----|---------|
| 2006 | \$ | 171,104 |
| 2005 |    | 111,941 |
| 2004 |    | 98,199  |
| 2003 |    | 49,207  |
| 2002 |    | 46801   |

WITNESS: Karen Brown



Meade County Rural Electric  
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Q 8. Please reference account no. 583, Overhead Line Expenses. Please provide a schedule depicting these expenses for each of the past five years.

A. A large part of the costs is due to employees time recorded in this account, along with benefits and transportation costs. It is expected that this will be continued in future years.

Five year recap:

|      |               |
|------|---------------|
| 2006 | \$ 713,266.00 |
| 2005 | 696,645.00    |
| 2004 | 600,581.00    |
| 2003 | 603,249.00    |
| 2002 | 531,209.00    |

WITNESS: Karen Brown



Meade County Rural Electric  
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Q 9      Please reference account no. 930.100, Misc. General Expense, Magazine.  
  
Please identify the reason for the test year expense of \$108,519. Please  
  
provide a schedule depicting expenses for this item for each of the past five years.

A.      This magazine is published by KAEC and is mailed to MCRECC's members on  
  
a monthly basis.

Five year recap:

|      |    |         |
|------|----|---------|
| 2006 | \$ | 108,519 |
| 2005 | \$ | 106,010 |
| 2004 | \$ | 92,105  |
| 2003 | \$ | 98,723  |
| 2002 | \$ | 96,245  |

WITNESS: Burns E. Mercer



Meade County Rural Electric  
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Q 10 Is MCRECC a summer or winter peaking utility?

A. Four of the last five years, MCRECC has peaked in the winter.

Five year recap:

|      | <u>KW Demand</u> | <u>Peak Month</u> |
|------|------------------|-------------------|
| 2006 | 108,179          | December          |
| 2005 | 102,051          | January           |
| 2004 | 101,824          | December          |
| 2003 | 100,461          | January           |
| 2002 | 87,317           | August            |

WITNESS: Burns E. Mercer





Meade County Rural Electric  
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Q. 11      Please provide a schedule listing all CWIP projects included in the rate base. For each project, provide the scheduled completion date, projected cost at completion, and identify any and all PSC orders allowing MCRECC to include CWIP in the rate base.

A.            A list of open work orders is attached. Meade County does not have a schedule of completion dates, or cost at completion for individual work orders. On a monthly basis, work orders are completed and recorded in plant accounts.

              The PSC order allowing MCRECC to include CWIP in the rate base was Case No. 2002-00391.

WITNESS: Karen Brown

Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q. 11

| <u>W.O.#</u> | <u>CWIP 10/06</u> |
|--------------|-------------------|
| 030272H      | 485.00            |
| 030942H      | 64.54             |
| 036167H      | 86.21             |
| 036537H      | 180.91            |
| 041373H      | 246.37            |
| 046088H      | 43.99             |
| 046180H      | 25.75             |
| 046242B      | 683.36            |
| 046595B      | 1,095.06          |
| 046623H      | 30.24             |
| 046630H      | 29.19             |
| 046704H      | 33.62             |
| 048003H      | 13,106.49         |
| 050103B      | 145.32            |
| 055004B      | 20,925.92         |
| 055005H      | 14,340.13         |
| 056077H      | 585.89            |
| 060302H      | 519.55            |
| 060485H      | 906.41            |
| 060695H      | 296.15            |
| 060827H      | 1,112.15          |
| 060865B      | 657.25            |
| 060901H      | 2,189.32          |
| 060939H      | 269.42            |
| 060951H      | 753.94            |
| 060952H      | 690.30            |
| 060962B      | 245.75            |
| 060963H      | 7,787.72          |
| 060973H      | 1,994.05          |
| 060990H      | 297.80            |
| 060993H      | 781.73            |
| 060994H      | 223.35            |
| 061021H      | 718.71            |
| 061022B      | 1,535.71          |
| 061025B      | 209.17            |
| 061027H      | 264.92            |
| 061031H      | 463.82            |
| 061035B      | 532.79            |
| 061037H      | 744.50            |
| 061039H      | 930.63            |
| 061040B      | 297.72            |
| 061041B      | 278.69            |
| 061045B      | 139.09            |
| 061046B      | 402.76            |
| 061049H      | 111.57            |

|              |                   |
|--------------|-------------------|
| 061052H      | 53.50             |
| 061055B      | 1,224.32          |
| 061057B      | 357.43            |
| 064018H      | 225.45            |
| 064022B      | 201.63            |
| 064089B      | 239.48            |
| 064254H      | 844.65            |
| 064265H      | 504.89            |
| 064266H      | 263.07            |
| 064267H      | 256.18            |
| 064273B      | 57.45             |
| 064276H      | 539.73            |
| 064277H      | 539.73            |
| 064278H      | 539.73            |
| 064279H      | 539.60            |
| 064280H      | 57.45             |
| 064281H      | 853.58            |
| 064283H      | 55.77             |
| 066075B      | 336.14            |
| 066099H      | 1,257.42          |
| 066158B      | 444.07            |
| 066177B      | 452.27            |
| 066325H      | 678.75            |
| 066436H      | 1,717.45          |
| 066458B      | 1,864.05          |
| 066514B      | 728.76            |
| 066531H      | 1,272.56          |
| 066551H      | 615.73            |
| 066555H      | 710.20            |
| 066565H      | 1,888.03          |
| 066568H      | 1,228.00          |
| 066569H      | 596.86            |
| 066570H      | 1,287.76          |
| 066581H      | 513.00            |
| 066582H      | 355.00            |
| 066584B      | 785.53            |
| 066592H      | 301.00            |
| 066606H      | 672.77            |
| 068001B      | 27,821.11         |
| 068002B      | 27,621.10         |
| 068003H      | 16,564.01         |
| 068004H      | 26,788.80         |
| 068005B      | 56,713.85         |
| 068006B      | 30,024.28         |
| 068007H      | 794.09            |
| 068008H      | 794.10            |
| 068009B      | 1,226.21          |
| 068010B      | 890.69            |
| 068011B      | 371.84            |
| 696010       | 235.64            |
|              | <hr/>             |
| 107.200 CWIP | <u>306,707.77</u> |

|                            |                            |
|----------------------------|----------------------------|
| 046282H                    | 28.09                      |
| 055003B                    | 4,221.18                   |
| 065000B                    | 260,591.70                 |
| 065001H                    | 251,787.84                 |
| 065002B                    | 34,389.39                  |
| 065003B                    | 41,515.43                  |
| 065004H                    | 4,396.86                   |
| 065005H                    | 118,956.47                 |
| 065006B                    | 2,325.83                   |
| 065007H                    | <u>761.35</u>              |
| 107.210 CWIP               | <u><u>718,974.14</u></u>   |
| 107.12 Accrued Payroll     | 20,252.00                  |
| 107.300 CWIP Contributions | <u>(45,597.00)</u>         |
| Total CWIP                 | <u><u>1,000,336.91</u></u> |



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 12     Please reference account no. 426.40, Civil Political Contributions. Is it  
MCRECC's intent, per proposed adjustment no. 8, to exclude this entire  
sum for ratemaking purposes? If not, explain why not.

A.           As reflected in Exhibit 8, page 2 of 2 of the Application, the  
"Remove for rate making" and exhibit S, page 3 of 4, both reflect  
that the entire amount of \$22,919, was removed for rate making  
purposes.

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 13     Please state the test year customer deposit balance.

A.         Account 235.000 in the amount of \$628,955 represents  
            MCRECC's customer deposits.

WITNESS: Karen Brown





Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 14     Is interest on customer deposits used as a cost of service (i.e., has customer deposit interest been used to reduce test year net income?).

A.         Yes, interest paid to customers or credited to their account has been expensed to account 431.000, Other Interest Expense.

WITNESS: Karen Brown



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 15      Please state whether any relative, by blood or marriage, of MCRECC's board of directors or executive management team holds, or will hold any type or sort of position, whether as employee, office, board member, contractor or consultant, with MCRECC.

A.            No relative of the above mentioned persons holds nor will they hold any position with MCRECC.

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 16      Does MCRECC anticipate any changes in any existing contracts as a result of any potential rate increase (e.g., engineering, information technology, maintenance, etc.)?

A.          No, MCRECC does not anticipate any changes in any existing contracts as a result of the requested rate increase.

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
Attorney General's Initial Data Request

Q. 17 Does MCRECC maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to MCRECC's officers, members of its Board, its employees, its independent contractors or consultants? If yes:

a) Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and

b) Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.

A. MCRECC does not maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to MCRECC's officers, members of its Board, its employees, its independent contractors or consultants.

WITNESS: Burns E. Mercer





Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q. 18     Does MCRECC have any anti-nepotism policies in place? If so, provide  
copies of any and all such policies, and / or memoranda referring to such  
policies.

A.         Attached as page 2 of this item is a copy of MCRECC's anti-nepotism policy.

WITNESS: Burns E. Mercer

**MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION**

POLICY NO. 108

SUBJECT: Nepotism

Effective Date: September 22, 1994

**I. PURPOSE**

To set forth a policy with regard to the employment of close relatives of the Board of Directors, employees, attorney, consultants and accountants of Meade County Rural Electric Cooperative Corporation.

**II. POLICY**

A. A close relative of a Meade County Rural Electric Cooperative Corporation Director, employee, attorney, consultant or accountant shall not be employed by the Cooperative either on a temporary or a permanent basis. The term "close relative" means a person who is related to the principal person to the third degree or less - that is a person who is either a spouse, child, step-child, grandchild, great-grandchild, parent, step-parent, grandparent, great-grandparent, brother, sister, aunt, uncle, nephew, or niece, by blood of the principal.

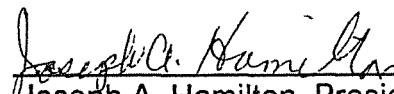
B. If employees of Meade County Rural Electric Cooperative Corporation marry, every reasonable effort will be made not to have them work in the same organizational unit or in a supervisory relationship.

**III. RESPONSIBILITY**

A. The Board of Directors are responsible for any change in or revision of this policy.

B. The Manager shall be responsible for the administration of this policy.

Approved:

  
\_\_\_\_\_  
Joseph A. Hamilton, President



Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q. 19 Does MCRECC employ the relatives of:

- a) any MCRECC board member;
- b) any MCRECC officer;
- c) any MCRECC consultant;
- d) any other MCRECC employee?

A. a) No

b) No

c) No

d) An Account Rep.- Collections Coordinator is a sister-in-law to an Apprentice Lineman  
An Account Representative-Cashier, Branch is a cousin to a Second Class Lineman

WITNESS: Burns E. Mercer



Meade County Rural Electric  
PSC Case No. 2006-00500  
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Q. 20 Has any member of MCRECC's Board ever served on the Board of any other business entity? If so, please state.

a) the name and address of each such entity; and

b) the length of time they served on the other entity's board.

A. The following directors have served on various boards as stated:

James G. Sills, The Farmers Bank, Hardinsburg, KY, from 1971 to 2004 (32 years)

James G. Sills, Big Rivers, Henderson, KY, March 1995 to present

David Wilson, KAEC, Louisville, KY, January 1991 to present

Paul E. Butler, Big Rivers, Henderson, KY, July 2002 to present

WITNESS: Burns E. Mercer