



# Meade County RECC

P.O. Box 489  
Brandenburg, KY 40108-0489  
(270) 422-2162  
Fax: (270) 422-4705

June 1, 2007

RECEIVED

JUN 04 2007

PUBLIC SERVICE  
COMMISSION

Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
P. O. Box 615  
Frankfort, KY 40602

Dear Ms. O'Donnell:

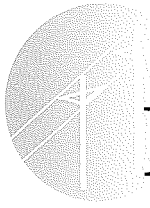
Attached are an original and five (5) copies of Meade County's response to the Commission Staff's "Third Data Request" in Case No 2006-00500.

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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MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

CASE NUMBER 2006-00500

RESPONSE TO  
THIRD DATA REQUEST OF  
COMMISSION STAFF

RECEIVED

JUN 04 2007

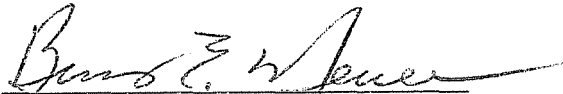
PUBLIC SERVICE  
COMMISSION

ORIGINAL

This reply to the third data request of the Public Service Commission Staff is true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

Signed this 29th day of May, 2007, by Burns E. Mercer, President / CEO of Meade County Rural Electric Cooperative Corp.

A true and correct copy has been mailed to the Attorney General of the State of Kentucky.

A handwritten signature in black ink, appearing to read "Burns E. Mercer", written over a horizontal line.

Burns E. Mercer      President / CEO



MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
CASE NO. 2006-00500  
THIRD DATA REQUEST OF COMMISSION STAFF

Q1. Refer to Exhibit 14 of the Application.

a. Does Meade's calculation of the pole attachment rate use the net cost of the poles or the gross cost?

A. The gross cost of poles is used in Exhibit 14, page 2 of 3.

b. Provide a detailed explanation of the derivation of the 27 percent reserve ratio on page 3 of 13.

A. The accumulated depreciation used for the denominator in the calculation was incorrect. This number should have been \$14,810,722. The correct ratio to use should be as follows:

Distribution plant	66,759,995	=	22%
Accumulated depreciation	<u>14,810,722</u>		

c. Is the 27 percent reserve ratio supposed to represent the net to gross ratio?

A. Yes. However, the ratio should be the 22 percent as calculated in response b. to this request item.

Witness: Jim Adkins



MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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THIRD DATA REQUEST OF COMMISSION STAFF

Q 2. Refer to the response to the Commission Staff's Second Data Request dated May 8, 2007 ("Staff's Second Request"), Item 6(b). Concerning the new branch office building in the Hardinsburg District:

Qa. Indicate when construction was started and completed on the new branch office building.

A. Construction began in August 2005 and the building was occupied in May 2006.

Qb. Provide the total cost of the new branch office building. Include a breakdown of the total cost between land, site preparation, the building, parking areas, and other applicable cost category.

A.	Land	\$123,751.70
	Professional Services	\$53,440.81
	Project Manager/Superintendent	\$93,084.00
	Parking	\$104,325.39
	Site Prep/Work	\$81,977.99
	Building	\$800,307.59

A. Qc. Did Meade secure a Certificate of Public Convenience and Necessity ("CPCN") for the construction of the new branch office building?

(1) if yes, provide the case number where Meade was granted a CPCN.

(2) If no, explain in detail why Meade did not seek a CPCN for the new branch office building.



A. No. The Cooperative attorney at the time of the construction of the branch office was Bruce Butler. Mr. Butler and I discussed whether a CPCN was required for the construction of our branch office facility in Hardinsburg. It was our conclusion that since this project is an extension in the ordinary course of business, would not increase rates, is relatively low cost and will not result in wasteful duplication of facilities and after review of 807 KAR 5:001, Section 9(3) and KRS 278.020, we concluded that commission approval for the new office facility in Hardinsburg was not necessary.

Witness: Burns E. Mercer



MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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THIRD DATA REQUEST OF COMMISSION STAFF

Q 3. Refer to the response to the Staff's Second Request, Item 7(d).

Meade's response references its response to the Attorney General's Initial Data Request, Item 7, which states, "A large part of the increase is due to additional employees time recorded in this account, along with benefits and time and transportation costs." Identify the reason(s) for the additional employee time charged to this account.

A. As stated in the response to the Attorney General's Initial Data Request, Item 7, as shown in the recap, total O&M expense for 2006 increased 2% over 2005 expenses. Individual accounts that make up the total O&M expense did fluctuate significantly, however the total O&M expense showed an increase of 2% in 2006. Employees time may be charged to individual accounts from year to year depending on the nature of work to be performed, however we will again emphasize that total O&M did not increase significantly.

WITNESS: Karen Brown



MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
CASE NO. 2006-00500  
THIRD DATA REQUEST OF COMMISSION STAFF

Q 4. Refer to the response to the Staff's Second Request, Item 8(1). Provide a schedule showing the total performance bonuses, total sick leave paid, and the number of employees who received either payment for calendar years 2002 through 2006.

A. The incentive program is designed to pay all employees at the same level.

	<u>Incentive Bonus</u>	<u>Number Paid</u>	<u>Sick Leave</u>	<u>Number Paid</u>
<u>2002</u>	86,933.00	55	14,879.80	16
<u>2003</u>	86,625.00	60	14,398.21	14
<u>2004</u>	117,592.68	59	13,790.59	13
<u>2005</u>	85,431.00	60	15,941.06	14
<u>2006</u>	56,914.86	59	17,762.41	13

Witness: Burns E. Mercer



MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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Q 5. Refer to the response to the Staff's Second Request, Item 10.

Qa. For each loan shown in the response, indicate how long the fixed interest rate will be in effect. In addition, state when the next repricing period is for each loan.

A. See page 2, this item.

Qb. Identify and explain the reason(s) why all Meade's long-term debt currently has fixed interest rates.

A. We have had a nearly flat and at times an inverted yield curve. The Federal Open Market Committee has increased its overnight rate substantially over the last couple of years, which has increased the variable rate. Long term rates however have not increased much at all and at times have been lower than shorter term rates. Given that situation, we wanted our members to benefit from the low longer term rates. As the interest rate environment returns to a normal yield curve and as we have a need to borrow, we will consider once again including some variable rate debt in our loan portfolio.

Also, although our loans are at a fixed rate we do have a number of loans at staggered repricing dates.

Witness: Burns E. Mercer

Schedule of Outstanding Long-Term Debt  
October 31, 2006

Format 8a  
Schedule 2

Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	Cost Rate to Maturity (g)	Annualized Cost Col (d)x(g) (j)	Test Year Interest Cost	Repricing Date	Rate Term
<b>RUS loans</b>								
0B180	Sep-72	Sep-07	6,195	2.000%	124	186	LT Fixed	N/A
0B182	Sep-72	Sep-07	6,189	2.000%	124	186	LT Fixed	N/A
1B290	Jun-97	May-32	923,179	4.500%	41,543	41,811	LT Fixed	July-07
1B291	Jun-97	May-32	1,130,432	4.500%	50,869	51,198	LT Fixed	September-08
1B295	Jun-97	May-32	1,980,359	4.875%	96,543	97,477	LT Fixed	June-13
1B310	Oct-03	Sep-38	2,520,834	4.670%	117,723	118,508	LT Fixed	May-14
1B311	Oct-03	Sep-38	2,953,335	4.180%	123,449	124,355	LT Fixed	September-14
1B312	Oct-03	Sep-38	1,970,668	4.490%	88,483	89,095	LT Fixed	September-35
1B313	Oct-03	Sep-38	1,969,427	4.440%	87,443	88,071	LT Fixed	July-35
1B314	Oct-03	Sep-38	2,984,750	5.060%	151,028	62,928	LT Fixed	May-13
1B315	Oct-03	Sep-38	2,996,905	4.790%	143,552	21,752	LT Fixed	September-07
Advance payment			(317,034)					
			<u>19,125,239</u>		<u>900,881</u>	<u>695,567</u>		
<b>FFB loans</b>								
H0010	Mar-98	Mar-33	395,783	6.049%	23,941	22,706	LT Fixed	December-25
H0015	Sep-00	Sep-35	1,178,883	4.474%	52,743	49,792	LT Fixed	NA
H0020	Sep-02	Sep-37	1,815,052	2.707%	49,133	46,524	LT Fixed	September-07
H0025	Sep-02	Sep-37	1,829,024	3.250%	59,443	56,230	LT Fixed	September-09
F0030	Mar-03	Mar-38	4,968,455	2.815%	139,862	132,407	LT Fixed	March-08
			<u>10,187,197</u>		<u>325,123</u>	<u>307,658</u>		
<b>CFC loans</b>								
9001	Jul-74	Jul-09	6,574	7.00%	460	637	LT Fixed	N/A
9002	Jun-74	Jun-09	52,858	7.00%	3,700	4,290	LT Fixed	N/A
9005	Dec-75	Dec-10	78,623	5.70%	4,482	4,935	LT Fixed	N/A
9007	Jun-77	Jun-12	102,418	7.00%	7,169	6,616	LT Fixed	6/1/2008
9009	Jun-78	Jun-13	117,114	5.75%	6,734	7,131	LT Fixed	1/1/2012
9011	Sep-79	Sep-14	346,064	5.75%	19,899	20,852	LT Fixed	1/1/2012
9015	Dec-81	Dec-16	298,719	5.75%	17,176	17,776	LT Fixed	1/1/2012
9016	Jun-89	Jun-24	536,463	7.00%	37,552	32,981	LT Fixed	6/1/2008
9017	Mar-92	Mar-27	594,387	5.75%	34,177	34,718	LT Fixed	1/1/2012
9019	Dec-93	Dec-28	707,327	7.00%	49,513	46,350	LT Fixed	6/1/2008
9020	Dec-93	Dec-28	1,169,256	5.75%	67,232	67,960	LT Fixed	1/1/2012
9021	Dec-93	Dec-28	1,749,510	6.90%	120,716	121,544	LT Fixed	1/1/2009
9022004	Aug-04	May-07	1,468,511	3.55%	52,132	52,132	LT Fixed	N/A
9022005	Aug-04	May-08	1,468,511	4.05%	59,475	59,475	LT Fixed	N/A
9022006	Aug-04	May-09	1,468,511	4.80%	70,489	70,489	LT Fixed	N/A
9022007	Aug-04	May-10	1,468,511	7.00%	102,796	102,796	LT Fixed	N/A
9022008	Aug-04	May-11	1,468,511	7.00%	102,796	102,796	LT Fixed	6/1/2007
9022009	Aug-04	May-12	1,468,511	7.00%	102,796	102,796	LT Fixed	6/1/2007
9022010	Aug-04	May-13	1,468,511	7.00%	102,796	102,796	LT Fixed	6/1/2008
			<u>16,038,890</u>		<u>962,089</u>	<u>959,069</u>		
Total long term debt and annualized			<u>45,351,326</u>		<u>2,188,093</u>	<u>1,962,294</u>		

Annualized cost rate [Total Col. (j) / Total Col. (d)] 4.82%

Actual test year cost rate [Total Col (k) / Total Reported in Col (d)] 4.33%





MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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THIRD DATA REQUEST OF COMMISSION STAFF

Q 6 Refer to the response to the Staff's Second Request, Item 15(g) and 15(h), pages 7 through 11 of 11. There are several references in the agendas to Touchstone Energy and branding. Explain why expenses associated with this portion of the meetings should be included in rate-making purposes.

A. Meade County agrees this portion of the meeting expenses should have been removed for rate-making purposes. However, this was such a small portion of the overall value of the meeting that amounts were not excluded for the Touchstone Energy and branding.

Witness: Burns Mercer