

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MEADE COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR AN)	CASE NO.
ADJUSTMENT OF RATES)	2006-00500

SECOND DATA REQUEST OF COMMISSION STAFF TO
MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Meade County Rural Electric Cooperative Corporation ("Meade") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and five copies of the following information, with a copy to all parties of record. The information requested herein is due on May 8, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. Responses to requests for information shall be appropriately indexed, for example, Item 1(a), Sheet 2 of 6, and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be under oath or accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity. The person signing the response shall acknowledge that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry. A party 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 a party refuses to furnish all or part of the requested information that party shall provide a written explanation of the specific grounds for its failure to completely and

precisely respond. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Application, Exhibit H-1, the Testimony of Burns E. Mercer, page 2. Mr. Mercer states that Meade requested a 2.0 TIER in its last rate case and that Meade's equity still declined. He states that they are of the opinion that Meade will see some modest correction in the direction of its equity if it once again receives a TIER of 2.0. Explain the additional measures Meade is implementing to prevent a further decline in equity.

2. Refer to the Application, Exhibit K, pages 3, 6 and 7 of 7. Provide an updated version of these pages showing the operational results for calendar year 2006.

3. Refer to the Application, Exhibit N, page 10 of 14, Off Balance Sheet Risk.

a. Explain why Meade has deposits in certain financial institutions in excess of the \$100,000 Federal Deposit Insurance Corporation insured limit.

b. Refer to the Application, Exhibit U, page 2 of 4, point 6. Is the situation described in Exhibit N, page 10 of 14, in conflict with the policy statement in Exhibit U? Explain your response.

4. Refer to the Application, Exhibit N, page 14 of 14, Related Party Transactions. Meade has disclosed that it paid the son of one of its directors to pave the parking lot of a district office.

a. Describe the process utilized by Meade to select the individual or firm to perform the paving project.

- b. Were competitive bids sought for this paving project?
 - (1) If yes, provide a copy of the bid proposal and a summary of the bids received.
 - (2) If no, explain why this project was not competitively bid.
- c. Was that director involved in any way in the review or evaluation of bids, the selection of the vendor, or any other step in the process utilized in securing the paving project? Explain the response.

5. Refer to the Application, Exhibit R.

a. Provide an Excel copy of the cost-of-service study with all formulas intact.

b. Refer to page 14 of 29. The column labeled "Demand" under Rate 3R has number signs in the "Total Costs" row and "Total Revenue Requirements from Rates" row. Provide a copy with legible numbers.

6. Refer to the Application, Exhibit W. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between the test year and the previous 12-month period.

a. Account No. 370 – Meters – Distribution, page 1 of 12.

b. Account No. 390 – Structures and Improvements, page 1 of 12.

c. Account No. 107 – CWIP-Cont., page 2 of 12.

d. Account No. 109 – Depreciation Poles and Towers, page 4 of 12.

e. Account No. 131 – Money Market Fund Farmers Bank, page 6 of

12.

f. Account No. 219 –Operating margins plus, page 9 of 12.

- g. Account No. 224 – REA Notes Executed, page 9 of 12.
- h. Account No. 225 – REA\FFB Executed Debit, page 9 of 12.
- i. Account No. 236 – Accrued Property Tax, page 9 of 12.

7. Refer to the Application, Exhibit X. For each of the income statement accounts listed below, describe the reason(s) for the change in the account balance between the test-year-end balance and the balance for the previous 12 months.

- a. Account No. 417.001 – Revenue -Wildblue, page 1 of 14.
- b. Account No. 419.000 – Interest & Dividend Income, page 2 of 14.
- c. Account No. 427.100 – Interest on REA Const. Loan, page 3 of 14.
- d. Account No. 593.000 – Maintenance Overhead lines, page 6 of 14.
- e. Account No. 593.200 – Maintenance - Chemicals, page 6 of 14.
- f. Account No. 593.400 – Maintenance – Service Orders, page 6 of 14.
- g. Account No. 902.000 – Meter Reading Expenses, page 7 of 14.
- h. Account No. 908.000 – Customer Assistance Expense, page 10 of 14.
- i. Account No. 920.000 – Administrative & General Salaries, page 11 of 14.

8. Refer to the Application, Exhibit 1, pages 6 through 8 of 8.

- a. Explain the nature and purpose of the Performance Bonuses and the Unused Sick Pay.
- b. Explain how Meade determines the eligibility for Performance Bonuses.

c. Are Performances Bonuses a type of incentive that all employees are eligible to receive?

d. Explain why the test-year amounts for Performances Bonuses and Unused Sick Pay were used in calculating the normalized wages.

9. Refer to the Application, Exhibit 3. Was any consideration given to performing a depreciation study in conjunction with this rate case? Explain the response.

10. Refer to the Application, Exhibit 5, pages 2 and 4 of 4.

a. Provide a revised copy of the exhibit updating the interest rates through April 30, 2007 for all debt.

b. Refer to page 2 of 4. Indicate whether the loans have fixed interest rates or variable interest rates.

11. Refer to the Application, Exhibit 9, page 2 of 6. Concerning Meade's legal expenses:

a. Provide a copy of the written agreement with the law firm. If no written agreement exists, explain why Meade does not have one.

b. Explain in detail why expenses for attendance at the National Rural Electric Cooperative Association's ("NRECA") annual meeting and magazine subscriptions for the attorney should be included for rate-making purposes, given the attorney is compensated by a retainer and normal hourly billed rate.

c. For the following transactions, explain if the transaction is recurring and why it should be included for rate-making purposes.

(1) Page 2 of 6, line 25 – Legal fees for Privacy Act, pole damage, others.

(2) Page 2 of 6, lines 38, 39, and 41 – general labor matters.

d. Provide the health insurance premiums Meade paid for its attorney.

12. Refer to the Application, Exhibit 10.

a. Provide the name of the NRECA Representative and alternate for Meade.

b. Provide the name of the Kentucky Association of Electric Cooperatives (“KAEC”) Representative and alternate for Meade.

c. On page 2 of 11, Meade indicates it has removed \$2,769.98 in life insurance premiums for its directors. On page 3 of 11, Meade provided a schedule that lists health insurance instead of life insurance. Did Meade provide both life and health insurance to its directors during the test year? If yes, provide a schedule showing the premiums for both types of insurance coverage.

13. Refer to the Application, Exhibit 10, page 3 of 11 and Exhibit 9, page 2 of 6, line 29. Explain the differences in the airfare for the attorney and the directors who attended the NRECA annual meeting.

14. Refer to the Application, Exhibit 10, pages 3 through 10 of 11. Concerning Meade’s directors:

a. Explain the nature and purpose of the following meetings attended by many of the directors. Include a detailed explanation of why each should be included for rate-making purposes. Provide a copy of any meeting materials or agendas provided to the attendees.

- (1) NRECA Region III meeting.
- (2) NRECA annual meeting.
- (3) Meeting at Big Rivers.

15. Refer to the Application, Exhibit 11, pages 1 through 6.

a. On pages 2, 5 and 6 of 6, there are transactions for employee logo shirts and shirts to designate employees. Explain why these transactions should be included for rate-making purposes.

b. Concerning safety, conservation, and information advertising shown on pages 2 and 3 of 6, provide a copy of the following advertisements or the text of the advertisement:

- (1) Page 2 of 6, line 22, WXBC Radio.
- (2) Page 2 of 6, line 33, Meade Co. Communications.
- (3) Page 3 of 6, line 85, L.A.W. Publications.

c. Explain why the Christmas display shown on page 2 of 6, line 20, and the sports sponsorship shown on page 3 of 6, line 76, should be included for rate-making purposes.

d. Refer to page 4 of 6, line 24. Explain the purpose of the Economic Development investment transaction and why it should be included for rate-making purposes.

e. Refer to page 4 of 6, line 38. Explain the purpose of the NRECA meeting registration and why it should be included for rate-making purposes.

f. Refer to page 4 of 6, lines 30, 41 and 49. Explain the purpose of the meeting attended by Dave Pace and why these expenses should be included for rate-making purposes.

g. Refer to pages 4 and 5 of 6, lines 56, 60, and 73. Explain the purpose of the NRECA Connect conference and why these expenses should be included for rate-making purposes.

h. Refer to page 5 of 6, lines 87 and 93. Explain the purpose of the Member services conference expenses and why these expenses should be included for rate-making purposes.

i. Refer to page 5 of 6. Are any of the items that were individually less than \$100 related to Christmas gifts, Christmas activities, or the Washington Youth Tour? If yes, identify the amounts.

16. Refer to the Application, Exhibit 12. Provide an update of the current rate case expenses through April 24, 2007.

17. Refer to the Application, Exhibit 13.

a. Describe the benefits received and the obligations and responsibilities incurred by Meade through its involvement with Wildblue wireless Internet services ("Wildblue"). Indicate when Meade first became involved with Wildblue.

b. Provide copies of any contracts, memoranda of understanding, or other documents that detail the business relationship between Meade and Wildblue.

c. Provide the number of Meade's customers who were receiving service from Wildblue in each calendar year since 2001 and in the test year.

d. Provide a schedule showing the revenues, expenses, and net profit or loss associated with Wildblue for each calendar year since 2001. The schedule should reflect the format used in Exhibit 13.

18. Refer to the Application, Exhibit 21.

a. Explain the purpose of the Helping Hand Fund.

b. Was Exhibit 21 included as part of the proposed tariff provided in Exhibit B and reflected in the tariff comparison provided in Exhibit C of the Application? If no, explain why it was not included in these exhibits.

c. Is Meade proposing that the tariff sheet in Exhibit 21 should be approved along with the changes in rates contained in this application? Explain the response.

19. Concerning the PSC Assessment:

a. Did Meade include an adjustment to normalize the PSC Assessment?

b. Would Meade agree that the normalization should be included and should reflect the current PSC Assessment rate? Explain the response.



Beth O'Donnell
Executive Director
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DATED April 24, 2007
cc: All Parties