

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

FEB 04 2009

PUBLIC SERVICE  
COMMISSION

APPLICATION OF FARMERS RURAL )  
ELECTRIC COOPERATIVE FOR ) CASE No. 2008-00030  
AN ADJUSTMENT OF RATES )

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Farmers Rural Electric Cooperative Corporation ["FRECC"], to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If FRECC objects to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

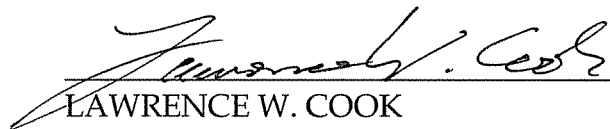
(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(10) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL



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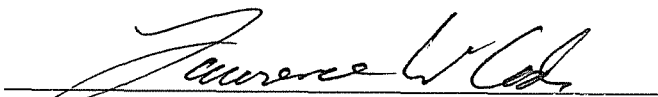
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*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff R. Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

William T. Prather  
President & CEO  
Farmers R.E.C.C.  
P. O. Box 1298  
Glasgow, KY 42141-1298

this 4<sup>th</sup> day of Feb., 2009.

  
Assistant Attorney General

**Attorney General's Initial Data Requests**  
**Farmers Rural Electric Energy Cooperative Corp.**  
**Case No. 2008- 00030**

1. Exhibit. D, page 2 of 2 shows no present customer charges for Schedule R and Schedule C1. Please review all of the present and proposed rates shown on page 2 of 2, make any necessary corrections, and provide a revised, corrected Exhibit D, page 2.
2. Please provide the portion of the 13-month average prepayment balance of \$178,892 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.
3. With regard to Exhibit K, page 2, please provide the following information:
  - a. As shown on Exhibit S, page 2, the pro forma adjusted depreciation reserve balance of \$17,525,311 on Exhibit K, page 2 should be \$17,724,464. Please confirm this.
  - b. Provide corrected Exhibit K, pages 1 and 2 as a result of the corrected depreciation reserve number referenced in part (a) above.
4. For each of the income statement accounts listed in the trial balance on Exhibit Y, pages 5 through 8, please provide a schedule showing a side-by-side comparison of the actual annual amounts for the test year ended 9/30/08 and the three years prior to the test year.
5. The first column of Exhibit 13, page 1 shows the number of pole attachments used in the quantification of the CATV Pole Attachments revenue adjustment. For each type of pole attachment listed, please provide the actual annual number in the test year and in the 3 years prior to the test year.
6. The first column of Exhibit 14, page 1 shows the number of non-recurring charges used in the quantification of the non-recurring charges revenue adjustment. For each type of non-recurring charge listed, please provide the actual annual number in the test year and in the 3 years prior to the test year.
7. Please expand the year-end customer annualization adjustment on Exhibit 17 by also including Schedule RM – Off-Peak Marketing, Schedule SL - Street Lighting, and Schedule OL – Security Lights in the net revenue annualization calculations. Provide this information in the same detail and format as shown on Exhibit 17.

8. Please provide the reasons for the increases in the test year over the year prior to the test year for the following distribution accounts:
  - a. Account 586 – Meter: increase of \$139,000 (134%)
  - b. Account 593 – Maintenance of Overhead: increase of \$224,000 (26.1%)
  - c. Account 593.20 – Maintenance of ROW: increase of \$297,000 (42.1%)
  
9. In the same format and detail as per Exhibit 11, pages 3 through 9, provide a detailed listing and description of all of the expense items making up the following expense accounts:
  - a. Account 908 – Customer Assistance Expense
  - b. Account 908.30 – ETS Expense
  - c. Account 908.60 – Energy Conservation/Expense Button Up
  - d. Account 909 – Public Safety Awareness
  - e. Account 912 – Marketing Expense

In addition, to the extent that any of the above expense items involve advertising or marketing campaigns, brochures, bill-inserts, etc., please provide copies of these documents.

10. With regard to the depreciation expenses shown in Exhibit 3, please provide the following information:
  - a. When is the last time that Farmers had a depreciation study performed?
  - b. Please indicate since when the coop's current composite distribution depreciation rate of 3.24% has been in effect and in which rate case this rate was approved by the Commission.
  - c. What is the basis for the composite depreciation rate of 3.24%?
  - d. What is the basis for the depreciation rates for the Meters accounts 370.01 through 370.05?
  - e. What is the basis for the depreciation rates listed in Exhibit 3, page 3 for all of the General Plant items?
  
11. For each of the distribution plant accounts shown on Exhibit 3, page 3, provide the equivalent rates for the RUS Low and High range. In addition, if any of Farmers' depreciation rates listed on Exhibit 3, page 3 falls outside the RUS Low and High range, explain why this is not in violation of RUS Bulletin 183-1.
  
12. With regard to Exhibit 6, page 1, explain why there was no test year FAS 106 expense booked in the test year.

13. The trial balance in Exhibit Y (on page 8 of 8) shows Employee Training/Educational Programs test year expenses of \$256,399 in account 926.00. In this regard, please provide the following information:
  - a. In which line item are these expenses reflected on Exhibit S, page 1?
  - b. Provide a detailed breakout and description of each expense item making up the total expense amount of \$256,399 in the same format and detail as per Exhibit 11.
  - c. Explain how much of the \$256,399 includes Farmers' test year FAS 106 and R&S plan expenses that are shown in Exhibits 6 and 7.
14. With regard to rate case expenses, please provide the actual expenses incurred to date for the current rate case, in total and broken out by expense component per Exhibit 12.
15. With regard to Farmers' number of employees, please provide the number of employees (in total and broken out between salaried, hourly, and summer/part-time) for each month from January 2007 through January 2009, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.
16. Please provide the actual number of hours worked by Farmers' Summer and Part Time employees (in total and, if available, by employee number) in the three years prior to the test year.
17. The normalized wages assume that each employee is getting paid for 40 hours per week or 2,080 hours per year. Since the normalized wages reflected in this case assume that the employees are getting paid for each day in the year except weekends, explain why Farmers is assuming additional payments to its employees for vacation and sick days. [Note: even though Farmers has a policy that employees get awarded for an extra vacation day when safety goals are met, this is already accounted for by the fact that the normalized payroll in this case assumes that each employee gets paid for each day in the year, except weekends].
18. The normalized payroll expense in Exhibit 1 includes annualized payroll expenses totaling \$129,391 for employees #113 and #125. Exhibit 7, page 1 indicates that these represent "employees that are quasi retired" for which Farmers does not provide any R&S plan contributions. Please explain what exactly it means that these 2 employees are "quasi retired," and explain why their annualized payroll should be included for rate making purposes in this case.
19. Re. Exhibit 1, page 11: Please confirm that the average annual overtime hours for the test year and the three years prior to the test year amount to 10,270 hours. If you do not agree, provide the correct number.

20. Exhibit 9, page 2 shows that the requested Professional Services expenses include \$738 for Jim Adkins fees for “Board presentation re: rates.” Please explain in detail the nature and purpose of this Board presentation and explain whether the presentation is associated with the eventual filing of the current rate case.
21. With regard to Exhibit 9, page 2 (Professional Services Fees), please provide the following information:
  - a. Explain the \$868 expenses for “bankruptcy advice.” In addition, explain whether this represents a non-recurring expense. If not, explain why not.
  - b. Explain the nature and purpose of the \$6,660 fees to Mary Garmon. In addition, explain whether this represents a non-recurring expense. If not, explain why not.
  - c. Explain the nature and purpose of the total expense of \$4,880 paid to Commence Logic, LLC. In addition, explain whether this represents a non-recurring expense. If not, explain why not.
22. With regard to the company’s response to 21 (a) above, is or has FRECC contemplated filing for bankruptcy? If so, why? If not, explain the purpose of the \$868 expense for “bankruptcy advice.” Provide a detailed response.
23. As shown in Exhibit 11, page 3, Account 930.10 includes General Advertising expenses of \$97,159 for KAEC - KY Living Magazine. As shown in Exhibit 11, pages 7-9, Account 930.23 includes Public Relations expenses of \$16,328 for KAEC - KY Living Magazine and \$1,725 for Shandra Crossby KY Living insert article. In this regard, please provide the following information:
  - a. Provide a detail description of the nature and purpose of the \$97,159 KY Living Magazine advertising expenses in Account 930.10. If these involve any advertising campaigns, please provide copies of representative campaign documents.
  - b. Provide a detail description of the nature and purpose of the \$16,328 KY Living Magazine public relations expenses in Account 930.23. If these involve any advertising or public relations campaigns, please provide copies of representative campaign documents.
  - c. Provide a detail description of the nature and purpose of the \$1,725 KY Living Magazine insert article expenses in Account 930.23. In addition, provide copies of these insert articles.
24. With regard the Account 930.23 - Public Relations expenses shown in Exhibit 11, pages 7-9, please provide descriptions of the nature and purpose of the following expense items:
  - a. \$85 and \$220 for Fall Home Improvements (also, provide copies of ads)
  - b. \$250 for Home Improvement ad (also, provide copy of ad)
  - c. All expenses for the Connect Ky card



- d. \$4,842.61 for KAEC Cooperative card
  - e. \$150 for Industry appreciation (also, provide copy of ad).
25. As shown on Exhibit 11, page 9, the total Account 930.23 – Public Relations, expenses of \$126,748 without the \$62,186 of labor and benefit expenses charged to public relations activities amounts to a net amount of \$64,562. Of this net amount of \$64,562, Farmers has determined that \$27,578 (42.7%) should not be allowed for rate making purposes in this case. Why wouldn't it be appropriate that a similar ratio of 42.7% of the public relations labor and benefit expenses (amounting to 42.7% x \$62,186, or \$26,553) be disallowed for rate making purposes?
26. Exhibit 11 shows that Farmers has determined that a net amount of \$29,039 worth of miscellaneous expenses should be removed for rate making purposes in this case. However, as shown on Exhibit S, page 3, Farmers has inadvertently *added* this expense rather than removed this expense of \$29,039. The correction for this would increase Farmers adjusted Net Margins by \$58,078. Please confirm this. If you do not agree, explain your disagreement.
27. With regard to the \$218,881 test year expenses included in account 921 – Office Supplies and Expenses, please provide a detailed breakout and description of each expense item making up the total expense of \$218,881, in the same format and detail as per Exhibit 11.
28. With regard to Exhibit 5, page 5, please provide a management summary and copies of any correspondence that has been received from RUS since the 1/2/09 filing date regarding the loan funds advance.
29. Please explain the reasons for the large (30%) increase in the test year property taxes of approximately \$467,000 over the approximate property taxes of \$360,000 in the year prior to the test year.
30. With regard to the pro forma adjusted payroll expenses shown in Exhibit 1, please provide the following information:
- a. Provide the portion of the total projected wages of \$3,196,635 that has been allocated to the non-regulated propane subsidiary. In addition, show the employees whose salaries were partially allocated to the subsidiary and the payroll allocation amount for each of these employees.
  - b. Show how and where on Exhibit 1 this payroll allocation has actually been made for rate making purposes in this case.