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PUBLIC SERVICE
COMMISSION

OWEN *Electric*

A Touchstone Energy Cooperative 

Rate Case No.


2008-00154

**SUPPLEMENTAL REQUESTS FOR
INFORMATION OF THE
ATTORNEY GENERAL**

**8205 Hwy 127 N
PO Box 400
Owenton, KY 40359
502-484-3471**



OWEN Electric

A Touchstone Energy Cooperative 

November 14, 2008

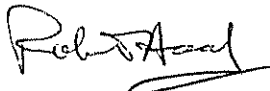
Stephanie L Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Dear Ms. Stumbo:

Please find enclosed the original and ten (10) copies of the responses to the Attorney General's Order "Supplemental Request for Information" to Owen Electric Cooperative, Inc. posted on October 31, 2008.

Please contact me with any questions regarding this filing.

Respectfully submitted,



Robert Hood
President and CEO

Enclosure

Cc Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, KY 40601

Michael Kurtz, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, Ohio 45202

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

NOV 1 2008

In the Matter of:

APPLICATION OF OWEN ELECTRIC)
COOPERATIVE, INC. FOR ADJUSTMENT) Case No. 2008-00154
OF RATES)

SUPPLEMENTAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Supplemental Request for Information to Owen Electric Cooperative, Inc., 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.

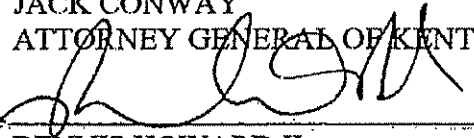
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(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.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL OF KENTUCKY



DENNIS HOWARD II
LAWRENCE W. COOK
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
dennis.howard@ag.ky.gov

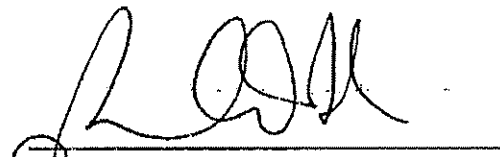
CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 31st day of October 2008, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

Honorable James M. Crawford
Crawford & Baxter, P.S.C.
523 Highland Ave.
P.O. Box 353
Carrollton, KY 41008

Honorable Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Robert Hood
President & CEO
Owen Electric Cooperative, Inc.
8205 Highway 127 North
P.O. Box 400
Owenton, KY 40359


Assistant Attorney General

OWEN ELECTRIC COOPERATIVE

CASE NO. 2008-00154

**Supplemental Requests For Information of the Attorney General to Owen Electric
Cooperative**

1. With regard to the response to AG-1-8(a), please explain the following information:
 - a. Is the import of the response that the test year operating expenses include non-recurring expenses of \$287,616 for Chapman Metering installation expenses or does the response mean that the \$287,616 of installation expenses incurred during the test year were capitalized as part of the AMR project?
 - b. If not capitalized, explain why these non-recurring expenses should be recognized for ratemaking purposes in this case.
 - c. If capitalized, explain why the response (in the second sentence) refers to these expenses as non-recurring.

2. With regard to the response to AG-1-10, please provide the following information:
 - a. Breakout of the \$850 advertising expense and a description of the nature and purpose of these advertising expenses. In addition, if available, provide copies of the ads underlying these expenses.
 - b. In the same detail and format as, for example, Exhibit 11, provide a breakout and description for each item making up the \$15,221 expense for Key Account Sponsorships. In addition, explain why these expenses should be included for ratemaking purposes.

3. With regard to the Performance bonuses discussed in the response to PSC-2-27, please provide the following information:
 - a. How many of OEC's hourly employees are union employees?
 - b. Are the performance bonuses paid to OEC's union employees fixed by union contract? If not required to be paid out by union contract, why is OEC paying its union employees performance bonuses in the test year over and above the compensation required by its union contracts?
 - c. Of the test year Performance Bonus amount of \$159,393 paid to the hourly employees, what portion applies to the hourly union employees?
 - d. When (year) did OEC initiate the Performance Bonus incentive compensation plan and what were the Performance Bonus amounts granted and paid in each of the years 2003 through 2006. Provide this information in total and as broken out between union and non-union employees.
 - e. For each of the last 5 years, including the test year, provide (1) the total number of employees; (2) the total number of employees that did *not* receive a Performance Bonus as a result of performance issues; and (3) the

OWEN ELECTRIC COOPERATIVE

CASE NO. 2008-00154

Supplemental Requests For Information of the Attorney General to Owen Electric Cooperative

specific reasons why these employees did not receive a Performance Bonus.

4. Of the normalized base wages of \$7,172,880 shown in Exhibit 7, please provide the base wages associated with non-union and union employees.
5. Please update the response to PSC-2-37(b) by providing the actual external rate case expenses for this case through October 31, 2008.
6. With regard to the \$2,000 shown on Exhibit 10, page 14, line 44, please provide a breakdown showing to which directors' attendance of the NRECA Annual Meeting the expense relates.
7. Please explain the nature and purpose of the \$1,095 expense shown on Exhibit 10, page 14, line 39 and to which director the expense applies.
8. Exhibit 10, page 14, line 132 shows that the General (directors) expenses include \$8,523 for Air Fare and \$12,072 for Hotel charges incurred for meetings and conferences attended by the various directors. In this regard, please provide the following information:
 - a. Portion of the \$8,523 and \$12,072 associated with the attendance of the KAEC Annual Meetings by non-representative directors. In addition, reconcile this expense portion to the total KAEC annual meeting expense removal of \$528 implicit in the disallowed KAEC annual meeting expenses shown on Exhibit 10, page 1.
 - b. Portion of the \$8,523 and \$12,072 associated with the attendance of the EKPC Annual Meetings by the directors. In addition, reconcile this expense portion to the total EKPC annual meeting expense removal of approximately \$69 implicit in the disallowed EKPC annual meeting expenses shown on Exhibit 10, page 1.
 - c. Portion of the \$8,523 and \$12,072 associated with the attendance of the Congressional Meeting by the directors. In addition, reconcile this expense portion to the total Congressional meeting expense removal of approximately \$456 implicit in the disallowed Congressional meeting expenses shown on Exhibit 10, page 1.
 - d. Portion of the \$8,523 and \$12,072 associated with the attendance of the Landfill Opening by the directors. In addition, reconcile this expense portion to the total Landfill Opening expense removal of approximately \$148 implicit in the disallowed Landfill Opening expenses shown on Exhibit 10, page 1.
9. With regard to the response to PSC-2-(d) and Exhibit 3, page 2 of 6, please provide the following information:

OWEN ELECTRIC COOPERATIVE

CASE NO. 2008-00154

Supplemental Requests For Information of the Attorney General to Owen Electric Cooperative

- a. Explain why the normalized depreciation expenses for AMI Meter accounts 370.10 and 370.20 increased by 62.6% and 50.3% over the actual test year depreciation expenses for these accounts.
 - b. What were the depreciation rates used for Meter accounts 370.10, 370.20 and 370.30 during the test year? If these rates were different from the rate of 6.67% assumed by OEC for the normalized depreciation expenses for these accounts, please provide a reconciliation.

10. With regard to the response to AG-1-26, please provide the following information:
 - a. Description of nature and purpose of the \$450 expense for Dues – Other.
 - b. Breakout of all of the subscription items making up the total subscription expense of \$2,586.
 - c. Breakout of the employee membership expenses of \$1,448 by membership and a description of the nature and purpose of each membership.
 - d. Breakout and purpose description of the components making up the Civic dues and expenses of \$1,078. In addition, explain why these expenses should be included for ratemaking purposes.
 - e. Explain why employee coffee expenses of \$1,767 and donation expenses of 100 should be included for ratemaking purposes.
 - f. Breakout and purpose description of all components making up the employee earnings and benefits expense of \$9,379.

11. With regard to Exhibit 11, page 7, lines 19 and 58, why does OEC believe it is appropriate to reflect for ratemaking purposes approximately \$8,915 worth of annual meeting expenses associated with children's inflatables and childrens entertainment?

12. In Exhibit 11, page 1, OEC states that Miscellaneous General expenses for employee meals, gifts, flower funds, amounts paid for the nominating committee, and other non-recurring amounts have been removed for ratemaking purposes. In this regard, provide a detailed listing of each of these expense categories included in the test year and indicate where in the filing schedules these expenses have been removed for ratemaking purposes.

13. In Exhibit 11, page 1, OEC states that reimbursements and attendance at chamber of commerce functions have been removed for ratemaking purposes. In this regard, provide a detailed listing of each of these expense categories included in the test year and indicate where in the filing schedules these expenses have been removed for ratemaking purposes.

OWEN ELECTRIC COOPERATIVE

CASE NO. 2008-00154

**Supplemental Requests For Information of the Attorney General to Owen Electric
Cooperative**

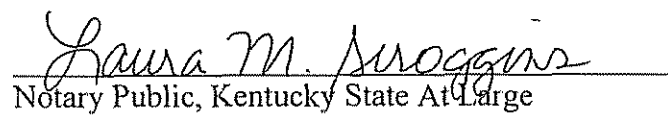
14. Please confirm the following information:
- a. As acknowledged in its response to AG-1-32, almost all of the proposed long-term debt interest adjustment of \$478,648 is the result of the interest annualization for the new RUS loan of \$13 million effective November 2007.
 - b. As acknowledged in its response to AG-1-33, about \$10.1 million of the \$13 million new November 2007 RUS loan of \$13 million was used to reduce OEC's short term debt balance from approximately \$15.8 million in November 2007 to approximately \$5.7 million at the end of the test year, December 2007.
 - c. The annualization of the test year-end short term debt balance of \$5,720,933 at the appropriate interest rate of 6.40% results in annualized pro forma short term debt expenses of \$366,140, as shown in Exhibit 5, page 3.
 - d. Assuming that one-half of the test year-end short term debt balance of \$5.7 million will be repaid from the rate increase to be produced from the current rate case (as OEC has assumed in this case – see Exhibit 5, page 3), this would indicate pro forma annual short-term debt interest expenses of \$183,070.
 - e. The above-derived pro forma short-term debt interest expenses of \$183,070 are \$161,799 lower than the pro forma short-term debt interest expenses of \$344,869 (see response to AG-1-31) reflected by OEC in this case.

Affiant, ROBERT HOOD, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

A handwritten signature in black ink, appearing to read "Robert Hood", written over a horizontal line.

ROBERT HOOD

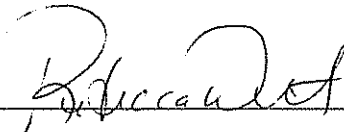
Subscribed and sworn to before me by the affiant, ROBERT HOOD, this 13th day of November, 2008.

A handwritten signature in black ink, appearing to read "Laura M. Stiggins", written over a horizontal line.

Notary Public, Kentucky State At Large

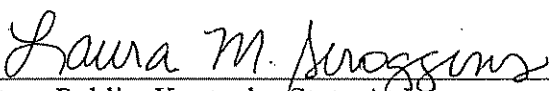
My Commission Expires: May 2, 2012

Affiant, REBECCA WITT, states that the answers given by her to the foregoing questions are true and correct to the best of his knowledge and belief.



REBECCA WITT

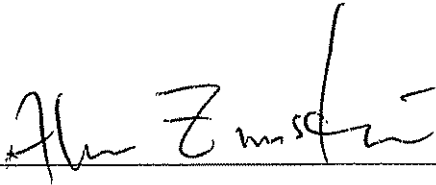
Subscribed and sworn to before me by the affiant, REBECCA WITT, this 13th day of November, 2008.



Notary Public, Kentucky State At Large

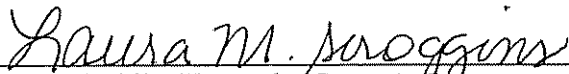
My Commission Expires: May 2, 2012

Affiant, ALAN M. ZUMSTEIN, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.



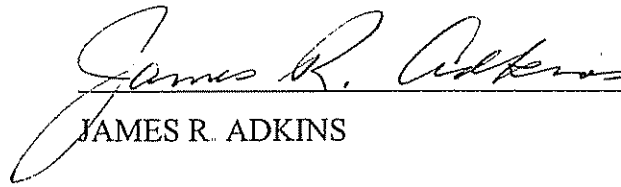
ALAN M. ZUMSTEIN

Subscribed and sworn to before me by the affiant, ALAN M. ZUMSTEIN, this 11th day of November, 2008.

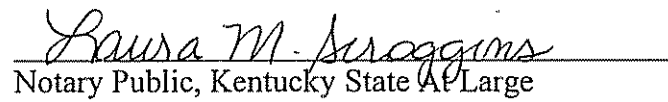

Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

Affiant, JAMES R. ADKINS, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.


JAMES R. ADKINS

Subscribed and sworn to before me by the affiant, JAMES R. ADKINS, this 11th
day of November, 2008.


Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

1. With regard to the response to AG -1-8(a), please explain the following information:

a. Is the import of the response that the test year operating expenses include non-recurring expenses of \$287,616 for Chapman Metering installation expenses or does the response mean that the \$287,616 of installation expenses incurred during the test year were capitalized as part of the AMR project?

Response

The amount of \$287,616 paid to Chapman Metering for meter installation during the test year was capitalized per the method described in the response.

b. If not capitalized, explain why these non-recurring expenses should be recognized for ratemaking purposes in this case.

Response

These expenditures were capitalized.

c. If capitalized, explain why the response (in the second sentence) refers to these expenses as non-recurring.

Response

The reference in the response to non-recurring expenses relates to the amounts paid to NRECA for consulting fees.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

2. With regard to the response to AG-1-10, please provide the following information:

a. Breakout of the \$850 advertising expense and a description of the nature and purpose of these advertising expenses. In addition, if available, provide copies of the ads underlying these expenses.

Response

The expenditure was for gifts associated with the annual Key Account Golf Outing, and was misclassified on the original schedule. This amount should have been removed for rate making purposes.

b. In the same detail and format as, for example, Exhibit 11, provide a breakout and description for each item making up the \$15,221 expense for Key Account Sponsorships. In addition, explain why these expenses should be included for ratemaking purposes.

Response

\$11,660	Suite Rental for Kentucky Speedway
\$ 3,536	Green fees & Catering for OEC Key Acct Golf Outing
<u>\$ 25</u>	Fees for East Ky Power Golf Outing
\$15,221	Total

These expenditures were all for Key Account Outings and Sponsorships and should have been removed for rate making purposes.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

3. With regard to the Performance bonuses discussed in the response to PSC-2-27, please provide the following information:

a. How many of OEC's hourly employees are union employees?

Response

58 are Union employees.

b. Are the performance bonuses paid to OEC's union employees fixed by union contract? If not required to be paid out by union contract, why is OEC paying its union employees performance bonuses in the test year over and above the compensation required by its union contracts?

Response

Performance incentive bonuses are not required by the collective bargaining agreement, however the agreement allows union members to participate in the program (page 22, Section 12A). Management and the Board of Directors initiated the performance incentive program as a means of providing a set of incentives and goals to all employees to achieve corporate targets. The goals are established taking into account the different impact field and office personnel have on each target. See PSC 3 – 11 for a breakdown of how the targets are established.

c. Of the test year Performance Bonus amount of \$159,393 paid to the hourly employees, what portion applies to the hourly union employees?

Response

\$105,560

d. When (year) did OEC initiate the Performance Bonus incentive compensation plan and what were the Performance Bonus amounts granted and paid in each of the years 2003 through 2006. Provide this information in total and as broken down between union and non-union employees.

Response

The Performance Incentive award program was initiated in 2001.
Performance awards granted each year:

	<u>Union</u>	<u>Non-Union</u>	<u>Total</u>
2003	\$ 61,965	\$ 97,340	\$159,305
2004	\$ 54,704	\$ 94,379	\$149,083
2005	\$ 68,958	\$119,781	\$188,739
2006	\$ 87,000	\$139,643	\$226,643
2007	\$105,560	\$171,834	\$277,394

e. For each of the last 5 years, including the test year, provide (1) the total number of employees; (2) the total number of employees that did not receive a Performance Bonus as a result of performance issues; and (3) the specific reasons why these employees did not receive a Performance Bonus.

Response

(1)

<u>Year</u>	<u>No Employees</u>
2003	113
2004	120
2005	125
2006	133
2007	134

(2) There were no employees that did not receive a performance bonus as a result of performance issues. The CEO does not participate in the program.

(3) Does not apply, see response above.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

4. Of the normalized base wages of 47,172,880 shown in Exhibit 7, please provide the base wages associated with the non-union and union employees.

Response

See Item 13. of Third Data Request of Commission Staff.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

5. Please update the response to PSC-2-37(b) by providing the actual external rate case expenses for this case through October 31, 2008.

Response
Attached.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

6. With regard to the \$2,000 shown on Exhibit 10, page 14, line 44, please provide a breakdown showing to which directors' attendance of the NRECA Annual Meeting the expense relates.

Response

Bond, Grant, Kinman and McCord.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

7. Please provide the nature and purpose of the \$1,095 expense shown on Exhibit 10, page 14, line 39 and to which director the expense applies.

Response

Registration fee for Director Training Course, Director Grant.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

8. Exhibit 10, page 14, line 132 shows that the General (directors) expenses include \$8,523 for Air Fare and \$12,072 for Hotel charges incurred for meetings and conferences attended by the various directors. In this regard, please provide the following information:

- a. Portion of the \$8,523 and \$12,072 associated with the attendance of the KAEC Annual Meeting by non-representative directors. In addition, reconcile this expense portion to the total KAEC annual meeting expense removal of \$528 implicit in the disallowed KAEC annual meeting expenses shown on Exhibit 10, page 1.

Response

None of the Air Fare expenses recorded in the General Expense category relate to this event. The expenses totaling \$4,428.39, removed for this event and shown on Exhibit 10, page 1, were for meeting expenses, mileage, and meals for non-representative directors. Hotel expenses for these non-representative directors were, however, included in the General Expense total of \$12,072, and were omitted from the removal in error. These expenditures should be removed for rate making purposes and are as follows:

<u>Director</u>	<u>Amount</u>
Bond	\$ 296.74
True	\$ 296.74
Grant	\$ 296.74
S. Gosney	\$ 296.74
B. Gosney	\$ 296.74
McCord	<u>\$ 296.74</u>
Total	\$1,780.44

- b. Portion of the \$8,523 and \$12,072 associated with the attendance of the EKPC Annual Meetings by the directors. In addition, reconcile this expense portion to the total EKPC annual meeting expense removal of approximately \$69 implicit in the disallowed EKPC annual meeting expenses shown on Exhibit 10, page 1.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

Response

None of the Air Fare or Hotel expenses recorded in the General Expense category relate to this event. The expenses totaling \$1,368.87, removed for this event and shown on Exhibit 10, page 1, were for meeting expenses and mileage for non-representative directors.

- c. Portion of the \$8,523 and \$12,072 associated with the attendance of the Congressional Meeting by the directors. In addition, reconcile this expense portion to the total Congressional meeting expense removal of approximately \$456 implicit in the disallowed Congressional meeting expenses shown on Exhibit 10, page 1.

Response

The expenses totaling \$6,955.50, removed for this event and shown on Exhibit 10, page 1, were for meeting expenses, mileage, and meals. Amounts included in the General Expenses for Air Fare and Hotel rooms were omitted from Exhibit 10, page 1, in error. These amounts should be removed for rate making purposes, and are as follows:

<u>Director</u>	<u>Air Fare</u>	<u>Hotel</u>
Bond	\$ 215.82	\$ 857.33
True	\$ 215.82	\$ 857.33
Grant	\$ 215.82	\$ 857.33
B. Gosney	\$ 215.82	\$ 857.33
Kinman	<u>\$ 215.82</u>	<u>\$ 857.33</u>
Total	\$1,079.10	\$4,286.65

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

- d. Portion of the \$8,523 and \$12,072 associated with the attendance of the Landfill Opening by the directors. In addition, reconcile this expense portion to the total Landfill Opening expense removal of approximately \$456 implicit in the disallowed Landfill Opening expenses shown on Exhibit 10, page 1.

Response

None of the Air Fare or Hotel expenses recorded in the General Expense category relate to this event. The expenses totaling \$1,447.93, removed for this event and shown on Exhibit 10, page 1, were for meeting expenses and mileage.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

9. With regard to the response to PSC-2-28(d) and Exhibit 3, page 2 of 6, please provide the following information:

- a. Explain why the normalized depreciation expenses for AMI Meter accounts 370.10 and 370.20 increased by 62.6% and 50.3% over the actual test year depreciation expenses for these accounts.

Response

Refer to response to PSC-3-12.

- b. What were the depreciation rates used for Meter accounts 370.10, 370.20, and 370.30 during the test year? If these rates were different from the rate of 6.67% assumed by OEC for the normalized depreciation expenses for these accounts, please provide a reconciliation.

Response

Refer to response to PSC-3-12.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

10. With regard to the response to AG-1-26, please provide the following information:

- a. Description of nature and purpose of the \$450 expense for Dues-Other.

Response

NRECA subscriptions for Personnel Practices.

- b. Breakout of all the subscription items making up the total subscription expense of \$2,586.

Response

NRECA subscriptions for; CEO Close Up; Electric Co-Op Today; National Compensation; Climate Change magazine; and Workplace Law.

- c. Breakout of the employee membership expenses of \$1,448 by membership and a description of the nature and purpose of each membership.

Response

NRECA Executive & Administrative Assistants Association; Thomson West, Employee Benefits Association; Employers Resource Association; Society for Human Resource Managers; and AICPA.

- d. Breakout and purpose description of the components making up the Civic dues and expenses of \$1,078. In addition, explain why these expenses should be included for ratemaking purposes.

Response

Consists of local chamber of commerce dues and meals. These should have been removed for ratemaking purposes.

- e. Explain why employee coffee expenses of \$1,767 and donation expenses of 100 should be included for ratemaking purposes.

Response

The 100 donation should have been removed for ratemaking purposes. The coffee for employees allows employees to get coffee, get assignments for the day, and start work. The coffee is for outside and inside employees. If outside employees were to stop and get coffee on their own each morning, then line trucks, bucket trucks, and service trucks would be attempting to get in small rural locations and take extra time to get to work, thus, being very inefficient every day.

- f. Breakout and purpose description of all components making up the employee earnings and benefits expenses of \$9,379.

Response

Amounts paid to Adecco Employment Services for temporary work.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

11. With regard to Exhibit 11, page 7, lines 19 and 58, why does OEC believe it is appropriate to reflect for ratemaking purposes approximately \$8,915 worth of annual meeting expenses associated with children's inflatables and children's entertainment?

Response

Annual meeting entertainment, whether for adults or children, get members to attend the annual meeting. Without entertainment for children, less adults will be willing to attend. The \$300 for children's inflatables should be included for ratemaking purposes.

The \$8,615.45 to KAEC was a combination of several items for the annual meeting. The first item listed on the invoice was for Children's Entertainment of a magician in the amount of \$500, the remaining was for annual meeting setups.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

12. In Exhibit 11, page 1, OEC states that Miscellaneous General expenses for employee meals, gifts, flower funds, amounts paid for nominating committee, and other non-recurring amounts have been removed for ratemaking purposes. In this regard, provide a detailed listing of each of these expense categories included in the test year and indicate where in the filing schedules these expenses have been removed for ratemaking purposes.

Response

The above comment refers to expenses that are normally removed for ratemaking purposes. Expenses that would be included in the listing of expenses in Miscellaneous General Expenses detailed in Exhibit 11 that are removed. These are identified by the "X" next to the amount that is to be removed. There are not necessarily all of the items listed above that are included in the expenses for OEC.

These have been summarized on page 1 of 9, Exhibit 11. See also Item 10 of this response.

Owen Electric Cooperative
Case No. 2008-00154
AG's Supplemental Requests for Information

13. In Exhibit 11, page 1, OEC states that reimbursements and attendance at chamber of commerce functions have been removed for ratemaking purposes. In this regard, provide a detailed listing of each of these expense categories included in the test year and indicate where in the filing schedules these expenses have been removed for ratemaking purposes.

Response

The above comment refers to expenses that are normally removed for ratemaking purposes. Expenses that would be included in the listing of expenses in Miscellaneous General Expenses detailed in Exhibit 11 that are removed. These are identified by the "X" next to the amount that is to be removed. There are not necessarily all of the items listed above that are included in the expenses for OEC.

These have been summarized on page 1 of 9, Exhibit 11. See also Item 10. of this response.

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14. Please confirm the following information:

- a. As acknowledged in its response to AG-1-32, almost all of the proposed long-term debt interest adjustment of \$478,648 is the result of the interest annualization for the new RUS loan of \$13 million effective November 2007.

Response

Yes.

- b. As acknowledged in its response to AG-1-33, about \$10.1 million of the \$13 million new November 2007 RUS loan of \$13 million was used to reduce OEC's short term debt balance from approximately \$15.8 million in November 2007 to approximately \$5.7 million at the end of the test year, December 2007.

Response

Yes.

- c. The annualization of the test year-end short term debt balance of \$5,720,933 at the appropriate interest rate of 6.40% results in annualized pro forma short term debt expenses of \$336,140, as shown in Exhibit 5, page 3.

Response

See PSC-3-4(a) and (b).

- d. Assuming that one-half of the test year-end short term debt balance of \$5.7 million will be repaid from the rate increase to be produced from the current rate case (as OEC has assumed in this case – see Exhibit 5, page 3), this would indicate pro forma annual short-term debt interest expenses of \$183,070.

Response

No. See PSC-3-4(a) and (b).

- e. The above-derived pro forma short-term debt interest expenses of \$183,070 are \$161,799 lower than the pro forma short-term debt interest expenses of \$344,869 (see response to AG-1-31) reflected by OEC in this case.

Response

No. See PSC-3-4(a) and (b).