

OWEN Electric

A Touchstone Energy Cooperative 

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PUBLIC SERVICE
COMMISSION

Rate Case No. 2008-00154

**4th DATA REQUEST OF THE PUBLIC SERVICE
COMMISSION STAFF TO
OWEN ELECTRIC COOPERATIVE INC**

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

CRAWFORD & BAXTER, P.S.C.

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February 27, 2009

Mr. Jeff Derouen, Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RE: **PSC Case No. 2008-00154**
Owen Electric Cooperative, Inc.

Dear Ms. Stumbo:

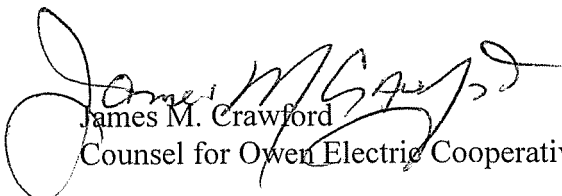
Please find in Case No. 2008-00154 the original and seven (7) copies of Applicant's Response to "Fourth Data Request of Commission to Owen Electric Cooperative, Inc." This relates to the application for adjustment rates by Owen Electric Cooperative, Inc.

Contact me at (502) 732-6689 or Rebecca Witt at (502) 484-3471 if there are any questions.

Thanks for your assistance in this matter.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford
Counsel for Owen Electric Cooperative, Inc.

JMC/mns

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC)
COOPERATIVE, INC. FOR ADJUSTMENT OF) CASE NO.
RATES) 2008-00154

FOURTH DATA REQUEST OF COMMISSION STAFF
TO OWEN ELECTRIC COOPERATIVE, INC.

Owen Electric Cooperative, Inc. ("Owen"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 27, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Owen 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

Owen fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Prepared Testimony of Mark A. Stallons at 5-6. Mr. Stallons states that, “[o]ne result of such a change is that the energy charge would be reduced as fixed cost and margin recovery was removed from the **customer** charge.” [Emphasis added.] Did Mr. Stallons intend for the emphasized word to be “energy”?

2. Refer to the Prepared Testimony of Mark A. Stallons at 6.

a. Mr. Stallons refers to “the last cost of service study” performed by Owen. Is Mr. Stallons referring to the cost of service study (“COSS”) filed in this case?

b. Mr. Stallons states that the referenced COSS shows that 20 percent of a typical customer’s bill is related to the distribution facilities and the remaining 80 percent is related to the energy purchased from the supplier. Provide where this is shown in the referenced COSS.

3. Refer to the Prepared Testimony of Mark A. Stallons at 12-13.

a. Is Owen suggesting that the Commission consider approving a demand side management surcharge in this case? If yes, provide where in the application such a surcharge is supported.

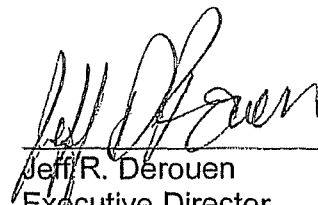
b. Clarify whether Owen is changing its initial request of a 2.0 Times Interest Earned Ratio ("TIER") to a 2.5 TIER.

4. Assuming Owen is granted the total amount of its proposed rate increase, provide the amount of a projected bill at 500 kWh, 1,000 kWh, and 2,000 kWh if:

a. A residential customer charge of \$9.00 is approved rather than a customer charge of \$11.20. Include the calculations and highlight the customer charge, the energy charge and the final amount of the bill.

b. A residential customer charge of \$10.00 is approved rather than a customer charge of \$11.20. Include the calculations and highlight the customer charge, the energy charge and the final amount of the bill.

5. According to Owen, on January 5, 2009, Robert Hood retired from Owen and was replaced by Mark Stallons as the "President/Chief Executive Officer." Identify the impact the hiring of the new President/Chief Executive Officer will have on test-period operating expenses (i.e.; salaries and wages, payroll taxes, fringe benefits).



Jeff R. Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: FEBRUARY 16, 2009

cc: Parties of Record

Lawrence W Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

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

Mark Stallons
President
Owen Electric Cooperative, Inc.
8205 Highway 127 North
P. O. Box 400
Owenton, KY 40359

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

Rebecca Witt

Rebecca Witt, Senior Vice President of Corporate Services

Subscribed and sworn to before me by the affiant, Rebecca Witt, this 27th
day of February, 2009.

Notary Laura M. Swiggins
State-at-Large

My Commission expires May 2, 2012.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

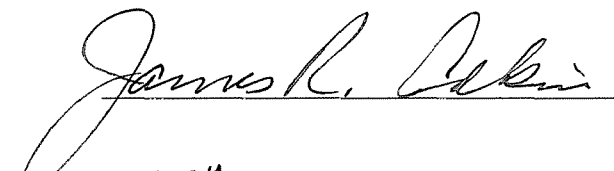
IN THE MATTER OF:

ADJUSTMENT OF ELECTRIC)
RATES OF OWEN ELECTRIC) CASE NO. 2008-00154
COOPERATIVE)

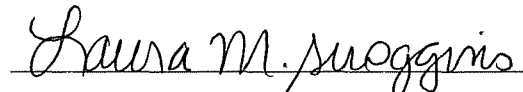
CERTIFICATE

STATE OF KENTUCKY }
 }
COUNTY OF OWEN)

James R. Adkins being duly sworn, states that he has supervised the preparation of the responses of Owen Electric Cooperative to the Public Service Commission Staff Fourth Data Request in the above referenced case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 27th day of February, 2009.


Notary Public

My Commission expires: May 2, 2012

**Owen Electric Cooperative
Case No. 2008-00154
Fourth Data Request of Commission Staff**

Question No. 1:

Refer to the Prepared Testimony of Mark A Stallons at 5-6. Mr. Stallons states that. "(o)ne result of such a change is that the energy charge would be reduced as fixed cost and margin recovery was removed from the **customer** charge. (Emphasis added) Did Mr. Stallons intend for the emphasized word to be "energy"?"

Response:

Yes.

RESPONSE TO COMMISSION STAFF'S FOURTH DATA REQUEST

Question No. 2:

Refer to the Prepared Testimony of Mark A. Stallons at 6.

a. Mr. Stallons refers to "the last cost of service study performed by Owen. Is Mr. Stallons referring to the cost of service study ("COSS") filed in this case.

Response:

a. Mr. Stallons is referring to the cost of service study filed in this case.

Question:

b. Mr. Stallons states that the COSS shows that 20 percent of a typical customer's bill is related to the distribution facilities and the remaining 80 percent is related to the energy purchased from the supplier. Provide where this is shown in the referenced COSS.

Response:

b. The information provided on the next page comes from Exhibit R, Page 12 of 55, Schedule 3 of the application. It should be noted that this information is for base rates only. The information does not include fuel adjustment clause revenue and costs nor does it include environmental surcharge revenue and costs. If these revenues and costs were included with the assumption that revenue equals costs, then purchased power as a percent of revenue would be somewhat higher than the 80 percent amount in Mr. Stallons testimony.

**OWEN ELECTRIC COOPERATIVE
CASE NO. 2008-00154**

Item No. 2
Page 2 of 2
Witness: Jim Adkins

RESPONSE TO COMMISSION STAFF'S FOURTH DATA REQUEST

BREAK DOWN OF BETWEEN PURCHASED POWER AND DISTRIBUTION COSTS

<u>Rate Class</u>	<u>Revenue</u>	<u>Purchased Power</u>	<u>Distribution Costs & Margins</u>	<u>Percent</u>	
				<u>Purchased Power</u>	<u>Distri. bution</u>
Envirowatts	63,132	63,332	(200)	100.32%	-0.32%
Sched 1- F&H	59,168,372	41,029,805	18,138,567	69.34%	30.66%
Sched 1A- ETS	2,656	2,202	454	82.91%	17.09%
Sched 1- Sml Com	3,685,833	2,560,893	1,124,940	69.48%	30.52%
Sched 2- Large Pow	13,044,181	9,545,562	3,498,619	73.18%	26.82%
Sched XI - LPB1	3,825,372	3,164,770	660,602	82.73%	17.27%
Sched XIII - LPB2	4,958,223	4,371,499	586,724	88.17%	11.83%
Sched XIV - PPB	1,017,576	734,152	283,424	72.15%	27.85%
Sched 2A TOD	295,556	207,569	87,987	70.23%	29.77%
Sched III - Sec Lights	726,668	278,328	448,340	38.30%	61.70%
Sched OLS-Lights	236,461	97,218	139,243	41.11%	58.89%
Sched II OLS-Lights	42,098	16,131	25,967	38.32%	61.68%
Gallatin Steel	38,931,361	38,576,211	355,150	99.09%	0.91%
Total	125,997,489	100,647,672	25,349,817	79.88%	20.12%

If total revenues and total purchased power costs are considered, we would have the the following percentages. The below data comes from Exhibit S of the application.

ACTUAL TEST YEAR INFORMATION

	<u>Actual TY</u>			<u>Percent</u>	
	<u>Revenues</u>	<u>Purch. Power</u>	<u>Distribution</u>	<u>Purchased Power</u>	<u>Distri. bution</u>
Revenue-Rate Sched	96,862,164	70,933,726	25,928,438	73.23%	26.77%
Gallatin Steel - Contract	44,355,185	44,866,999	(511,814)	101.15%	-1.15%
Total	141,217,349	115,800,725	25,416,624	82.00%	18.00%

**Owen Electric Cooperative
Case No. 2008-00154
Fourth Data Request of Commission Staff**

Question No. 3:

Refer to the Prepared Testimony of Mark A. Stallons at 12 – 13.

a. Is Owen suggesting that the Commission consider approving a demand side management surcharge in this case? If yes, provide where in the application such a surcharge is supported.

Response

No, Owen is not suggesting that the commission consider approving a demand side management surcharge in this case. Owen is suggesting that if it were to request such a surcharge in the future, and the Commission would approve it, funds would be available for energy innovation programs.

b. Clarify whether Owen is changing its initial request of a 2.0 Times Interest Earned Ratio (“TIER”) to a 2.5 TIER.

Response

No, Owen is not changing its original request of a 2.0 TIER in this case. In future cases, however, Owen might consider requesting more than a 2.0 TIER in order to have available funds for energy investments.

RESPONSE TO COMMISSION STAFF'S FOURTH DATA REQUEST

Question No. 4:

Assuming Owen is granted the total amount of its proposed rate increase, provide the amount of a projected bill at 500 kWh, 1,000 kWh, and 2,000 kWh if:

a. A residential customer charge of \$9.00 is approved rather a customer charge of \$11.20. Include the calculations and highlight the customer charge, the energy charge and the total bill.

Response:

a. Provided below is the requested information for a projected bill with 500 kWh.

Development of Energy Rate with a \$9.00 Customer Charge

Total base rate revenue - proposed		62,708,169
Customer Charge revenue		
Billing Units	636,654	
	9.00	5,729,886
Revenue from Energy Charge		56,978,283
Energy kWh		737,788,979
Energy Rate		<u>\$ 0.07723</u>

Typical Bill for 500 kWh

Customer Charge	\$ 9.00
Energy Charge	38.61
Total Bill	<u>\$ 47.61</u>

Typical Bill for 1,000 kWh

Customer Charge	\$ 9.00
Energy Charge	77.23
Total Bill	<u>\$ 86.23</u>

Typical Bill for 2,000 kWh

Customer Charge	\$ 9.00
Energy Charge	154.46
Total Bill	<u>\$ 163.46</u>

CASE NO. 2008-00154

RESPONSE TO COMMISSION STAFF'S FOURTH DATA REQUEST

b. A residential customer charge of \$10.00 is approved rather a customer charge of \$11.20. Include the calculations and highlight the customer charge, the energy charge and the total bill.

Response:

a. Provided below is the requested information for a projected bill with 500 kWh.

Development of Energy Rate with a \$10.00 Customer Charge

Total base rate revenue - proposed		62,708,169
Customer Charge revenue		
Billing Units	636,654	
	10.00	6,366,540
Revenue from Energy Charge		56,341,629
Energy kWh		737,788,979
Energy Rate		<u>\$ 0.07637</u>

Typical Bill for 500 kWh

Customer Charge	\$ 10.00
Energy Charge	38.18
Total Bill	<u>\$ 48.18</u>

Typical Bill for 1,000 kWh

Customer Charge	\$ 10.00
Energy Charge	76.37
Total Bill	<u>\$ 86.37</u>

Typical Bill for 2,000 kWh

Customer Charge	\$ 10.00
Energy Charge	152.73
Total Bill	<u>\$ 162.73</u>

RESPONSE TO COMMISSION STAFF'S FOURTH DATA REQUEST

SUMMARY OF BILLS AT VARIOUS KWH LEVELS AND VARYING CUSTOMER CHARGES

	<u>Customer Charge</u>		
	<u>\$ 11.20</u>	<u>\$ 9.00</u>	<u>\$ 10.00</u>
<u>500 kWh Usage</u>			
Customer Charge	\$ 11.20	\$ 9.00	\$ 10.00
Energy Charge	<u>37.67</u>	<u>\$ 38.61</u>	<u>\$ 38.18</u>
Total Bill	<u><u>\$ 48.87</u></u>	<u><u>\$ 47.61</u></u>	<u><u>\$ 48.18</u></u>
<u>1,000 kWh Usage</u>			
Customer Charge	\$ 11.20	\$ 9.00	\$ 10.00
Energy Charge	<u>75.33</u>	<u>\$ 77.23</u>	<u>\$ 76.37</u>
Total Bill	<u><u>\$ 86.53</u></u>	<u><u>\$ 86.23</u></u>	<u><u>\$ 86.37</u></u>
<u>2,000 kWh Usage</u>			
Customer Charge	\$ 11.20	\$ 9.00	\$ 10.00
Energy Charge	<u>150.66</u>	<u>\$ 154.46</u>	<u>\$ 152.73</u>
Total Bill	<u><u>\$ 161.86</u></u>	<u><u>\$ 163.46</u></u>	<u><u>\$ 162.73</u></u>

**Owen Electric Cooperative
Case No. 2008-00154
Fourth Data Request of Commission Staff**

Question No. 5:

According to Owen, on January 5, 2009, Robert Hood retired from Owen and was replaced by Mark Stallons as the "President/Chief Executive Officer." Identify the impact the hiring of the new President/Chief Executive Officer will have on test-period operating expenses (i.e.; salaries and wages, payroll taxes, fringe benefits).

Response

The employment of Mr. Stallons in 2009 has no impact on the test year data. It is expected, however, that Owen's additional expense resulting from the management change will be approximately \$10,200.00 for 2009. This estimated increase is comprised of salary, employer match of payroll taxes, and increased medical insurance premiums.