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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

OCT 02 2008
PUBLIC SERVICE
COMMISSION

In the Matter of:

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

**INITIAL 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 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.

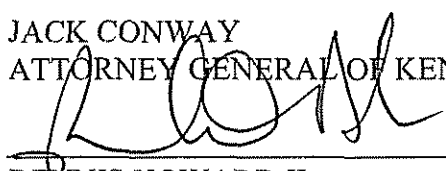
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(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



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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 2nd 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
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Robert Hood
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Assistant Attorney General

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1. With regard to prepayments, please provide the following information:
 - a. What makes up the prepayment balance in prepayment account 165.00 (e.g., 12/31/07 balance of \$85,500).
 - b. Please provide the portion of the 13-month average prepayment balance of \$483,537 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.
2. Given that OEC has the availability of \$2,352,442 worth of Consumer Deposit funds and has not deducted this Consumer Deposit balance from its rate base, explain why the Coop believes it appropriate to include Consumer Deposit interest expense (see Exhibit X, page 7) in its determination of the requested rate increase in this case. Stated differently, if Consumer Deposits are not to be considered for ratemaking purposes in this case, explain why the interest expenses associated with Consumer Deposits have been considered for ratemaking purposes by OEC.
3. Is OEC aware of the well-established and long-standing Commission ratemaking policy that consumer deposits may not be deducted from rate base and, consistent with that policy, that consumer deposit interest may not be included as an above-the-line ratemaking expense (see page 9 of the Commission's Order in Delta Natural Gas Company's 1999 rate case, Case No. 1999-176)?
4. Exhibit S, page 2 shows that the revenue and associated power cost normalizations for the Case No. 2006-0522 flow-through adjustment amount to \$5,256,227 and \$5,783,125, respectively. Please explain in detail why the power expense normalization adjustment is \$526,898 higher than the corresponding base revenue normalization adjustment.
5. For each of the income statement accounts listed on Exhibit X, pages 1 through 9, please provide a schedule showing a side-by-side comparison of the actual annual amounts (only annual amounts are requested, not monthly amounts) for the 2007 test year and calendar years 2004, 2005 and 2006.
6. The first column of Exhibit 12, page 3 of 6 shows the number of events assumed in the quantification of the Non-Recurring Charge revenue adjustment. For each non-recurring charge listed, please provide the actual annual number of events in the test year and in each of the 3 years prior to the test year.
7. Please expand the year-end customer annualization adjustment on Exhibit 16 by also including Schedule III (Security Lights), Schedule OLS and Envirowatts in the net revenue annualization calculations. Provide this information in the same detail and format as shown on Exhibit 16.

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8. As confirmed on Exhibit 3, page 1, during 2007 OEC completed the installation of a new AMI system and the corresponding removal of all existing meters. In this regard, please provide the following information:
 - a. Provide all O&M expenses (including meter expenses, maintenance expenses, outside services expenses, etc.) booked in the 2007 test year that were directly or indirectly associated with this one-time meter conversion project. Provide these O&M expenses in total and broken out by O&M expense account (account number and title).
 - b. The 2007 Meter Expense of \$522,168 in Acct. 58600 is 80% higher than the 2006 Meter Expense of \$290,726 in that same account. Please indicate the reasons for this and indicate what portion of the 2007 Meter Expense of \$522,168 is associated with the one-time AMR conversion project.
 - c. Will the completion of the AMR system result in expense savings? If so, please describe:
 - 1) the nature of the expense savings;
 - 2) the expense accounts in which these expense savings are expected to take place; and
 - 3) quantification of the expected annual expense savings that are not reflected in the adjusted test year operating expenses.If no expense savings are expected, explain why.
9. Please provide the actual expenses booked in the years 2003, 2004 and 2005 for the following expense accounts: Accounts 583.00, 584.00, 593.00, 593.20, and 903.00.
10. With regard to Account 912.00 – Demonstration & Selling expense, please provide the following information:
 - a. Actual expenses booked in each of the years 2003, 2004 and 2005.
 - b. Detailed breakout of the nature and purpose of the expense components making up the total test year expense amount of \$115,110.
11. Exhibit 1 does not include the “Analysis of Salaries and Wages for the years 2004, 2005, 2006 and the 2007 test year” that is always included in coop rate filings. Please provide this one-page analysis sheet for the current case.
12. With regard to the Payroll information shown on Exhibit 1, please explain why OEC has assumed normalized annual hours of 2,080 for the following employees who worked substantially less than 2,080 hours during the test year: salaried employee no. 5067 and hourly employee numbers 2056, 2320, 2331, 4045, 4052, 4053, and 5058.

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13. With regard to OEC's number of employees, please provide the number of employees (in total and broken out between salaried, hourly, summer and part-time) for each month from January 2007 through August 2008, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.
14. Please explain the nature and purpose of the \$184,962 Performance Bonus expense (i.e., what exactly does the performance bonus represent). In addition, explain why this expense should be allowed for ratemaking purposes in this case.
15. Exhibit 1, page 6 shows total test year overtime hours of 22,426 with an associated overtime expense amount of \$852,323. Please provide the actual overtime hours and associated overtime expenses booked by OEC during 2006, 2005 and 2004.
16. Exhibit 1, pages 1 and 5 show that the 2007 test year had 12 salaried employees who worked a total number of hours of 24,512 and 122 hourly employees who worked a total number of hours of 247,367. For each of the years 2004, 2005 and 2006, provide the same type of actual information, i.e., the total number of salaried employees and the associated total number of hours worked and the total hourly employees and the associated total number of hours worked.
17. Are the proposed annual FAS 106 expenses of \$18.854 for Directors shown on Exhibit 6, page 1 reflected for ratemaking purposes in this case? If so, indicate on which schedule and line item and explain why it is appropriate to charge these expenses for ratemaking purposes.
18. Are any FAS 106 expenses for OEC's outside attorneys reflected for ratemaking purposes in this case? If so, indicate on which schedule and line item and explain why it is appropriate to charge these expenses for ratemaking purposes.
19. Re. Exhibit 7, page 1: When the normalized salaries of \$1,160,661 are multiplied by the 2008 retirement ratio of 18.64% and the normalized hourly employee wages of \$6,012,219 are multiplied by the 2008 retirement ratio of 17.23%, the resultant total pro forma annualized retirement cost is \$1,252,252. In this regard, please provide the following information:
 - a. The calculated total retirement cost of \$1,252,252 represents a composite retirement ratio of 17.46%. Please reconcile this to the composite ratio of 18.08% used by OEC.
 - b. Would OEC agree that the more accurate annualized retirement expense should be \$1,252,252 rather than the claimed amount of \$1,296,857? If not, why not?

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20. With regard to Exhibit 9 (Professional Services), please provide the following information:
 - a. Actual professional services expenses, in total and broken down between legal, engineering, accounting and other, for each of the years 2003 through 2006.
 - b. Nature and purpose of the Other Professional Services expenses for Execuquest, CDS Associates, KCTS ("Ky Wins Job Evaluation") and Gary Gibson. In addition, for each of these expense components indicate as to whether the expense is recurring or non-recurring.

21. With regard to the approximate \$24,000 AMR consulting fees included in the test year expense under Other Professional Fees (Exhibit 9, page 4), please provide the following information:
 - a. Nature and purpose of these expenses.
 - b. Now that the AMR project has been implemented isn't it true that the \$24,000 expense is non-recurring? If not, why not?
 - c. When was the AMR project completed (month and year)?

22. 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 13.

23. Please provide the regulatory assessments included in the test year as compares to 2004, 2005 and 2006 and indicate in which account these expenses are recorded.

24. Page 9 of OEC's 2007/2006 Annual Report states that the coop has recorded advertising expenses of \$325,403 in the 2007 test year. In this regard, please provide the following information:
 - a. Please reconcile this total amount of \$325,403 to the \$288,740 advertising expenses booked in account 930.10 and detailed in Exhibit 11.
 - b. Provide a detailed breakout (in the same format and detail as per Exhibit 11 of the remaining advertising expenses.

25. With regard to the advertising expenses detailed in Exhibit 11, please explain why the following expenses should be allowed for ratemaking purposes:
 - a. \$1,267 for home-town coop(check #77349)
 - b. \$4,800 for Washington Youth Tours (check #76440)
 - c. \$1,000 for sponsorship (check #76439)
 - d. \$693 for civic dues (check #76845)
 - e. \$212 for civic dues (check #77203)

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- f. \$1,267 for TSE Living (check #77296 and check #77695)
 - g. \$1,267 for Balloon Glow (check #77349)
 - h. \$800 for Halloween safety (check # 77519 and check #77620)
 - i. Explain why the \$38,859 for EKPC Partners Plus expense credit should be removed for ratemaking purposes.
26. In the same detail as, for example, Exhibit 11, please provide a detailed breakout of the test year expense of \$259,827 for Office Supplies.
27. With regard to the Directors fees and expenses listed on Exhibit 10, please provide the following information:
- a. There are no descriptions of the nature and purpose for each of the "Other Board Meeting" fees and "Meeting Fees" for each of the directors. Please provide this information for each of the directors.
 - b. Explain the nature and purpose of the airfare expense of \$8,523 under General Expenses.
 - c. Explain the nature and purpose of each of the meetings making up the total meeting fees of \$6,115 under General Expenses.
 - d. Explain the nature and purpose of the Hotel charges of \$12,072 and meals charges of \$10,710 under General Expenses.
28. Traditionally, the PSC has disallowed for ratemaking purposes all NRECA Annual Meeting expenses other than the NRECA Annual Meeting expenses incurred by OEC's Designated or Alternate Representative to NRECA. Explain why OEC has included all of these NRECA Annual Meeting expenses for ratemaking purposes.
29. Exhibit X, page 7 shows Customer Deposit interest expenses of \$689,738 in account 431.00. Should this be interest on Short Term Debt (Notes Payables)? If not, provide the correct answer.
30. Exhibit X, page 7 shows Other Interest expenses of \$130,051 in account 431.10. Should this be Customer Deposit interest expense? If not, provide the correct answer.
31. The Interest Expense – Other amount claimed by OEC in this case amounts to \$474,919. Please confirm that this amounts consists of one-half of the actual per books short term debt interest of \$689,738 (= \$344,869) plus the \$130,051 of Other Interest expense of \$130,051 in account 431.10.
32. Exhibit 5, page 2 shows that almost all of the long-term debt adjustment of \$478,648 is caused by the annualization of the interest associated with the

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November 2007 RUS loan of \$13 million, which interest expense annualization adjustment has produced a long-term debt interest increase of \$438,278.

33. Please provide a schedule showing how the proceeds from the November 2007 RUS loan of \$13 million were used.
34. Exhibit W, page 11, account 231.00 shows that OEC's short term debt balance during the 11-month test year 1/1/07 through 11/30/07 averaged approximately \$15.2 million, but was reduced by almost \$10 million to \$5.7 million in the last month of the test year, December 2007. In this regard, please provide the following information:
 - a. Please confirm the above facts. If you do not agree, explain your disagreement.
 - b. Please confirm that the actual test year short term debt interest of \$689,738 is the interest associated with the short term debt balances in the test year, which average approximately \$14.4 million. If you do not agree, explain your disagreement.
 - c. Please confirm that, through its long-term debt interest annualization adjustment on Exhibit 5, page 2, the Company has assumed that the \$13 million RUS loan issued in November 2007 has been in effect for the entire 12 months of the test year. If you do not agree, explain your disagreement.
 - d. Please confirm that if the RUS loan of \$13 million had been in effect as of 1/1/07, and the proceeds of this loan had been used to redeem OEC's short term debt (as it did in December 2007), OEC's average short term debt balance, and the associated test year short term debt interest, would have been significantly lower than the actual \$14.4 million test year average short term debt balance. If you do not agree, explain your disagreement.
35. Exhibit X, pages 7-8, accounts 426.11 through 426.50 show that the \$36,933 expense for Other Deductions on Exhibit S, page 2, consists of the following expense items: Ind. Develop Authorities - \$27,000; Exec. Insurance - \$745; Penalties - \$5,604; and Misc Inc Deductions Other - \$3,582. In this regard, please provide the following information:
 - a. Explain the nature and purpose of each of the above-listed expense components.
 - b. Explain why these expenses should be allowed for ratemaking purposes in this case.